



Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the Fiscal Year Ended March 2007

May 18, 2007

Company name: Kanematsu Corporation

Stock Exchange listing: First Sections of the Tokyo Stock
Exchange and the Osaka Securities ExchangeURL <http://www.kanematsu.co.jp>

Stock code: 8020

Representative: President, Yoshihiro Miwa

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Scheduled Date for the Ordinary General Meeting of Shareholders: June 28, 2007

Scheduled Date for the submission of financial statements: June 28, 2007

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

1. Consolidated Business Results for the Fiscal Year Ended March 2007 (April 1, 2006 - March 31, 2007)

(1) Consolidated business results

(%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2007	1,281,331	16.9	21,713	20.7	17,255	9.8	7,507	—
Fiscal year ended March 2006	1,096,409	23.6	17,982	14.1	15,709	34.0	(21,686)	—

	Net income per share	Net income per share (diluted basis)	Return on equity	Ordinary income to total assets ratio	Operating income to net sales
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2007	17.94	—	25.5	3.1	1.7
Fiscal year ended March 2006	(52.43)	—	(67.7)	2.9	1.6

(Reference) Equity in earnings of affiliated companies: 731 million yen for the fiscal year ended March 2007, 1,671 million yen for the fiscal year ended March 2006

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2007	563,176	48,767	5.9	78.75
As of March 31, 2006	556,046	26,004	4.7	62.12

(Reference) Shareholders' equity: 32,959 million yen as of March 2007, - million yen as of March 2006

(Note) "Shareholders' equity," "Ratio of shareholders' equity to total assets," and "Shareholders' equity per share" for the fiscal year ended March 2006 are presented in the table as "Net assets," "Equity ratio," and "Net assets per share" respectively.

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2007	20,874	23,149	(30,267)	65,471
Fiscal year ended March 2006	19,720	7,822	(26,583)	50,934

2. Dividends

(Record date)	Dividends per share			Annual total of dividend	Payout ratio (Consolidated)	Net assets dividend ratio (Consolidated)
	First half	Second half	Fiscal			
	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2007	—	—	0.00	—	—	—
Fiscal year ended March 2006	—	—	0.00	—	—	—
Fiscal year ending March 2008 (Forecasts)	—	(Not yet determined)	(Not yet determined)		—	

3. Forecasts for consolidated results ending March 2008 (April 1, 2007 - March 31, 2008)

(%: 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
Interim	625,000	1.1	11,000	(8.9)	8,500	(9.4)	4,000	(36.2)	9.56
Full year	1,300,000	1.5	23,500	8.2	19,000	10.1	8,000	6.6	19.11

4. Other information

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

(2) Change in accounting principle, procedure and presentation related to the preparation of the consolidated financial statements (noted on changes in "Basis of consolidated financial statements")

(i) Change due to amendment to accounting standard: Yes

(ii) Change due to other than above: None

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares including treasury stock

Fiscal year (2007/3): 422,501,010 shares, Fiscal year (2006/3): 422,501,010 shares

(ii) Number of treasury stock

Fiscal year (2007/3): 3,975,292 shares, Fiscal year (2006/3): 3,884,528 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Business Results for the Fiscal Year Ended March 2007 (April 1, 2006 - March 31, 2007)

(1) Non-consolidated business results

(%: Changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2007	541,154	5.6	6,046	70.2	9,412	37.8	3,240	—
Fiscal year ended March 2006	512,251	5.6	3,552	(31.4)	6,829	13.7	(25,479)	—

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
Fiscal year ended March 2007	7.69	—
Fiscal year ended March 2006	(60.85)	—

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2007	390,045	43,943	11.3	104.24
As of March 31, 2006	404,086	41,114	10.2	97.50

(Reference) Shareholders' equity: 43,943 million yen as of March 2007, - million yen as of March 2006

(Note) The "Shareholders' equity," "Ratio of shareholders' equity to total assets," and "Shareholders' equity per share" for the fiscal year ended March 2006 are presented in the table as "Net assets," "Equity ratio," and "Net assets per share" respectively.

2. Forecasts for non-consolidated results ending March 2008 (April 1, 2007 - March 31, 2008)

As the Company manages operations on a consolidated basis, it does not prepare non-consolidated business forecasts.

* Notes for the descriptions related to business forecasts

The above business forecasts are made based on the information available at the time of the announcement of this document and assumptions on uncertain factors that may influence the Company's future performance. Please note that actual performance may differ from the above forecasts due to a variety of factors.

Consolidated Financial Statements and Others

(1) Consolidated Balance Sheets

(Million yen)

Category	Fiscal 2006 (March 31, 2007)	Fiscal 2005 (March 31, 2006)	Increase/ decrease	Category	Fiscal 2006 (March 31, 2007)	Fiscal 2005 (March 31, 2006)	Increase/ decrease
Assets				Liabilities			
I Current assets				I Current liabilities			
1. Cash and bank deposits	65,778	52,115	13,663	1. Notes and accounts payable	176,658	160,900	15,758
2. Notes and accounts receivable	205,639	197,953	7,686	2. Short-term borrowings	143,527	215,885	(72,358)
3. Short-term investments	—	0	(0)	3. Accrued income taxes	3,424	1,302	2,122
4. Inventories	84,942	79,737	5,205	4. Deferred tax liabilities	0	0	0
5. Short-term loans receivable	5,145	13,552	(8,407)	5. Other	43,882	36,305	7,577
6. Deferred tax assets	4,655	4,380	275	Total current liabilities	367,493	414,393	(46,900)
7. Other	41,709	34,993	6,716	II Long-term liabilities			
Allowance for doubtful accounts	(1,280)	(1,350)	70	1. Long-term borrowings	127,151	82,548	44,603
Total current assets	406,590	381,382	25,208	2. Deferred tax liabilities	90	1,401	(1,311)
II Fixed assets				3. Accrued severance indemnities	5,441	5,863	(422)
1. Tangible fixed assets	40,601	51,041	(10,440)	4. Allowance for loss on guarantees	4,189	3,188	1,001
2. Intangible fixed assets	3,549	3,905	(356)	5. Allowance for loss on lawsuits	532	—	532
3. Investments and other assets				6. Other	9,510	7,673	1,837
(1) Investments in securities	71,616	74,991	(3,375)	Total long-term liabilities	146,916	100,675	46,241
(2) Long-term loans receivable	14,231	19,635	(5,404)	Total liabilities	514,409	515,068	(659)
(3) Doubtful accounts	23,809	35,000	(11,191)	Net assets			
(4) Deferred tax assets	19,595	20,664	(1,069)	I Owners' equity			
(5) Other	12,402	11,058	1,344	1. Capital stock	27,781	—	—
Allowance for doubtful accounts	(29,221)	(41,633)	12,412	2. Capital surplus	27,646	—	—
Total investments and other assets	112,435	119,715	(7,280)	3. Retained earnings	(9,496)	—	—
Total fixed assets	156,586	174,663	(18,077)	4. Treasury stock	(627)	—	—
				Total owners' equity	45,303	—	—
				II Valuation and translation adjustments			
				1. Unrealized loss on available-for-sale securities	3,853	—	—
				2. Deferred gain/loss on hedging	112	—	—
				3. Land revaluation reserves	58	—	—
				4. Translation adjustments	(16,368)	—	—
				Total valuation and translation adjustments	(12,344)	—	—
				III Minority interests	15,807	—	—
				Total net assets	48,767	—	—
				Total liabilities and net assets	563,176	—	—
				(Minority interests)			
				Minority interests	—	14,972	—
				(Shareholders' equity)			
				I Capital stock	—	27,781	—
				II Capital surplus	—	27,641	—
				III Retained earnings	—	(16,294)	—
				IV Land revaluation reserves	—	58	—
				V Unrealized loss on available-for-sale securities	—	4,816	—
				VI Translation adjustments	—	(17,397)	—
				VII Treasury stock	—	(600)	—
				Total assets	—	26,004	—
Total assets	563,176	556,046	7,130	Total liabilities, minority interests and shareholders' equity	—	556,046	—

(2) Consolidated Statements of Income

(Million yen)

Category	Fiscal 2006 (April 1, 2006 to March 31, 2007)		Fiscal 2005 (April 1, 2005 to March 31, 2006)		Increase/decrease	
		%		%		%
I Net sales	1,281,331	100	1,096,409	100	184,922	16.9
II Cost of sales	1,177,619	91.91	1,014,676	92.55	162,943	16.1
Gross trading profit	103,711	8.09	81,732	7.45	21,979	26.9
III Selling, general and administrative expenses	81,997	6.40	63,750	5.81	18,247	28.6
Operating income	21,713	1.69	17,982	1.64	3,731	20.7
IV Non-operating income						
1. Interest received	1,572		1,290		282	
2. Dividends received	1,282		1,702		(420)	
3. Equity in earnings of affiliated companies	731		1,671		(940)	
4. Other	1,734		2,064		(330)	
Total non-operating income	5,320	0.42	6,728	0.61	(1,408)	-20.9
V Non-operating expenses						
1. Interest paid	8,278		7,909		369	
2. Other	1,499		1,092		407	
Total non-operating expenses	9,778	0.76	9,002	0.82	776	8.6
Ordinary income	17,255	1.35	15,709	1.43	1,546	9.8
VI Extraordinary gains						
1. Gain on sales of tangible fixed assets	6,655		352		6,303	
2. Gains on sale of investment in securities	1,574		6,334		(4,760)	
3. Gain on reversal of allowance for doubtful accounts	549		963		(414)	
4. Gain on transfer of business	—		1,429		(1,429)	
Total extraordinary gains	8,779	0.68	9,080	0.83	(301)	-3.3
VII Extraordinary losses						
1. Loss on sale of tangible fixed assets	1,058		311		747	
2. Loss on impairment	2,309		14,593		(12,284)	
3. Loss on sale of investments in securities	225		110		115	
4. Loss on valuation of investments in securities	532		2,971		(2,439)	
5. Business restructuring expense	1,153		788		365	
6. Loss on revaluation of inventories	—		6,208		(6,208)	
7. Transfer to allowance for doubtful accounts for subsidiaries and affiliates	725		2,081		(1,356)	
8. Transfer to allowance for doubtful accounts for credits of special business	3,877		13,410		(9,533)	
9. Transfer to allowance for loss on guarantee	1,004		1,040		(36)	
10. Transfer to allowance for loss on lawsuits	532		—		532	
Total extraordinary losses	11,420	0.89	41,517	3.79	(30,097)	(72.5)
Income or loss (-) before income taxes and minority interests	14,615	1.14	(16,728)	(1.53)	31,343	—
Income taxes - current	6,193	0.48	2,866	0.26	3,327	116.0
Income taxes - deferred	139	0.01	785	0.07	(646)	(82.3)
Minority interests in consolidated subsidiaries	775	0.06	1,305	0.12	(530)	(40.6)
Net income/loss (-)	7,507	0.59	(21,686)	(1.98)	29,193	—

(3) Consolidated Statements of Shareholders' Equity

Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Million yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of March 31, 2006	27,781	27,641	(16,294)	(600)	38,527
Changes of items during the fiscal year					
Directors' and corporate auditors' bonuses			(120)		(120)
Net income			7,507		7,507
Acquisition of treasury stock				(35)	(35)
Disposal of treasury stock		4		7	12
Effect of changes of the stake in equity method affiliates				(0)	(0)
Effect of changes of the scope of consolidated subsidiaries			(359)		(359)
Effect of changes of the scope of equity method affiliates			(91)	1	(89)
Pension liability adjustments (Note)			(138)		(138)
Net changes of items other than owners' equity during the fiscal year					
Total changes of items during the fiscal year	—	4	6,797	(26)	6,776
Balance as of March 31, 2007	27,781	27,646	(9,496)	(627)	45,303

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized loss on available-for-sale securities	Deferred gain/loss on hedging	Land revaluation reserves	Translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	4,816	—	58	(17,397)	(12,523)	14,972	40,977
Changes of items during the fiscal year							
Directors' and corporate auditors' bonuses							(120)
Net income							7,507
Acquisition of treasury stock							(35)
Disposal of treasury stock							12
Effect of changes of the stake in equity method affiliates							(0)
Effect of changes of the scope of consolidated subsidiaries							(359)
Effect of changes of the scope of equity method affiliates							(89)
Pension liability adjustments (Note)							(138)
Net changes of items other than owners' equity during the fiscal year	-962	112	—	1,028	178	834	1,013
Total changes of items during the fiscal year	-962	112	—	1,028	178	834	7,789
Balance as of March 31, 2007	3,853	112	58	(16,368)	(12,344)	15,807	48,767

(Note) Changes are attributable to accounting of overseas subsidiaries.

(4) Consolidated Statements of Capital Surplus and Retained Earnings

(Million yen)

Category	Fiscal 2005 (April 1, 2005 to March 31, 2006)
Capital surplus	
I Capital surplus at beginning of year	26,037
II Increase in capital surplus	
1. Issuance of common stock	1,250
2. Net gain on sales of treasury stock	353
Total increase in capital surplus	1,603
III Capital surplus at end of year	27,641
Retained earnings	
I Retained earnings at beginning of year	5,392
II Increase in retained earnings	
1. Retained earnings of new consolidated subsidiaries at beginning of year	147
Total increase in retained earnings	147
III Decrease in retained earnings	
1. Net loss	21,686
2. Bonus to directors	72
3. Retained earnings of new consolidated subsidiaries at beginning of year	27
4. Retained earnings of new equity method affiliates at beginning of year	48
Total decrease in retained earnings	21,834
IV Retained earnings at end of year	(16,294)

(5) Consolidated Statements of Cash Flows

(Million yen)

Category	Fiscal 2006 (April 1, 2006 to March 31, 2007)	Fiscal 2005 (April 1, 2005 to March 31, 2006)
I Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	14,615	(16,728)
Depreciation and amortization	3,771	3,813
Interest and dividend income	(2,855)	(2,993)
Interest expense	8,278	7,909
Gain (loss) on sale or disposal of property and equipment, net	(5,596)	(41)
Impairment loss on fixed assets	2,309	14,593
Gain on sales of investments, net	(1,349)	(6,223)
Loss on revaluation of investments	532	2,971
Gain on transfer of business	—	(1,429)
Loss on closure of business	1,153	788
Loss on revaluation of inventories	—	6,208
Transfer to allowance for doubtful accounts for subsidiaries and affiliates	725	2,081
Transfer to allowance for doubtful accounts for credits of special business	3,877	13,410
Transfer to allowance for loss on guarantee	1,004	1,040
Transfer to allowance for loss on lawsuits	532	—
Decrease (increase) in notes and accounts receivable	(6,446)	2,448
Increase in inventories	(5,316)	(5,959)
Decrease in notes and accounts payable	12,073	(949)
Other	846	1,442
Sub total	28,157	22,384
Interest and dividend income received	4,439	3,287
Interest paid	(7,371)	(7,499)
Income taxes paid	(4,351)	(3,362)
Proceeds from transfer of business	—	4,910
Net cash provided by operating activities	20,874	19,720
II Cash flows from investing activities		
Increase in time deposits, net	889	(675)
Payments for acquisition of property and equipment	(1,866)	(1,950)
Proceeds from sale of property and equipment	15,952	4,642
Payments for acquisition of investments in securities	(1,102)	(2,110)
Proceeds from sale of investments in securities	5,699	13,043
Payments for purchase of shares of subsidiaries	(3,683)	(3,437)
Increase in loans receivable	(4,639)	(8,149)
Decrease in loans receivable	12,833	6,176
Other	(934)	284
Net cash provided by investing activities	23,149	7,822
III Cash flows from financing activities		
Decrease in short-term loans, net	6,185	(8,957)
Proceeds from long-term debt	126,663	10,592
Repayment of long-term debt	(162,561)	(29,525)
Proceeds from issuance of common stock	—	558
Other	(554)	748
Net cash used in financing activities	(30,267)	(26,583)
IV Effect of exchange rate changes on cash and cash equivalents	731	854
V Net increase in cash and cash equivalents	14,488	1,814
VI Cash and cash equivalent at beginning of year	50,934	48,831
VII Effect of the change in scope of consolidated subsidiaries	48	238
VIII Mergers	—	50
IX Cash and cash equivalent at end of year	65,471	50,934

(Segment information)

a. Industry Segment Information

A summary by industry for the fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Million yen)

	IT	Foodstuffs	Iron, Steel & Industrial Plants	Life Science & Energy	Textiles	Others	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income									
Net sales									
(1) Outside customers	357,926	274,162	247,115	308,328	57,757	36,040	1,281,331	—	1,281,331
(2) Inter-segment	27	1	9	61	—	88	189	(189)	—
Total	357,954	274,163	247,125	308,390	57,757	36,129	1,281,520	(189)	1,281,331
Operating expenses	350,041	272,356	239,704	305,537	57,271	35,618	1,260,531	(913)	1,259,617
Operating income	7,913	1,806	7,421	2,852	486	510	20,989	723	21,713
II Assets, depreciation and amortization, impairment of fixed assets, and capital expenditure									
Assets	164,464	79,115	105,463	60,208	23,027	47,677	479,957	83,219	563,176
Depreciation and amortization	2,133	468	330	275	34	536	3,778	(7)	3,771
Impairment of fixed assets	—	—	—	443	245	1,620	2,309	—	2,309
Capital expenditure	1,934	239	177	184	13	106	2,655	346	3,001

A summary by industry for the fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(Million yen)

	IT	Foodstuffs	Iron, Steel & Industrial Plants	Life Science & Energy	Textiles	Others	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income									
Net sales									
(1) Outside customers	302,473	199,349	226,405	292,227	55,620	20,333	1,096,409	—	1,096,409
(2) Inter-segment	48	1	123	61	—	128	362	(362)	—
Total	302,521	199,350	226,528	292,289	55,620	20,461	1,096,772	(362)	1,096,409
Operating expenses	297,488	198,644	218,572	289,799	55,196	19,379	1,079,081	(653)	1,078,427
Operating income	5,032	705	7,955	2,490	424	1,081	17,690	291	17,982
II Assets, depreciation and amortization, impairment of fixed assets, and capital expenditure									
Assets	159,862	68,653	92,425	69,401	21,384	55,834	467,560	88,485	556,046
Depreciation and amortization	1,948	363	478	276	61	692	3,822	(9)	3,813
Impairment of fixed assets	367	4	1,012	169	15	13,023	14,593	—	14,593
Capital expenditure	1,475	151	193	200	78	201	2,301	732	3,033

(Notes) 1. Segments are determined in accordance with the business management units of the relevant products and services.

2. The amount of the Company's assets that are included in "Adjustments & Eliminations" is 83,427 million yen and 88,698 million yen for the fiscal year ended March 31, 2007 and March 31, 2006 respectively. Most of these assets are cash and deposits related to financing activities and investments in securities.

b. Geographic Segment Information

A summary by geographic area for the fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Million yen)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	1,162,709	44,350	56,154	18,044	73	1,281,331	—	1,281,331
(2) Inter-segment	53,061	10,748	43,638	3,598	2,170	113,218	(113,218)	—
Total	1,215,770	55,098	99,792	21,643	2,243	1,394,549	(113,218)	1,281,331
Operating expenses	1,197,921	54,699	96,123	21,576	2,236	1,372,558	(112,940)	1,259,617
Operating income	17,849	398	3,668	67	7	21,991	(277)	21,713
II Assets	551,773	43,583	39,203	24,401	1,141	660,103	(96,927)	563,176

A summary by geographic area for the fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(Million yen)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	970,695	47,685	61,237	16,470	321	1,096,409	—	1,096,409
(2) Inter-segment	55,620	13,106	37,614	3,208	3,334	112,885	(112,885)	—
Total	1,026,316	60,791	98,851	19,679	3,656	1,209,294	(112,885)	1,096,409
Operating expenses	1,012,462	60,253	94,966	19,809	3,608	1,191,099	(112,672)	1,078,427
Operating income	13,853	538	3,885	(130)	47	18,194	(212)	17,982
II Assets	548,265	41,636	37,636	24,800	1,145	653,483	(97,437)	556,046

(Note) Categories of countries and areas are determined in accordance with the geographic positions.

c. Information for Overseas Sales

Overseas net sales for the fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Million yen)

	Asia	North America	Europe	Other Areas	Total
I Overseas sales	181,646	87,924	24,090	37,592	331,254
II Consolidated sales					1,281,331
III Ratio of overseas sales to consolidated sales	14.2	6.9	1.9	2.9	25.9

Overseas net sales for the fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2005)

(Million yen)

	Asia	North America	Europe	Other Areas	Total
I Overseas sales	188,599	101,939	20,883	27,949	339,371
II Consolidated sales					1,096,409
III Ratio of overseas sales to consolidated sales	17.2	9.3	1.9	2.6	31.0

(Notes) 1. Categories of countries and areas are determined in accordance with the geographic positions.

2. Overseas sales are net sales of the Company and consolidated subsidiaries generated in countries or areas other than Japan.