Member of Financial Accounting Standards Foundation

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

February 4, 2011

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*): February 14, 2011
Scheduled date for commencement of dividend payments: —
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated business results for the first nine months of the fiscal year ending March 2011
(April 1, 2010 – December 31, 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 Nine Months to December 31, 2010	685,128	8.3	12,248	51.1	10,187	83.9	6,641	224.9
First Nine Months to December 31, 2009	632,791	-30.9	8,105	-52.0	5,538	-58.1	2,044	-43.1

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
First Nine Months to December 31, 2010	15.88	–
First Nine Months to December 31, 2009	4.89	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2010	395,952	46,616	7.6	72.30
As of March 31, 2010	398,629	45,804	7.3	69.15

(Reference) Shareholder's equity: 30,265 million yen as of December 31, 2010 28,916 million yen as of March 31, 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 third 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	920,000	6.8	17,000	39.5	13,000	57.8	7,000	98.4	16.74

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

4. Other (For details, please refer to “Other Information” on page 4 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 nine months (2010/12)	422,501,010 shares
	Fiscal year (2010/3)	422,501,010 shares
2. Number of treasury stock:	First nine months (2010/12)	3,858,804 shares
	Fiscal year (2010/3)	4,303,097 shares
3. Average number of shares during the period (First nine months):	First nine months (2010/12)	418,324,001 shares
	First nine months (2009/12)	418,298,761 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 Nine 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 Nine Months of the Fiscal Year Ending March 2011

(1) Qualitative Information on Consolidated Operating Results

Despite concern over slowdowns in advanced economies caused by financial instability in Europe, the global economy grew moderately, driven by emerging economies in Asia, most notably China. The Japanese economy recovered, reflecting strong demand in Asia, especially in China, but the recovery was limited by uncertainty associated with the strength of the yen and the phased reduction of fiscal stimulus from autumn last year.

In this environment, the results of the Group in the first nine months under review (from April 1, 2010 to December 31, 2010) remained solid.

Consolidated net sales increased ¥52,337 million (8.3%) year on year, to ¥685,128 million, primarily reflecting a recovery in demand for electronic parts and semiconductors both in Japan and abroad. Gross trading profit rose ¥1,226 million (2.3%), to ¥55,572 million, associated with the higher net sales. Operating income increased ¥4,143 million (51.1%), to ¥12,248 million, thanks to the rise in gross trading profit and a reduction in selling, general and administrative expenses, and ordinary income climbed ¥4,649 million (83.9%), to ¥10,187 million.

Extraordinary losses came to ¥807 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 ¥3,670 million (64.3%), to ¥9,379 million. Net income after subtracting tax expenses and minority interests was up substantially, rising ¥4,597 million (224.9%) to ¥6,641 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, backed by strong demand for smartphones and digital home appliances. 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 ¥16,117 million year on year, to ¥183,933 million. Operating income increased ¥3,232 million, to ¥6,676 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. The foodstuff business struggled, reflecting a harsh external environment, including a decline in feedstuff production in Japan associated with extremely high temperatures and foot-and-mouth 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 ¥3,807 million, to ¥207,238 million. Operating income fell ¥1,032 million, to ¥1,743 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 remained solid. Exports of surface-treated steel plates for Asia recovered.

As a result, sales in the Iron & Steel Division increased ¥9,311 million, to ¥72,947 million. Operating income declined ¥457 million, to ¥2,550 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 turnover of the machine tool business rose as the environment for orders recovered, while the Company took steps to reduce operating costs.

As a result, sales in this segment rose ¥5,363 million, to ¥46,254 million. Operating income climbed ¥1,637 million, to ¥517 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 performed well with continued strong sales of colostrums products and imports of pharmaceutical ingredients. The energy business faced a challenging environment with sluggish domestic demand and falls in profit margins.

As a consequence, net sales in the Environment & Materials Division increased ¥17,011 million, to ¥161,661 million. Operating income declined ¥36 million, to ¥563 million.

(vi) Other

In the Other segment, net sales increased ¥727 million, to ¥13,092 million, and operating income declined ¥111 million, to ¥186 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 third quarter declined ¥2,677 million from the end of the previous fiscal year, to ¥395,952 million, reflecting a fall in cash and bank deposits associated with the repayment of debt.

Interest-bearing debt fell ¥18,834 million from the end of the previous fiscal year, to ¥174,269 million, as a result of the repayment of debt. Net interest-bearing debt decreased ¥2,629 million, to ¥106,721 million.

Net assets rose ¥812 million, to ¥46,616 million, attributable to an increase in retained earnings due to the posting of net income, which offset deteriorating valuation and translation adjustments associated with foreign exchange trends.

As a result, the equity ratio rose 0.3 percentage point from the end of the previous fiscal year, to 7.6%, 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 nine months under review stood at ¥4,894 million (net cash provided of ¥16,333 million for the first nine months of the previous fiscal year), mainly reflecting a cash inflow from strong operating results, which offset an increased outflow in funds for making transactions. Net cash provided by investing activities was ¥9,608 million (net cash used of ¥20,132 million), primarily attributable to proceeds from the withdrawal of time deposits. Net cash used in financing activities was ¥19,717 million (net cash used of ¥11,565 million), chiefly owing to the repayment of borrowings.

As a result, cash and cash equivalents at the end of the third quarter under review stood at ¥57,662 million, down ¥6,817 million from the end of the previous fiscal year.

(3) Qualitative Information on Consolidated Results Forecasts

Considering the performance in the first nine months under review, the Company reviewed the consolidated results forecasts announced in the Consolidate Financial Summary for the First Six Months of the Fiscal Year Ending March 2011, which was announced on November 5, 2010. For details, please refer to Revisions of Results Forecasts announced today (February 4, 2011).

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:	81 companies	(2 companies were 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 was 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 third quarter 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 nine months under review and computed inventories at the end of the third quarter 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 third quarter.

If the business environment or the temporary difference is deemed to have changed materially from the end of the previous fiscal year, the Company adds the material change to the earnings forecast and tax planning used in the account settlement for the previous fiscal year.

(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 third quarter 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 three quarters under review decreased ¥40 million, and income before income taxes and minority interests declined ¥477 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 three quarters 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 three quarters under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	End of first nine months under review (December 31, 2010)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2010)
Assets		
Current assets		
Cash and bank deposits	67,547	83,752
Notes and accounts receivable	*5 151,579	133,153
Lease investment assets	563	552
Inventories	*1 57,498	*1 55,827
Short-term loans receivable	1,655	2,267
Deferred tax assets	1,512	1,774
Other	24,522	27,116
Allowance for doubtful accounts	(429)	(416)
Total current assets	304,450	304,027
Fixed assets		
Tangible fixed assets	*2 28,385	*2 28,218
Intangible fixed assets	1,880	1,843
Investments and other assets		
Investments in securities	31,947	36,424
Long-term loans receivable	12,725	13,039
Doubtful accounts	14,617	15,125
Deferred tax assets	14,708	13,961
Other	10,065	9,175
Allowance for doubtful accounts	(22,827)	(23,187)
Total investments and other assets	61,236	64,539
Total fixed assets	91,502	94,601
Total assets	395,952	398,629
Liabilities		
Current liabilities		
Notes and accounts payable	*5 127,100	114,150
Short-term borrowings	82,770	104,133
Lease obligations	526	328
Accrued income taxes	284	870
Deferred tax liabilities	0	–
Other	33,247	31,586
Total current liabilities	243,930	251,070
Long-term liabilities		
Long-term borrowings	91,499	88,969
Lease obligations	1,174	557
Deferred tax liabilities	392	388
Accrued severance indemnities	2,555	2,648
Reserve for directors’ retirement benefits	589	655
Asset retirement obligations	822	–
Negative goodwill	–	132
Other	8,372	8,401
Total long-term liabilities	105,405	101,754
Total liabilities	349,336	352,824

(Million yen)

	End of first nine months under review (December 31, 2010)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2010)
Net assets		
Owners' equity		
Capital stock	27,781	27,781
Capital surplus	27,606	27,644
Retained earnings	6,380	(261)
Treasury stock	(567)	(639)
Total owners' equity	61,200	54,524
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities	(145)	57
Deferred gain/loss on hedging	(485)	262
Land revaluation reserves	58	58
Translation adjustments	(30,361)	(25,986)
Total valuation and translation adjustments	(30,934)	(25,608)
Minority interests	16,350	16,887
Total net assets	46,616	45,804
Total liabilities and net assets	395,952	398,629

(2) Consolidated Statements of Income

[First nine months]

(Million yen)

	Previous first nine months (From April 1, 2009 to December 31, 2009)	First nine months under review (From April 1, 2010 to December 31, 2010)
Net sales	632,791	685,128
Cost of sales	578,445	629,556
Gross trading profit	54,346	55,572
Selling, general and administrative expenses	*1 46,241	*1 43,324
Operating income	8,105	12,248
Non-operating income		
Interest received	519	476
Dividends received	571	1,117
Foreign exchange gains	600	–
Other	923	1,013
Total non-operating income	2,614	2,607
Non-operating expenses		
Interest paid	3,299	3,203
Loss on equity method investments	683	56
Foreign exchange losses	–	206
Other	1,197	1,203
Total non-operating expenses	5,180	4,668
Ordinary income	5,538	10,187
Extraordinary gains		
Gain on sale of tangible fixed assets	17	24
Gain on sale of investment in securities	454	318
Gain on liquidation of subsidiaries and affiliates	–	4
Gain on negative goodwill	–	103
Gain on reversal of allowance for doubtful accounts	609	258
Total extraordinary gains	1,081	709
Extraordinary losses		
Loss on sales or disposal of fixed assets	88	34
Impairment loss	87	22
Loss on sales of investments in securities	18	464
Loss on valuation of investments in securities	137	558
Loss on liquidation of subsidiaries and affiliates	48	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	436
Loss on litigation	529	–
Total extraordinary losses	910	1,517
Income before income taxes and minority interests	5,709	9,379
Income taxes – current	1,436	1,678
Income taxes – deferred	1,385	122
Total income taxes	2,822	1,801
Income before minority interests	–	7,578
Minority interests in consolidated subsidiaries	842	936
Net income	2,044	6,641

(3) Consolidated Statements of Cash Flows

(Million yen)

	Previous first nine months (From April 1, 2009 to December 31, 2009)	First nine months under review (From April 1, 2010 to December 31, 2010)
Cash flows from operating activities:		
Income before income taxes and minority interests	5,709	9,379
Depreciation and amortization	2,292	1,902
Increase (decrease) in allowance for doubtful accounts	(531)	(176)
Increase (decrease) in reserve for accrued severance indemnities	(48)	(75)
Interest and dividend income	(1,090)	(1,594)
Interest expense	3,299	3,203
Equity in earnings of affiliated companies (gain)	683	56
Gain or loss on sales or disposal of fixed assets (gain)	70	10
Impairment loss	87	22
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	436
Gain or loss on sale of investments in securities (gain)	(435)	146
Gain or loss on valuation of investments in securities (gain)	137	558
Loss on litigation	529	–
Decrease (increase) in notes and accounts receivable	6,427	(20,168)
Decrease (increase) in inventories	7,972	(2,739)
Increase (decrease) in notes and accounts payable	4,463	17,068
Other	(6,274)	44
Sub total	23,293	8,073
Interest and dividend income received	981	1,557
Interest paid	(2,703)	(2,737)
Income taxes paid	(4,099)	(1,998)
Payments for loss on litigation	(1,140)	–
Net cash provided by (used in) operating activities	16,333	4,894
Cash flows from investing activities:		
Decrease (increase) in time deposits	(19,073)	9,381
Payments for acquisition of tangible fixed assets	(869)	(861)
Proceeds from sale of tangible fixed assets	187	280
Payments for acquisition of intangible fixed assets	(711)	(461)
Payments for acquisition of investments in securities	(1,200)	(170)
Proceeds from sale of investments in securities	589	1,083
Purchase of investments in subsidiaries	–	(217)
Increase in loans receivable	(422)	(561)
Decrease in loans receivable	1,313	1,362
Other	53	(225)
Net cash provided by (used in) investing activities	(20,132)	9,608
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(7,760)	(10,800)
Proceeds from long-term debt	10,253	24,292
Repayment of long-term debt	(13,356)	(32,190)
Proceeds from stock issuance to minority shareholders	60	–
Other	(760)	(1,019)
Net cash used in financing activities	(11,565)	(19,717)
Effect of exchange rate changes on cash and cash equivalents	(94)	(1,740)
Net increase (decrease) in cash and cash equivalents	(15,458)	(6,954)
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 63,197	*1 57,662

(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 three quarters 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 nine months (From April 1, 2009 to December 31, 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	167,816	203,431	63,636	40,891	144,650	620,426	12,365	632,791	–	632,791
Inter-segment	14	5	216	13	31	280	29	310	(310)	–
Total	167,831	203,436	63,852	40,904	144,681	620,707	12,395	633,102	(310)	632,791
Segment profit (loss)	3,444	2,775	2,093	(1,120)	599	7,794	297	8,091	13	8,105

(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 ¥13 million for segment profit includes inter-segment elimination of ¥13 million.

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

First nine months under review (From April 1, 2010 to December 31, 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	183,933	207,238	72,947	46,254	161,661	672,035	13,092	685,128	–	685,128
Inter-segment	15	5	418	13	35	488	35	523	(523)	–
Total	183,949	207,244	73,365	46,268	161,697	672,524	13,127	685,652	(523)	685,128
Segment profit	6,676	1,743	2,550	517	563	12,050	186	12,237	11	12,248

(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 ¥11 million for segment profit includes inter-segment elimination of ¥11 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 nine months of the fiscal year ending March 2011 (December 31, 2010)	End of the previous fiscal year (March 31, 2010)
*1 The following is a breakdown of inventories: Commodities and products ¥54,592 million Real estate for sale ¥936 million Raw materials and stores ¥1,190 million Work in process ¥777 million Total ¥57,498 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 ¥31,346 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 ¥860 million True Corporation Public ¥407 million Japan Logistics ¥126 million Others ¥1,905 million Total ¥3,300 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 ¥11,401 million (including discounted export notes of ¥10,800 million). Notes endorsed were ¥108 million.	4 Discounted notes receivable were ¥7,272 million (including discounted export notes of ¥6,335 million). Notes endorsed were ¥99 million.
*5 Notes maturing at the end of the quarter are accounted for as of the clearing date. Since the end of the quarter under review was a bank holiday, the following notes at maturity are included as results at the end of the quarter under review: Notes receivable ¥1,567 million Notes payable ¥1,794 million	5 ――――――

(In relation to consolidated statements of income)

Previous first nine months (From April 1, 2009 to December 31, 2009)	First nine months under review (From April 1, 2010 to December 31, 2010)
*1 Major items in selling, general and administrative expenses and their amounts are as follows: Employees' salaries and bonuses: ¥17,794 million Provision for doubtful accounts: ¥40 million	*1 Major items in selling, general and administrative expenses and their amounts are as follows: Employees' salaries and bonuses: ¥16,836 million Provision for doubtful accounts: ¥107 million

(In relation to consolidated statements of cash flows)

Previous first nine months (From April 1, 2009 to December 31, 2009)	First nine months under review (From April 1, 2010 to December 31, 2010)
*1 Relations between cash and cash equivalents at the end of the previous first nine months and amounts recorded for accounts in the quarterly consolidated balance sheets (As of December 31, 2009) Cash and bank deposits: ¥82,642 million Time deposits with maturities of 3 months or longer: - ¥19,445 million Cash and cash equivalent: ¥63,197 million	*1 Relations between cash and cash equivalents at the end of the first nine months under review and amounts recorded for accounts in the quarterly consolidated balance sheets (As of December 31, 2010) Cash and bank deposits: ¥67,547 million Time deposits with maturities of 3 months or longer: - ¥9,885 million Cash and cash equivalent: ¥57,662 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.

2011/2/4

Kanematsu Corporation

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

■Both net sales and income increased year on year.

Net Sales	685.1 billion	8.3% up
Operating Income	12.2 billion	51.1% up
Ordinary Income	10.2 billion	83.9% up
Net Income	6.6 billion	224.9% up

■We revise the full-year forecasts upward.

On a consolidated basis

(Unit: 100 million yen)	Q3 of FY2009	Q3 of FY2010	Year-on-year Change	Year-on-year Change (%)	FY2010 Forecasts	FY2010 Change (%)
Net sales	6,328	6,851	523	8.3%	9,200	74.5%
Gross trading profit	543	556	12	2.3%	-	-
SG&A expenses	462	433	△ 29	-6.3%	-	-
Operating income	81	122	41	51.1%	170	72.0%
Dividends received	6	11	5	-	-	-
Interest	△ 28	△ 27	1	-	-	-
Gains or losses on equity-method investments	△ 7	△ 1	6	-	-	-
Others	3	△ 4	△ 7	-	-	-
Non-operating income/loss	△ 26	△ 21	5	-	-	-
Ordinary income	55	102	46	83.9%	130	78.4%
Extraordinary gain	11	7	△ 4	-	-	-
Extraordinary loss	△ 9	△ 15	△ 6	-	-	-
Income (loss) before income taxes	57	94	37	64.3%	-	-
Income taxes and minority interests	△ 37	△ 27	9	-	-	-
Net income	20	66	46	224.9%	70	94.9%

(Net sales/ Gross trading profit)
Both net sales and gross trading profit increased, chiefly reflecting the strong performance of the Electronics & IT, Iron & Steel, and Machinery & Plant divisions with the recovery in demand both in Japan and abroad.

(Operating income)
Operating income increased, attributable to a reduction in SG&A expenses.

(Ordinary income)
Despite foreign exchange losses (included in "Other"), ordinary income climbed as a result of an improvement in non-operating income/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 the sale of investments in securities, 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) Q3 of FY2009	Net sales Q3 of FY2010	Net sales Change	Operating income Q3 of FY2009	Operating income Q3 of FY2010	Operating income Change
Electronics & IT	1,678	1,839	161	34	67	32
Foods & Foodstuff	2,034	2,072	38	28	17	△ 10
Iron & Steel	636	729	93	21	26	5
Machinery & Plant	409	463	54	△ 11	5	16
Environment & Materials	1,447	1,617	170	6	6	△ 0
Total for reportable segments	6,204	6,720	516	78	120	43
Other (including adjustment)	124	131	7	3	2	△ 1
Grand total	6,328	6,851	523	81	122	41

* 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 a decline in feed production due to the effect of extremely high temperatures in Japan and other factors and falls in prices of soy products associated with deflation, despite surges in market prices overseas.

(Iron & Steel): Both sales and income climbed.
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. Exports of surface-treated steel sheets for Asia recovered.

(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 were steady.The environment for orders in the machine tool business recovered while the Company sought to cut costs.

(Environment & Materials): Sales rose, but income fell.
Exports of raw materials for car batteries and imports of raw materials for lubricating oil and resin were solid. Colostrums products were strong. Imports of pharmaceutical ingredients were also robust. The profitability of the energy business deteriorated because of weak domestic demand.

Assets, Liabilities and Net Assets

(Unit: 100 million yen)	3/2010	12/2010	Comparison with 3/2010 Change	Comparison with 3/2010 Change (%)
Total assets	3,986	3,960	△ 27	-0.7%
Gross interest-bearing debt	1,931	1,743	△ 188	-9.8%
Net interest-bearing debt	1,094	1,067	△ 26	-2.4%
Equity capital	545	612	67	12.2%
(Retained earnings)	△ 3	64	66	-
Valuation and translation adjustments	△ 256	△ 309	△ 53	-
Minority interests	169	164	△ 5	-3.2%
Total net assets	458	466	8	1.8%
Shareholder's equity (Note 1)	289	303	13	4.7%
Equity ratio (Note 2)	7.3%	7.6%	0.3pt	-
Net debt-equity ratio (Note 3)	3.8	3.5	0.3pt	-

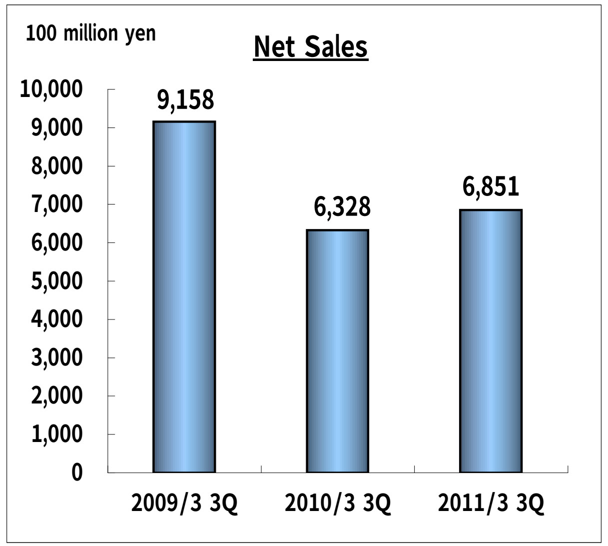
(Note 1) Shareholder's equity = Total net assets - Minority interests
(Note 2) Equity ratio = Shareholder's equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital

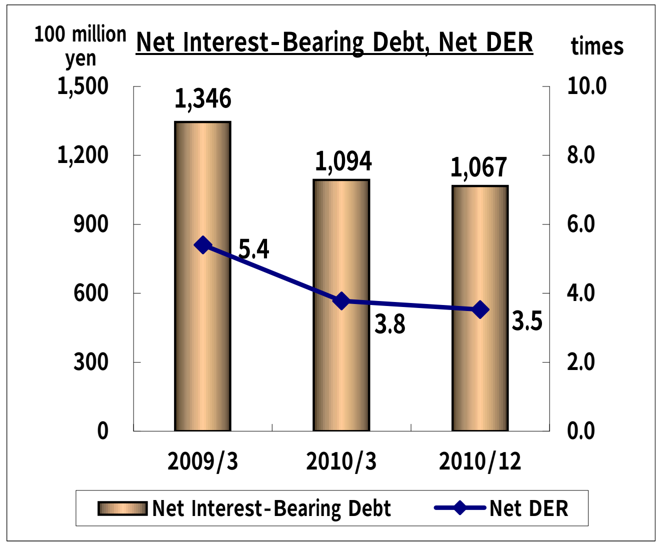
(Total assets)
Total assets declined 2.7 billion yen, primarily because of a fall in cash and bank deposits associated with the repayment of debt.

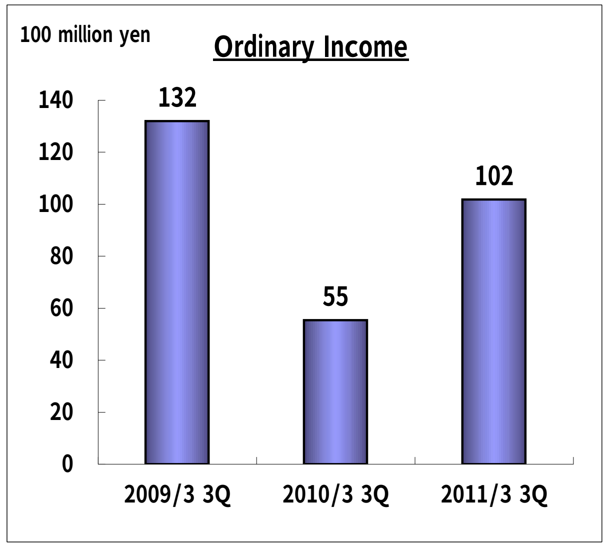
(Interest-bearing debt)
Gross interest-bearing debt fell 18.8 billion yen as a result of the repayment of debt. Net interest-bearing debt declined 2.6 billion yen, to 106.7 billion yen.

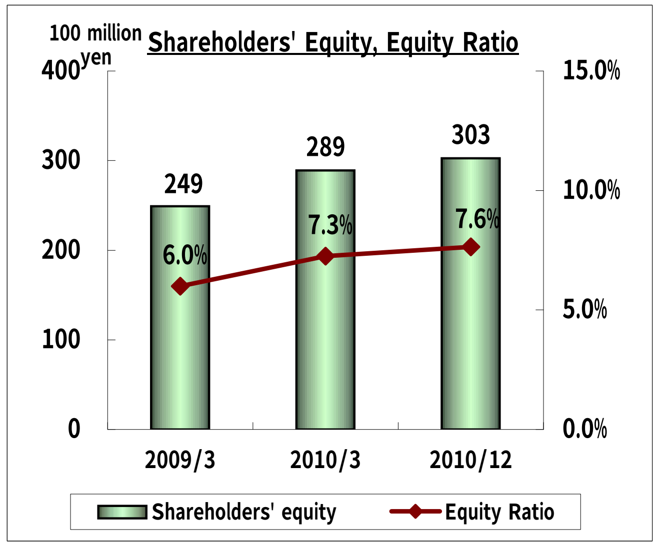
(Total net assets)
Despite the worsening of valuation and translation adjustments associated with changes in exchange rates, shareholders' equity and net assets rose, reflecting an increase in retained earnings attributable to the posting of net income.

As a result, the equity ratio rose to 7.6%, and the net debt-equity ratio improved to 3.5.









* 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.