Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the First Six Months of the Fiscal Year Ending March 2013 (Japanese Accounting Standards)

November 2, 2012

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange
Stock code: 8020 URL: http://www.kanematsu.co.jp
Representative: President, Masayuki Shimojima
Contact: Director, General Manager of Finance Dept. & Accounting Dept., Nobuyoshi Sakuyama
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): November 9, 2012
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 2013 (April 1, 2012 – September 30, 2012)

(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 2012	487,192	-1.3	9,897	-14.1	8,800	-7.0	6,019	-5.8
First Six Months to September 2011	493,380	8.5	11,517	24.9	9,465	24.8	6,391	58.2

(Note) Comprehensive income: 5,124 million yen (10.9%) for the first six months to September 2012
4,621 million yen (–%) for the first six months to September 2011

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
First Six Months to September 2012	14.36	–
First Six Months to September 2011	15.27	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2012	373,081	60,920	11.6
As of March 31, 2012	399,753	55,992	9.8

(Reference) Shareholders' equity: 43,402 million yen as of September 30, 2012
39,008 million yen as of March 31, 2012

2. Dividends

	Annual dividends				
(Record date)	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2012	–	0.00	–	0.00	0.00
Fiscal year ending March 2013	–	0.00			
Fiscal year ending March 2013 (Forecasts)			–	0.00	0.00

(Note) Revisions to dividend forecasts published most recently: None
(Note) The dividend forecast for the fiscal year ending March 31, 2013 has not been determined.

3. Forecasts for consolidated results ending March 2013 (April 1, 2012 – March 31, 2013)

(%: 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	1,050,000	4.3	20,000	-6.7	16,000	-9.9	8,000	30.9	19.11

(Note) Revisions to results forecasts published most recently: None
(Note) The Company evaluates its business plan and business results on an annual basis.

* Notes

(1) Important change in subsidiaries during the term (Change in scope of consolidation): None

New: – Exception: –

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please see the statement under the heading of “2. Matters Relating to Summary Information (Notes), (2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements” on page 4 of accompanying materials.

(3) Changes in accounting policies and changes or restatement of accounting estimates

1.	Changes in accounting policies associated with the revision of accounting standards, etc.:	Yes
2.	Changes in accounting policies other than 1.:	None
3.	Changes in accounting estimates:	Yes
4.	Restatement:	None

(Note) The changes in accounting policies and changes or restatements of accounting estimates are pursuant to Article 10-5 of the Regulation for Terminology, Form and Preparation of Quarterly Consolidated Financial Statements. For details, please see the statement under the heading of “2. Matters Relating to Summary Information (Notes), (3) Changes in accounting policies and changes or restatement of accounting estimates” on page 4 of accompanying materials.

(4) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock

First six months (2012/9):	422,501,010 shares	Fiscal year (2012/3):	422,501,010 shares

2. Number of treasury stock

First six months (2012/9):	2,697,372 shares	Fiscal year (2012/3):	3,796,915 shares

3. Average number of shares during the period (First six months)

First six months (2012/9):	419,229,493 shares	First six months (2011/9):	418,604,504 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

1. 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. The Company makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. 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 2013” on page 3 of accompanying materials for further information on results forecasts.

2. The Company plans to hold a results briefing for institutional investors and analysts on Friday, November 9, 2012. It intends to publish references to explain the results it will distribute at the briefing session at its website promptly after the session.

Accompanying Materials – Contents

1. Qualitative Information on Consolidated Results, Etc. for the First Six Months of the Fiscal Year Ending March 2013

(1) Qualitative information on consolidated results

During the first half under review (from April 1 to September 30, 2012), the global economy was characterized by a continuing moderate recovery in the United States offset by the persistent economic slump in Europe and economic deceleration in China and emerging Asian nations largely due to a slowdown in exports to Europe.
The Japanese economy generally moved towards a standstill, impacted by the economic downturn in China and other overseas markets.
In this environment, the results of the Group in the first half under review are as shown below.

Consolidated net sales fell ¥6,188 million (1.3%) year on year, to ¥487,192 million. Consolidated gross trading profit decreased ¥863 million (2.1%) year on year, to ¥39,984 million, reflecting a fall in sales. Operating income declined ¥1,620 million (14.1%) year on year, to ¥9,897 million. Non-operating income and expenses improved ¥954 million thanks to an improvement of foreign exchange losses, a decrease in paid interest and an improvement of loss on equity method investments. As a result, consolidated ordinary income decreased ¥665 million (7.0%) year on year, to ¥8,800 million. In extraordinary items, net income of ¥767 million was posted, reflecting a gain on the sale of investment securities, among other items. Income before income taxes and minority interest stood at ¥9,567 million, up ¥375 million (4.1%) from a year earlier. Consolidated net income decreased ¥372 million (5.8%) year on year, to ¥6,019 million.

Results for each business segment are described below. Because of organizational changes made by the Group during the first quarter of this fiscal year, the name of the Electronics & IT segment was changed to “Electronics.”

(i) Electronics

The ICT solutions business and the mobile solutions business continued to perform well, reflecting the rising market for mobile communication terminals, including replacement demand for smartphones. The semiconductor component and equipment business was also brisk during the first half under review compared to the same period a year ago, when business was slow in the aftermath of the earthquake.
As a result, net sales in the Electronics Division increased ¥5,510 million year on year, to ¥130,548 million. Operating income rose ¥724 million to ¥5,738 million.

(ii) Foods & Foodstuff

The foods business remained solid, thanks to relatively stable demand and supply environments. The meat products business remained sluggish amid stagnant market conditions, reflecting higher import volumes causing an oversupply and expansion in the domestic production of meat products. As the American drought caused grain prices to soar, the foodstuff business endeavored to stabilize supply by seeking to procure raw materials from other countries besides America, but faced a tough uphill battle.
As a result, net sales in the Foods & Foodstuff Division declined ¥3,498 million, to ¥142,646 million. Operating income decreased ¥1,267 million, to ¥1,753 million.

(iii) Iron & Steel

The business of steel pipes shipped to North America remained steady. However, shipments of steel plates and sheets and iron ore to Asia fell.
As a result, net sales in the Iron & Steel Division declined ¥4,491 million year on year, to ¥46,759 million. Operating income sank ¥506 million to ¥1,370 million.

(iv) Machinery & Plant

Business linked to machine tool and industrial machine performed well, tapping into customers’ capital investment demand and equipment replacement demand. Business linked to plant remained solid, especially government ODA-related projects. In business linked to transport, exports to Asia were weak.
As a result, net sales in the Machinery & Plant Division declined ¥8,871 million year on year, to ¥27,057 million. Operating income rose ¥96 million, to ¥513 million.

(v) Environment & Materials

In the functional chemicals business, exports of raw materials for car batteries remained slightly sluggish. However, imports of raw materials of medical and pharmaceutical products and health foods remained steady. The energy business struggled in face of persistently high prices, maintaining a steady business volume but failing to pass through higher prices to customers.

As a result, net sales in the Environment & Materials Division rose to ¥130,804 million, up ¥4,705 million from a year earlier. Operating income decreased ¥620 million, to ¥283 million.

(vi) Other

Net sales rose ¥456 million year on year, to ¥9,376 million. However, operating income dropped ¥39 million, to ¥233 million, reflecting smaller profit margins in 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 under review decreased ¥26,672 million from the end of the previous fiscal year, to ¥373,081 million, reflecting a decline in notes and accounts receivable.

Interest-bearing debt fell ¥16,932 million, to ¥143,915 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, dropped ¥7,994 million from the end of the previous fiscal year, to ¥82,018 million.

Net assets climbed ¥4,928 million from the end of the previous fiscal year, to ¥60,920 million, reflecting an increase in retained earnings, which was attributable to the posting of net income. Equity capital, which is net assets minus minority interests, rose ¥4,394 million, to ¥43,402 million.

As a result, the equity ratio improved 1.8 percentage points from the end of the previous fiscal year, to 11.6%. The net debt-equity ratio also improved to 1.9, from 2.3 at the end of the previous fiscal year.

(ii) Cash flows

Net cash provided by operating activities in the first half under review stood at ¥1,355 million (net cash provided of ¥9,433 million for the first half of the previous fiscal year), mainly reflecting an increase in operating income, offsetting outflows associated with a decrease in notes and accounts payable. Net cash provided by investing activities was ¥7,200 million (net cash provided of ¥2,562 million), reflecting the sale of investment securities and the collection of loans, etc. Net cash used by financing activities was ¥17,403 million (net cash used of ¥5,534 million), due to the repayment of debts, etc.

As a result, cash and cash equivalents at the end of the first half under review stood at ¥61,519 million, down ¥9,075 million from the end of the previous fiscal year.

(3) Qualitative information on consolidated results forecasts

As anticipated at the beginning of the fiscal year, the global economy appears likely to continue to face uncertain conditions, such as the European debt issue and the slowdown of economic growth in China and emerging nations. We have not changed the forecasts for consolidated results that we announced on May 8, 2012.

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 might differ materially from the forecasts, due to various factors.

2. Matters Relating to Summary Information (Notes)

(1) Important change in subsidiaries during the term

Not applicable.

(2) Adoption of accounting treatment unique 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 second quarter under review.

(3) Changes in accounting policies and changes or restatement of accounting estimates

Changes in accounting policies

(Change of depreciation method)

Following the amendment to the Corporation Tax Act, certain of our domestic consolidated subsidiaries changed the depreciation method applied to tangible fixed assets acquired on or after April 1, 2012 to the depreciation method based on the amended Corporation Tax Act beginning the first quarter of this fiscal year.

The change has had a negligible effect on profit and loss for the first half under review.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	Fiscal 2011 (March 31, 2012)	End of first six months under review (September 30, 2012)
Assets		
Current assets		
Cash and bank deposits	70,835	61,897
Notes and accounts receivable	163,782	153,927
Investments in leased assets	666	630
Inventories	57,113	62,412
Short-term loans receivable	974	345
Deferred tax assets	3,322	1,886
Other	22,180	18,145
Allowance for doubtful accounts	(294)	(301)
Total current assets	318,581	298,945
Fixed assets		
Tangible fixed assets	27,028	25,578
Intangible fixed assets	1,905	2,294
Investments and other assets		
Investments in securities	29,867	27,328
Long-term loans receivable	5,790	2,436
Doubtful accounts	1,886	2,038
Deferred tax assets	10,842	11,974
Other	7,585	6,182
Allowance for doubtful accounts	(3,734)	(3,697)
Total investments and other assets	52,238	46,262
Total fixed assets	81,172	74,135
Total assets	399,753	373,081
Liabilities		
Current liabilities		
Notes and accounts payable	138,627	126,304
Short-term borrowings	78,444	74,484
Lease obligations	726	728
Accrued income taxes	1,863	1,495
Deferred tax liabilities	1	0
Asset retirement obligations	35	4
Other	27,138	26,691
Total current liabilities	246,837	229,709
Long-term liabilities		
Long-term borrowings	82,403	69,431
Lease obligations	1,394	1,271
Deferred tax liabilities	160	115
Accrued severance indemnities	2,736	2,955
Provision for loss on litigation	910	–
Reserve for directors’ retirement benefits	537	336
Asset retirement obligations	821	834
Other	7,958	7,505
Total long-term liabilities	96,922	82,450
Total liabilities	343,760	312,160

(Million yen)

	Fiscal 2011 (March 31, 2012)	End of first six months under review (September 30, 2012)
Net assets		
Owners' equity		
Capital stock	27,781	27,781
Capital surplus	27,597	27,529
Retained earnings	15,003	21,022
Treasury stock	(550)	(381)
Total owners' equity	69,830	75,951
Other accumulated comprehensive income		
Unrealized loss on available-for-sale securities	137	(579)
Deferred gain/loss on hedging	492	(222)
Land revaluation reserves	66	66
Translation adjustments	(31,519)	(31,812)
Total other accumulated comprehensive income	(30,822)	(32,548)
Minority interests	16,984	17,518
Total net assets	55,992	60,920
Total liabilities and net assets	399,753	373,081

(2) Consolidated statements of income / consolidated statement of comprehensive income

Consolidated statements of income

[First six months]

(Million yen)

	Previous first six months (From April 1, 2011 to September 30, 2011)	First six months under review (From April 1, 2012 to September 30, 2012)
Net sales	493,380	487,192
Cost of sales	452,533	447,208
Gross trading profit	40,847	39,984
Selling, general and administrative expenses	29,330	30,086
Operating income	11,517	9,897
Non-operating income		
Interest received	246	248
Dividends received	450	494
Foreign exchange gains	–	212
Other	374	496
Total non-operating income	1,071	1,452
Non-operating expenses		
Interest paid	2,095	1,829
Loss on equity method investments	180	7
Foreign exchange losses	195	–
Other	651	712
Total non-operating expenses	3,123	2,549
Ordinary income	9,465	8,800
Extraordinary gains		
Gain on sale of tangible fixed assets	20	10
Gain on sale of investment in securities	49	2,477
Gain on liquidation of subsidiaries and affiliates	10	–
Total extraordinary gains	80	2,487
Extraordinary losses		
Loss on sales or disposal of fixed assets	29	55
Loss on impairment	–	731
Loss on sale of investments in securities	271	568
Loss on valuation of investments in securities	53	293
Loss on litigation	–	71
Total extraordinary losses	354	1,720
Income before income taxes and minority interests	9,192	9,567
Income taxes – current	1,935	1,966
Income taxes – deferred	192	779
Total income taxes	2,127	2,746
Income before minority interests	7,064	6,821
Minority interests in consolidated subsidiaries	673	802
Net income	6,391	6,019

Consolidated statement of comprehensive income
[First six months]

(Million yen)

	Previous first six months (From April 1, 2011 to September 30, 2011)	First six months under review (From April 1, 2012 to September 30, 2012)
Income before minority interests	7,064	6,821
Other comprehensive income		
Valuation difference on available-for-sale securities	(708)	(721)
Deferred gains or losses on hedges	(132)	(709)
Foreign currency translation adjustment	(1,571)	(533)
Share of other comprehensive income of associates accounted for using equity method	(31)	267
Total other comprehensive income	(2,443)	(1,696)
Comprehensive income	4,621	5,124
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,953	4,293
Comprehensive income attributable to minority interests	667	831

(3) Consolidated statements of cash flows

(Million yen)

	Previous first six months (From April 1, 2011 to September 30, 2011)	First six months under review (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities:		
Income before income taxes and minority interests	9,192	9,567
Depreciation and amortization	1,202	1,230
Increase (decrease) in allowance for doubtful accounts	(187)	48
Increase (decrease) in reserve for employees’ prior service obligations	115	216
Interest and dividend income	(697)	(743)
Interest expense	2,095	1,829
Equity in earnings of affiliated companies (gain)	180	7
Gain or loss on sales or disposal of fixed assets (gain)	12	45
Loss on impairment-	–	731
Gain or loss on sale of investments in securities (gain)	222	(1,909)
Gain or loss on valuation of investments in securities (gain)	53	293
Loss on litigation	–	71
Decrease (increase) in notes and accounts receivable	5,988	9,008
Decrease (increase) in inventories	(7,778)	(5,075)
Increase (decrease) in notes and accounts payable	3,004	(12,357)
Other	(682)	2,539
Sub total	12,721	5,504
Interest and dividend income received	676	760
Interest paid	(2,092)	(1,839)
Income taxes paid	(1,873)	(2,089)
Payments for loss on litigation	–	(981)
Net cash provided by (used in) operating activities	9,433	1,355
Cash flows from investing activities:		
Decrease (increase) in time deposits	857	(99)
Payments for acquisition of tangible fixed assets	(794)	(844)
Proceeds from sale of tangible fixed assets	535	643
Payments for acquisition of intangible fixed assets	(247)	(537)
Payments for acquisition of investments in securities	(97)	(197)
Proceeds from sale of investments in securities	849	2,754
Purchase of investments in subsidiaries	(0)	(0)
Increase in loans receivable	(80)	(26)
Decrease in loans receivable	1,414	4,341
Other	126	1,167
Net cash provided by (used in) investing activities	2,562	7,200
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	1,288	(1,686)
Proceeds from long-term debt	10,875	4,150
Repayment of long-term debt	(17,357)	(19,399)
Proceeds on payments by minority shareholders	4	–
Other	(345)	(467)
Net cash provided by (used in) financing activities	(5,534)	(17,403)
Effect of exchange rate changes on cash and cash equivalents	(403)	(227)
Net increase (decrease) in cash and cash equivalents	6,057	(9,075)
Cash and cash equivalent at beginning of term	67,426	70,594
Cash and cash equivalent at end of term	73,483	61,519

(4) Notes on the going concern assumption
Not applicable.

(5) Notes if there is a significant change in the amount of shareholders' equity
Not applicable.

(6) Segment information

I. Previous first six months (From April 1, 2011 to September 30, 2011)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics	Food & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	125,038	146,144	51,250	35,928	126,099	484,960	8,920	493,380	–	493,380
Inter-segment	33	2	46	7	20	111	27	138	(138)	–
Total	125,071	146,147	51,297	35,935	126,119	484,571	8,947	493,519	(138)	493,380
Segment profit	5,014	3,020	1,876	417	903	11,232	272	11,505	12	11,517

(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 ¥12 million for segment profit includes inter-segment elimination of ¥12 million.
(Note 3) Segment profit is adjusted for operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss relating to fixed assets)
Not applicable in the first six months under review

(Significant change in the amount of goodwill)
Not applicable in the first six months under review

(Significant gain on negative goodwill)
Not applicable in the first six months under review

II. First six months under review (From April 1, 2012 to September 30, 2012)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics	Food & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	130,548	142,646	46,759	27,057	130,804	477,816	9,376	487,192	–	487,192
Inter-segment	37	2	115	2	11	169	24	194	(194)	–
Total	130,585	142,648	46,875	27,060	130,815	477,985	9,401	487,387	(194)	487,192
Segment profit	5,738	1,753	1,370	513	283	9,659	233	9,892	4	9,897

(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 ¥4 million for segment profit includes inter-segment elimination of ¥4 million.

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

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss relating to fixed assets)

Not applicable in the first six months under review

(Significant change in the amount of goodwill)

Not applicable in the first six months under review

(Significant gain on negative goodwill)

Not applicable in the first six months under review

3. Matter about change of segment for reporting, etc.

Due to organizational changes, the name of the Electronics & IT segment was changed to "Electronics" during the first quarter of this fiscal year.

Segment information for the first half of the previous fiscal year is stated using the segment name following the change.

(7) Significant subsequent events

Acquisition of assets of premium threading business by subsidiary

Benoit Premium Threading, LLC*, part owned by the holding company jointly established with Kanematsu USA Inc, the Company's 100%-owned subsidiary (Head office: New York, USA, President: Katsuhiko Kumagai, hereafter "Kanematsu USA") and JFE Steel Corporation (Head office: Chiyoda-ku, Tokyo, President and CEO: Eiji Hayashida, hereafter "JFE Steel"), entered into an agreement, dated October 25 2012, under which Benoit Premium Threading, LLC will acquire the premium threading business and the related assets of USA-based Benoit Machine LLC (hereinafter "Benoit") for US$91,500,000 (around ¥7,320 million).

*In Benoit Premium Threading, LLC, the Company plans to effectively hold a 58.57% stake.

1. Reasons for the acquisition

In the United States, the exploration and production of energy resources is expected to grow over the medium- to long-term. As a result of the continued development of shale oil and shale gas as well as deepwater production in the Gulf of Mexico, we expect the demand for oilfield tubing to be robust.

Benoit is a Louisiana-based company that provides premium threading services for oilfield tubing as well as a full line of downhole accessories. Benoit's proprietary premium connection, the Benoit Two-Step (BTS), has been relied upon by major oil companies for over 30 years and has helped Benoit maintain a large market share.

Through this acquisition, Kanematsu and JFE Steel will establish a complete supply chain in the manufacturing, threading, and distribution of oilfield tubing and downhole accessories. This will enable Kanematsu and JFE Steel to meet the diversified needs of the oil and gas industry and the future growth of oilfield tubing demand.

2. Date of acquisition

End of November 2012 (tentative)

Tender offer by subsidiary

The Company's subsidiary Kanematsu Electronics Ltd. (Head Office: Chuo-ku, Tokyo, President: Hideki Enomoto, hereafter "the Acquirer") determined, at a meeting of its Board of Directors held on October 23, 2012, to commence a tender offer (hereafter "the Tender Offer") to acquire shares of common stock of its equity method affiliate Nippon Office Systems Ltd. (hereinafter "the Target") for the purpose of making the Target a consolidated subsidiary.

1. Purpose of the tender offer

The Acquirer and the Target used to offer services harnessing their respective strengths to different customers and markets in the same business area. Given these circumstances and in view of the diversification of business patterns and changes in corporate demand in recent years, the Acquirer acquired 540,900 shares of the Target from the Company on February 23, 2010, for the purpose of expanding the scale of its business operations through collaboration with the Target, which specializes in IT outsourcing business and business application services. The Acquirer and the Target have since focussed on business in which they can harness each other's strengths to offer total support for the overall IT requirements of their corporate customers, through activities such as the promotion of collaboration over computer and printer sales, and the integration of their maintenance operations.

In order to meet increasingly diverse corporate demand in the future, the Acquirer needs to accelerate the "strengthening of services business", "creation of unique business" and "entry to the global market", which are key strategies under its medium-term management plan commencing the fiscal year ended March 31, 2011, and to enhance its ability to propose all-round solutions. The Acquirer believes that it is necessary to assimilate expertise in IT outsourcing business and business application services, which are the Target's areas of strength, into the Group by making the Target its consolidated subsidiary, and that the Group must seek to strengthen its service capabilities to provide companies with comprehensive support covering front to back office processes.

In light of the foregoing, completion of the tender offer is expected to further strengthen the capital relationship between the two companies and accelerate enhancement of the group capabilities and execution of group strategies, enabling achievement of a wide-reaching operating structure and extensive service menu.

Consequently, Kanematsu Electronics recently decided to commence the tender offer, judging that this would make it possible for both companies to expand their business scale and secure a stable earnings base and that this was the best possible option for all stakeholders.

2. Outline of Target

(1) Name	Nippon Office Systems Ltd.
(2) Location	Koto-ku, Tokyo
(3) Representative	Naoya Ojima
(4) Type of Business	Information services business, System sales business
(5) Stated Capital	¥1,177 million (as of June 30, 2012)
(6) Date of Incorporation	October 1, 1982

3. Outline of the tender offer

As of October 23, 2012, the Acquirer held 540,900 shares of the Target's common stock (hereafter "Target shares") (25.87% as a percentage (hereafter "percentage of shares held") of the number of shares (2,090,733 shares), which is the total number of issued shares as of June 30, 2012 stated in the report for the first half of the 31st period submitted by the Target on August 10, 2012 (2,091,000 shares) excluding the number of treasury shares (267 shares) held by the Target as of June 30, 2012 stated in said quarterly report. The Target is an equity method affiliate of the Acquirer.

Since the Acquirer intends to hold Target shares equal to a percentage of shares held of 51.00% (1,066,300 shares) through the tender offer, the Acquirer has set the upper limit of the number of shares to be acquired through the tender offer as 525,400 shares (25.13% as a percentage of shares held). If the total number of tendered share certificates, etc. exceeds the upper limit of the number of shares to be acquired through tender offer (525,400 shares), none of the shares exceeding the upper limit are to be acquired through the tender offer and the transfer of shares and settlement of the sale and purchase of shares in relation to the acquisition of share certificates, etc. through the tender offer will be conducted using the method of proportional distribution prescribed in Article 27-13, Paragraph 5 of the Financial Instruments and Exchange Act (Law No. 25 of 1948, as amended and Article 32 of the Cabinet Office Ordinance Regarding Disclosure of Tender Offers for Shares and Other Securities by Non-issuers (MOF Ordinance No. 38 of 1990, as amended). Since a lower limit of the number of shares to be acquired through the tender offer has not been set, if the total number of tendered share certificates, etc. is less than or equal to the upper limit of the number of shares to be acquired through the tender offer (525,400 shares), all of the tendered share certificates, etc. are to be purchased through the tender offer.

(1) Number of shares to be acquired through tender offer	525,400 shares
(2) Lower limit of number of shares to be acquired through tender offer	shares
(3) Upper limit of number of shares to be acquired through tender offer	525,400 shares

(4) Tender offer period	From October 24, 2012 to November 20, 2012 (20 trading days)
(5) Tender offer price	1,350 yen per share of common stock
(6) Purchase price	709 million yen (Note) Purchase price is the amount obtained by multiplying the number of shares to be acquired through the tender offer (525,400 shares) by the tender offer price (1,350 yen per share)
(7) Commencement date of settlement	November 28, 2012
(8) Method used to fund tender offer	Application of own capital

[Supplementary material] November 2, 2012

Kanematsu Corporation

Highlights of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 2013

Sales and profits down year on year, but steady progress made towards achieving the full-year forecasts.

Net sales	**487.2 billion yen**	**1.3%**	**Down**
Operating income	**9.9 billion yen**	**14.1%**	**Down**
Ordinary income	**8.8 billion yen**	**7.0%**	**Down**
Net income	**6.0 billion yen**	**5.8%**	**Down**

Income Statement

(Unit: 100 million yen)	H1 of FY2011	**H1 of FY2012**	Year-on-year Change	Year-on-year Change (%)	FY2012 Forecasts	FY2012 Progress
Net sales	4,934	**4,872**	-62	-1.3%	10,500	46.4%
Gross trading profit	408	**400**	-9	-2.1%	-	-
SG&A expenses	293	**301**	8	2.6%	-	-
Operating income	115	**99**	-16	-14.1%	200	49.5%
Dividends received	5	**5**	0	-	-	-
Interest	-18	**-16**	3	-	-	-
Gains or losses on equity-method investments	-2	**0**	2	-	-	-
Foreign exchange losses	-2	**2**	4	-	-	-
Others	-3	**-2**	1	-	-	-
Non-operating income/loss	-21	**-11**	10	-	-	-
Ordinary income	95	**88**	-7	-7.0%	160	55.0%
Extraordinary gain	1	**25**	24	-	-	-
Extraordinary loss	-4	**-17**	-14	-	-	-
Income (loss) before income taxes	92	**96**	4	4.1%	-	-
Income taxes and minority interests	-28	**-35**	-7	-	-	-
Net income	64	**60**	-4	-5.8%	80	75.2%

[Net sales]
Overall net sales fell slightly, reflecting a decline in business related to transport in the Machinery & Plant segment, offsetting the strong performance of the ICTsolutions business and the mobile solutions business in the Electronics segment and increased business volume in the energy business in the Environment & Materials segment.

[Operating income]
Overall operating income fell, largely due to lower profits in the meat products business and the foodstuff business in the Foods & Foodstuff segment.

[Ordinary income]
Ordinary income decreased as a result of the decline in operating income, despite improvement in non-operating income and expenses thanks to an improvement of foreign exchange losses, a decrease in paid interest and an improvement of loss on equity method investments.

[Net income]
Net income decreased primarily due to an increase in tax expenses, offsetting a rise in income before income taxes due to the posting of extraordinary gains.

Segment information

(Unit: 100 million yen)	Net sales (net external sales) H1 of FY2011	Net sales H1 of FY2012	Net sales Change	Operating income H1 of FY2011	Operating income H1 of FY2012	Operating income Change
Electronics	1,250	**1,305**	55	50	**57**	7
Food & Foodstuffs	1,461	**1,426**	-35	30	**18**	-13
Iron & Steel	513	**468**	-45	19	**14**	-5
Machinery & Plant	359	**271**	-89	4	**5**	1
Environment & Materials	1,261	**1,308**	47	9	**3**	-6
Total for reportable segments	4,845	**4,778**	-66	112	**97**	-16
Other (including adjustment)	89	**94**	5	3	**2**	0
Grand total	4,934	**4,872**	-62	115	**99**	-16

[Electronics] An increase in net sales and income
The ICT solutions business and the mobile solutions business continued to perform well, reflecting the rising market for mobile communication terminals, including replacement demand for smartphones. The semiconductor component and equipment business was also brisk during the first half under review compared to the same period a year ago, when business was slow in the aftermath of the earthquake.

[Food & Foodstuffs] A decline in net sales and income
The foods business remained solid. The meat products business remained sluggish amid stagnant market conditions, reflecting higher import volumes causing an oversupply and expansion in the domestic production of meat products. As the American drought caused grain prices to soar, the foodstuff business endeavored to stabilize supply by seeking to procure raw materials from other countries besides America, but faced a tough uphill battle.

[Iron & Steel] A decrease in net sales and income
The business of steel pipes shipped to North America remained steady. However, shipments of steel plates and sheets and iron ore to Asia fell.

[Machinery & Plant] A decline in net sales and a rise in income
Business linked to machine tool and industrial machine performed well, tapping into customers' capital investment demand and equipment replacement demand. Business linked to plant remained solid, especially government ODA-related projects. In business linked to transport, exports to Asia were weak.

[Environment & Materials] A rise in net sales and a decrease in income
In the functional chemicals business, exports of raw materials for car batteries remained slightly sluggish. However, imports of raw materials of medical and pharmaceutical products and health foods remained steady. The energy business struggled in face of persistently high prices, maintaining a steady business volume but failing to pass through higher prices to customers.

Assets, Liabilities and Net Assets

(Unit: 100 million yen)	3/2012	**9/2012**	Comparison with 3/2012 Change	Comparison with 3/2012 Change (%)
Total assets	3,998	**3,731**	-267	-6.7%
Gross interest-bearing debt	1,608	**1,439**	-169	-10.5%
Net interest-bearing debt	900	**820**	-80	-8.9%
Equity capital	698	**760**	61	8.8%
(Retained earnings)	150	**210**	60	40.1%
Other accumulated comprehensive income	-308	**-325**	-17	-
Minority interests	170	**175**	5	3.1%
Total net assets	560	**609**	49	8.8%
Shareholder's equity (Note 1)	390	**434**	44	11.3%
Shareholder's equity ratio (Note 2)	9.8%	**11.6%**	1.8 pt improved	-
Net debt-equity ratio (Note 3)	2.3 times	**1.9 times**	0.4 pt improved	-

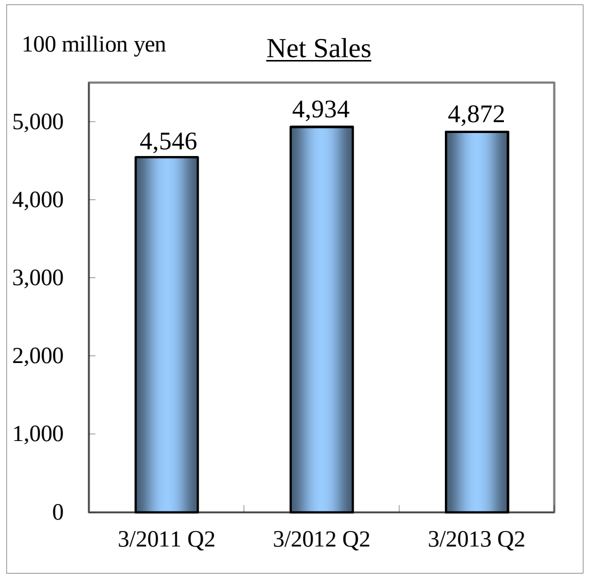
(Note 1) Shareholder's equity = Total net assets - Minority interests (Note 2) Shareholder's equity ratio = Shareholder's equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital

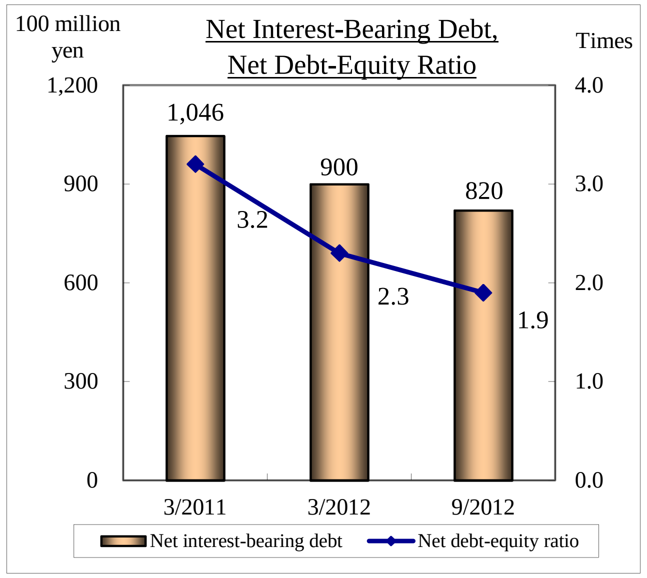
[Total assets]
Total assets decreased by 26.7 billion yen, reflecting a decline in cash and deposits and accounts receivable.

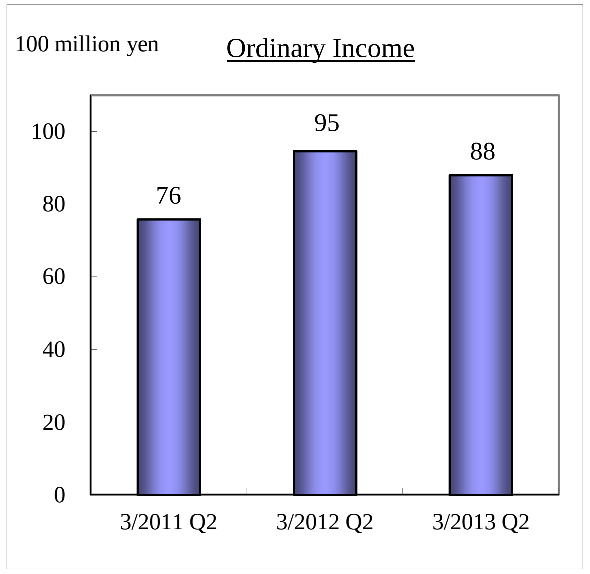
[Interest-bearing debt]
Gross interest-bearing debt decreased 16.9 billion yen through the repayment of debts. Net interest-bearing debt also declined 8.0 billion yen.

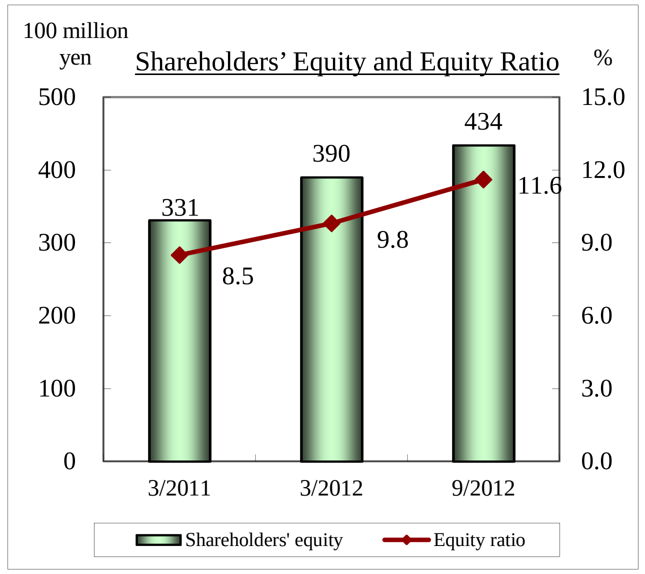
[Net assets]
Shareholder's equity rose, reflecting an increase in retained earnings attributable to the posting of net income. Net assets increased 4.9 billion yen due to a decrease in other accumulated comprehensive income. Equity capital, which is net assets minus minority interests, rose 4.4 billion yen.

As a result, the equity ratio increased to 11.6%, and net DER improved to 1.9.









* 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.