
Overview of Results for The 1st Half of Fiscal 2007

November 15, 2007



兼松株式会社

KANEMATSU CORPORATION

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- Cautionary statement regarding forward-looking statements

Information contained in this material is based on various assumptions and the statements regarding projected and expected figures for the future and our initiatives include uncertainties.

I. Overview of Results for The 1st Half of Fiscal 2007

1. Consolidated Financial Results: Earnings

- Posts a record ordinary income in the past ten years

Ordinary income and net income far exceeded the forecasts made at the beginning of the term

While sales rose in the IT, Foodstuffs, and Iron, Steel & Plant Divisions, there were negative factors including the change of a textiles subsidiary to an equity method affiliate. As a result, total net sales were 613.6 billion yen, down 0.7% year on year. Gross trading profit was 45.9 billion yen, down 5.2%. Operating income increased to 12.5 billion yen, up 4.0%. Ordinary income rose to 11.0 billion yen, increasing 17.0% to the highest level in ten years. Net income was 5.5 billion yen, far exceeding the forecast made at the beginning of the term.

(Million yen)

	Period ended September 2006		Period ended September 2007		Year on year	
		Percentage of net sales		Percentage of net sales	Change	Change (%)
Net sales	618,050	100.0%	613,604	100.0%	-4,446	-0.7%
Gross trading profit	48,467	7.8%	45,946	7.5%	-2,521	-5.2%
Operating income	12,071	2.0%	12,548	2.1%	477	4.0%
Ordinary income	9,383	1.5%	10,975	1.8%	1,592	17.0%
Net income (loss) before income taxes	12,088	2.0%	10,306	1.7%	-1,782	-14.7%
Net income (loss)	6,271	1.0%	5,537	0.9%	-734	-11.7%

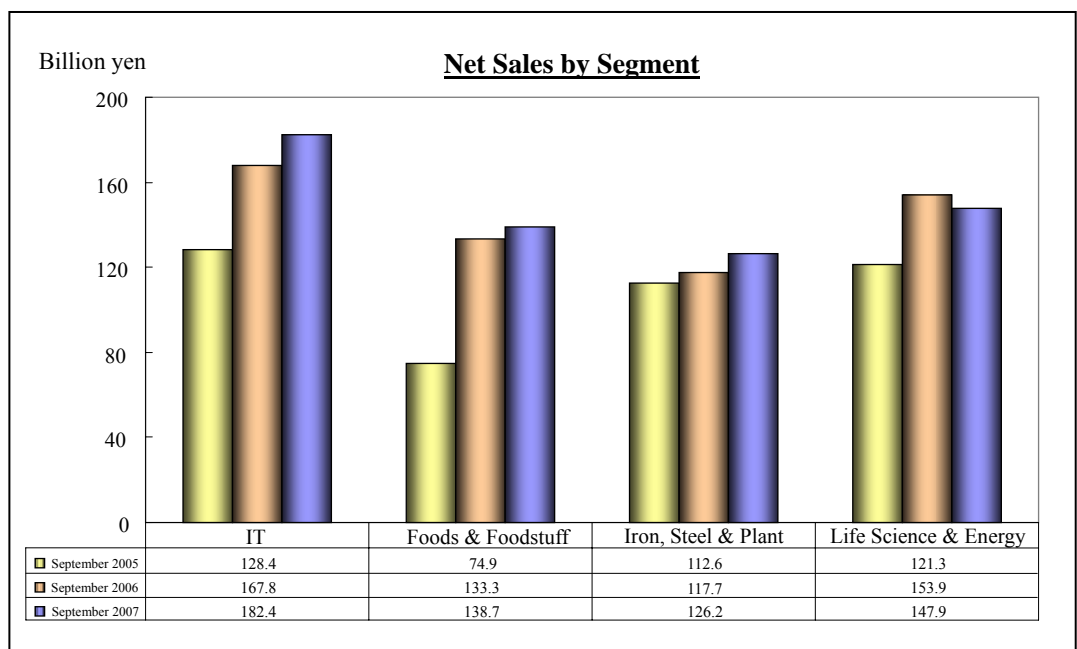
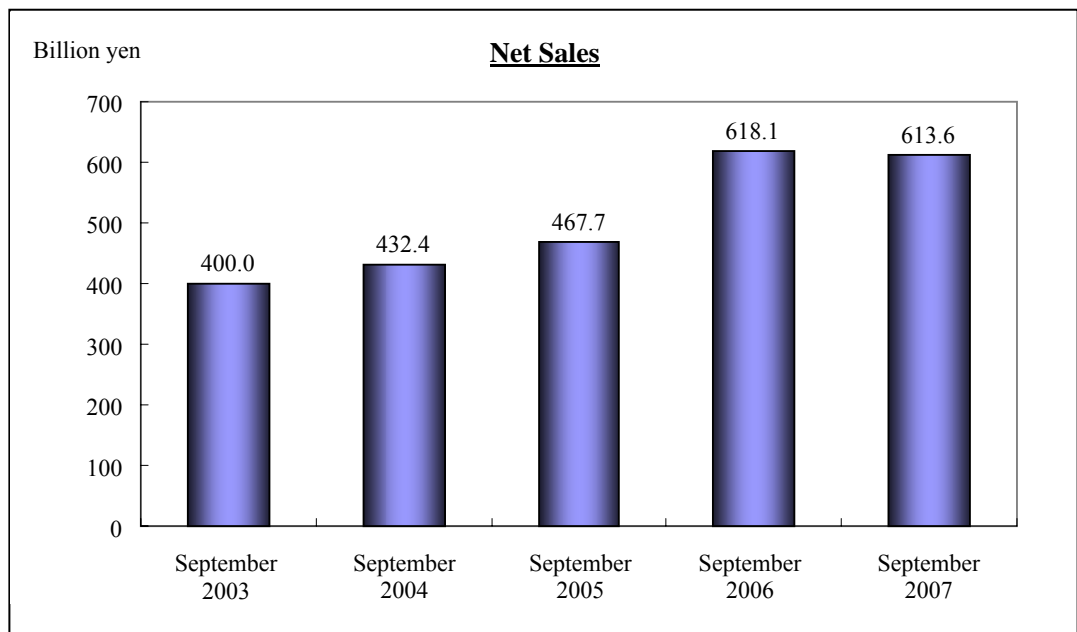
(1) Net Sales

- While sales increased in the IT, Foods & Foodstuff, and Iron, Steel & Plant Divisions, they were reduced by negative factors including Kanematsu Textile Corporation changing into an equity method affiliate. Total sales fell 4.4 billion yen.

(Million yen)

		Period ended September 2006	Period ended September 2007	Year on year
IT		167,777	182,417	14,640
Foods & Foodstuff		133,260	138,717	5,457
Iron & Steel		67,555	72,602	5,047
	Machinery & Plant	50,101	53,583	3,482
Iron, Steel & Plant		117,657	126,185	8,528
Energy		138,194	132,741	-5,453
	Life Science	15,755	15,137	-618
Life Science & Energy		153,949	147,878	-6,071
Others		45,530	18,503	-27,027
Consolidated adjustment		-125	-99	26
Total		618,050	613,604	-4,446

(Note) Others for the period ended September 2006 include 28,628 million yen for textiles.



(2) Gross Trading Profit

- Gross Trading Profit fell, as net sales did, 2.5 billion yen as Kanematsu Textile Corporation changed to an equity method affiliate.

(Million yen)

	Period ended September 2006		Period ended September 2007		Year on year	
	Results	Percentage of total	Results	Percentage of total	Change	Change %
IT	22,704	13.5%	21,962	12.0%	-742	-3.3%
Foods & Foodstuff	5,785	4.3%	6,895	5.0%	1,110	19.2%
Iron & Steel	4,728	7.0%	5,562	7.7%	834	17.6%
Machinery & Plant	5,159	10.3%	5,378	10.0%	219	4.2%
Iron, Steel & Plant	9,888	8.4%	10,941	8.7%	1,053	10.6%
Energy	5,046	3.7%	3,452	2.6%	-1,594	-31.6%
Life Science	1,127	7.2%	1,103	7.3%	-24	-2.2%
Life Science & Energy	6,174	4.0%	4,556	3.1%	-1,618	-26.2%
Others	3,915	8.6%	1,591	8.6%	-2,324	-59.4%
Consolidated Adjustment	0	-	0	-	0	-
Total	48,467	7.8%	45,946	7.5%	-2,521	-5.2%

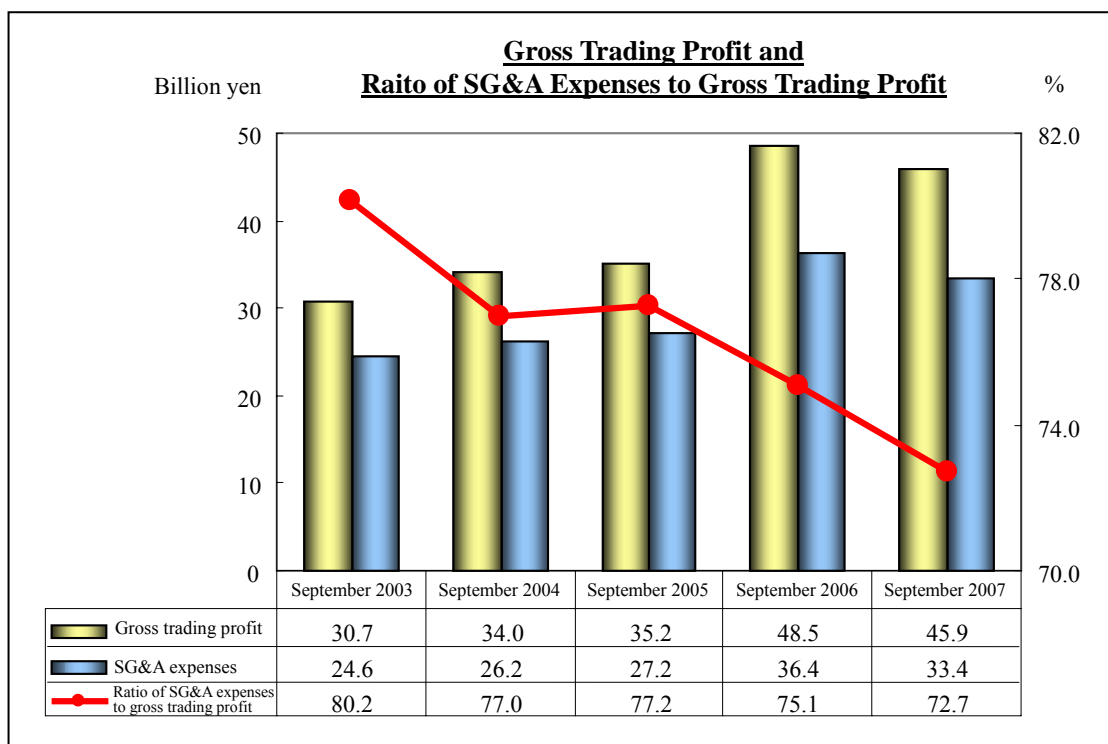
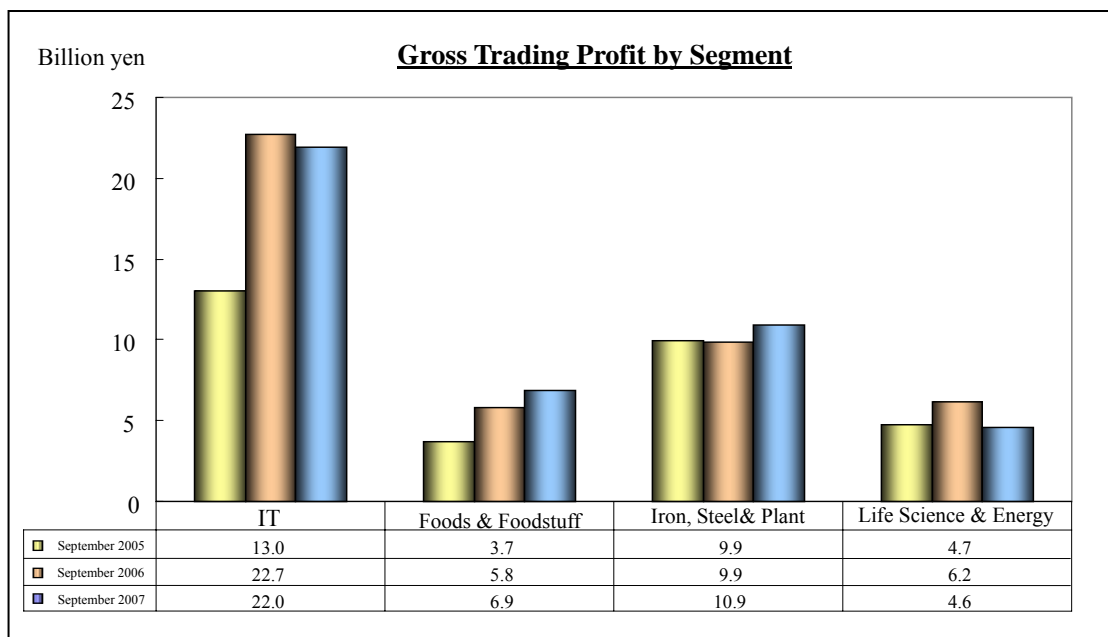
(Note) Others for the period ended September 2006 include 2,172 million yen for textiles.

(3) Selling, General and Administrative Expenses

- Selling, general and administrative expenses declined 3.0 billion because Kanematsu Textile Corporation changed to an equity method affiliate. The ratio of SG&A to gross trading profit improved 2.4%.

(Million yen)

	Period ended September 2006	Period ended September 2007	Year on year
Personnel expenses	18,624	17,211	-1,413
Non-personnel expenses	17,772	16,186	-1,586
SG&A expenses	36,396	33,397	-2,999
Ratio of SG&A expenses to gross trading profit	75.1%	72.7%	-2.4%



(4) Operating Income

- Operating income in the IT Division rose with a strong performance in semiconductor manufacturing equipment-related operations, Kanematsu Electronics Ltd., and Kanematsu Communications Ltd. Income in Foods & Foodstuff increased because of strong feed trading performance and the recovery of livestock operations. In Iron & Steel, exports to the United States were solid, and income climbed. In the Energy segment, the transaction volume of gasoline, heavy fuel oil, etc. fell while prices of petroleum products remained high, and consequently income declined. Total operating income rose 500 million yen from the year-ago level.

(Million yen)

	Period ended September 2006		Period ended September 2007		Year on year	
	Results	Percentage of total	Results	Percentage of total	Change	Change %
IT	4,184	2.5%	4,697	2.6%	513	12.3%
Foods & Foodstuff	1,363	1.0%	2,053	1.5%	690	50.6%
Iron & Steel	2,659	3.9%	3,235	4.5%	576	21.6%
Machinery & Plant	946	1.9%	1,102	2.1%	156	16.5%
Iron, Steel & Plant	3,605	3.1%	4,337	3.4%	732	20.3%
Energy	1,920	1.4%	600	0.5%	-1,320	-68.8%
Life Science	214	1.4%	182	1.2%	-32	-15.1%
Life Science & Energy	2,135	1.4%	782	0.5%	-1,353	-63.3%
Others	645	1.4%	359	1.9%	-286	-44.3%
Consolidated Adjustment	136	-	319	-	183	-
Total	12,071	2.0%	12,548	2.1%	477	4.0%

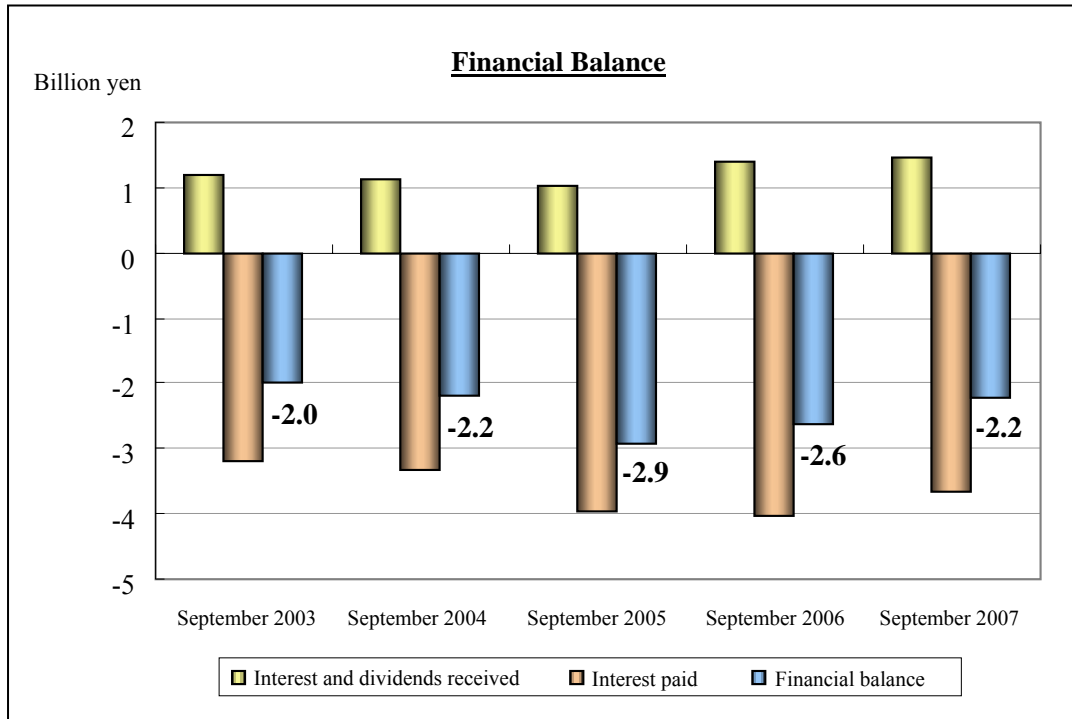
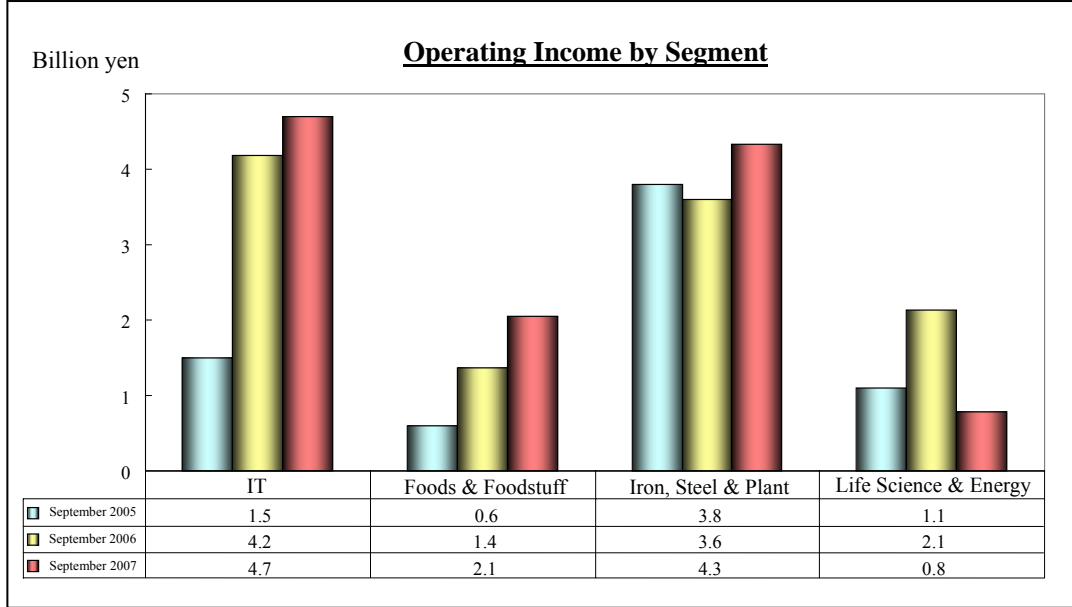
(Note) Others for the period ended September 2006 include 210 million yen for textiles.

(5) Non-Operating Income & Loss

- Non-operating income rose 1.1 billion yen from the year-ago level because of an improvement in interest as a result of the reduction of borrowings and a substantial increase in gains on equity-method investments.

(Million yen)

	Period ended September 2006	Period ended September 2007	Year on year
Dividends received	558	650	92
Interest received	833	809	-24
Interest paid	-4,016	-3,667	349
Financial balance	-2,624	-2,208	416
Gain on equity-method investment	90	929	839
Others	-153	-296	-143
Non-operating loss	-2,687	-1,575	1,112



(6) Ordinary Income

- Ordinary income rose 1.6 billion yen (17.0%) to 11.0 billion yen.
- Funds efficiency improved to 7.7%.
- Core earnings increased 1.4 billion yen from the year-earlier level, to 11.4 billion yen.

(Million yen)

	Period ended September 2006	Period ended September 2007	Year on year
Ordinary income	9,383	10,975	1,592
Ordinary income ratio	1.5%	1.8%	0.3%
Core earnings	10,017	11,408	1,391

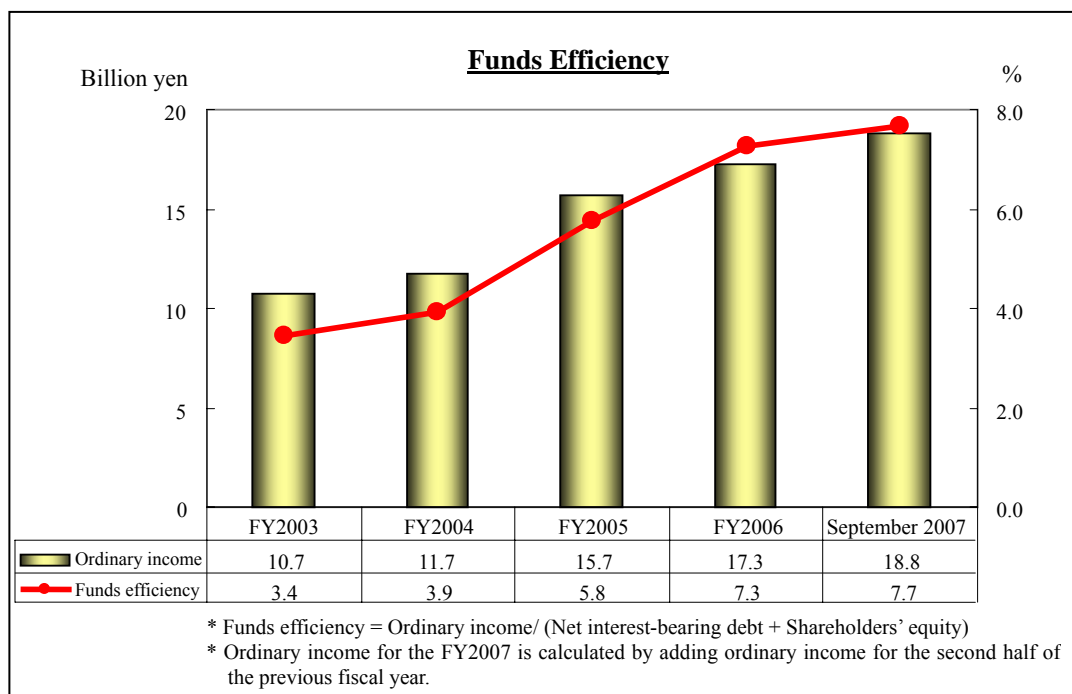
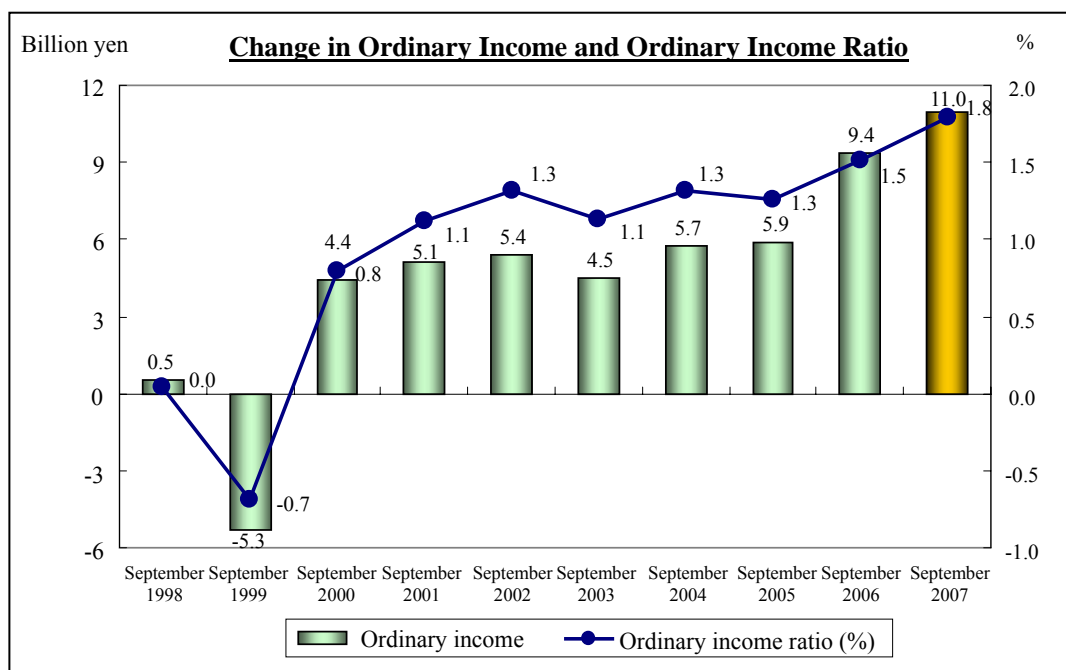
* Core earnings = Operating income + Reserve for doubtful accounts + Financial balance + Gain on equity-method investment

(7) Extraordinary Gain/Loss and Net Income

- Extraordinary gains fell 4.0 billion yen, an amount almost equivalent to the gain on the sale of tangible fixed assets as a result of the sale of the Osaka office building for the year-ago period.
- While the Company posted an extraordinary loss of 3.0 billion yen as a result of a loss on valuation of assets for specific businesses and a fixed-asset impairment loss in affiliates, it recorded an extraordinary gain of 2.3 billion yen due to a gain on the sale of investment securities, etc. As a consequence, a net extraordinary loss of 700 million yen was posted.
- Net income was 5.5 billion yen, exceeding the forecast at the beginning of the term (4.0 billion yen).

(Million yen)

	Period ended September 2006	Period ended September 2007	Year on year
Gain on sale of tangible fixed assets	4,189	75	-4,114
Gain on sale of investment securities	780	2,138	1,358
Gain on reversal of allowance for doubtful accounts	423	146	-277
Extraordinary gain	5,394	2,359	-3,035
Loss on disposal of business operated by affiliated companies	-64	-286	-222
Provision for doubtful receivables from affiliated companies	-1,440	-	1,440
Loss on sale of investment securities	-169	-153	16
Valuation loss on investment securities	-89	-122	-33
Impairment loss	-102	-553	-451
Provision to loan-loss reserve regarding specific businesses	-	-517	-517
Loss on valuation of assets for specific businesses	-	-835	-835
Other extraordinary loss	-825	-563	262
Extraordinary loss	-2,689	-3,029	-340
Net extraordinary loss	2,704	-670	-3,374
Income loss before income taxes	12,088	10,306	-1,782
Income taxes and minority interests	-5,817	-4,769	1,048
Net income	6,271	5,537	-734



2. Consolidated Balance Sheets

Fixed assets fell 14.9 billion yen with the sale of investments in securities and the reduction of the number of consolidated subsidiaries. Current assets also declined 30.3 billion yen. As a result, total assets fell 45.2 billion yen from the end of the previous fiscal year, to 518.0 billion yen.

Gross interest-bearing debt declined 28.2 billion yen from the end of the previous fiscal year, to 242.5 billion yen. Net interest-bearing debt, which is gross interest-bearing debt less cash, was 207.6 billion yen.

Net assets rose to 55.1 billion yen with an increase in retained earnings as a result of a net income. Consequently, the equity ratio improved to 7.5%, and net DER to 5.4 times.

(1) Interest-bearing Debt

- Gross interest-bearing debt decreased 28.2 billion yen from the end of the previous fiscal year. Net interest-bearing debt increased 2.7 billion yen in association with change in the presentation of negotiable deposit. It would be the reduction of 5.3 billion yen if the old method had been applied.

	3/2007		9/2007		(Million yen) Comparison with 3/2007	
		Breakdown		Breakdown	Change	Change (%)
Short-term borrowings	143,527	53.0%	114,471	47.2%	-29,056	-
Long-term borrowings	127,151	47.0%	128,031	52.8%	880	-
Gross interest-bearing debt	270,678		242,502		-28,176	-10.4%
Net interest-bearing debt (Note 1)	204,900		207,630		2,730	1.3%
Liquidity ratio (Note 2)	110.6%		117.8%		7.3%	-

(Note 1) Net interest-bearing debt = Gross interest-bearing debt – Cash and bank deposits

(Note 2) Liquidity ratio = Current assets / Current liabilities

(2) Net Assets

- Net assets increased to 55.1 billion yen, from 48.8 billion yen at the end of the previous fiscal year with the addition of the net income to retained earnings.
- Equity ratio and net DER improved to 7.5% and 5.4 times respectively.

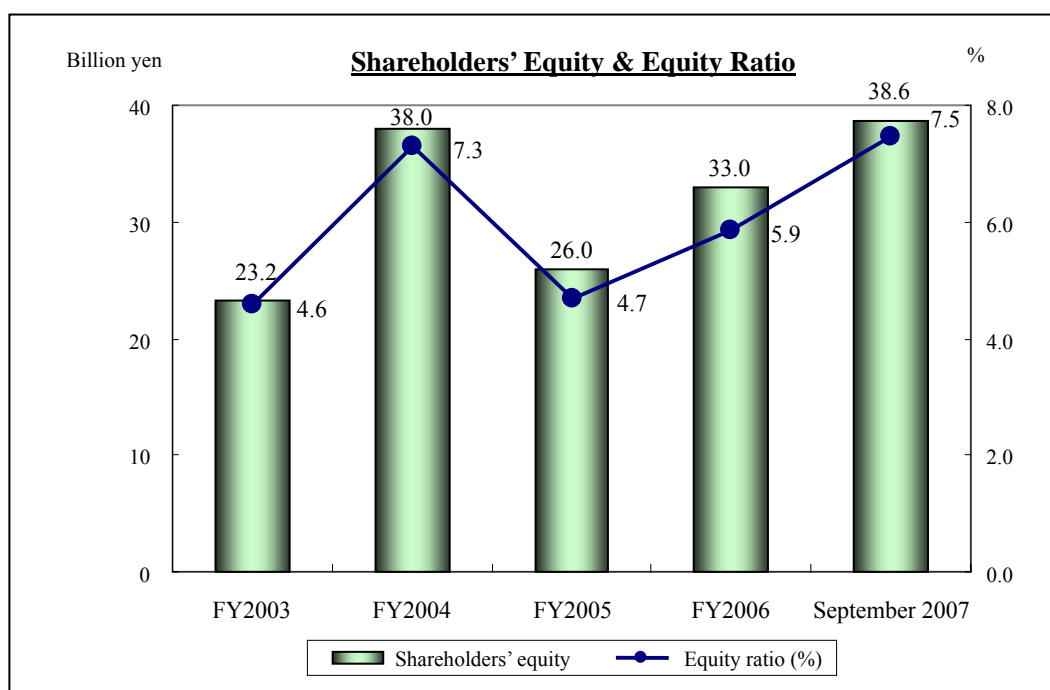
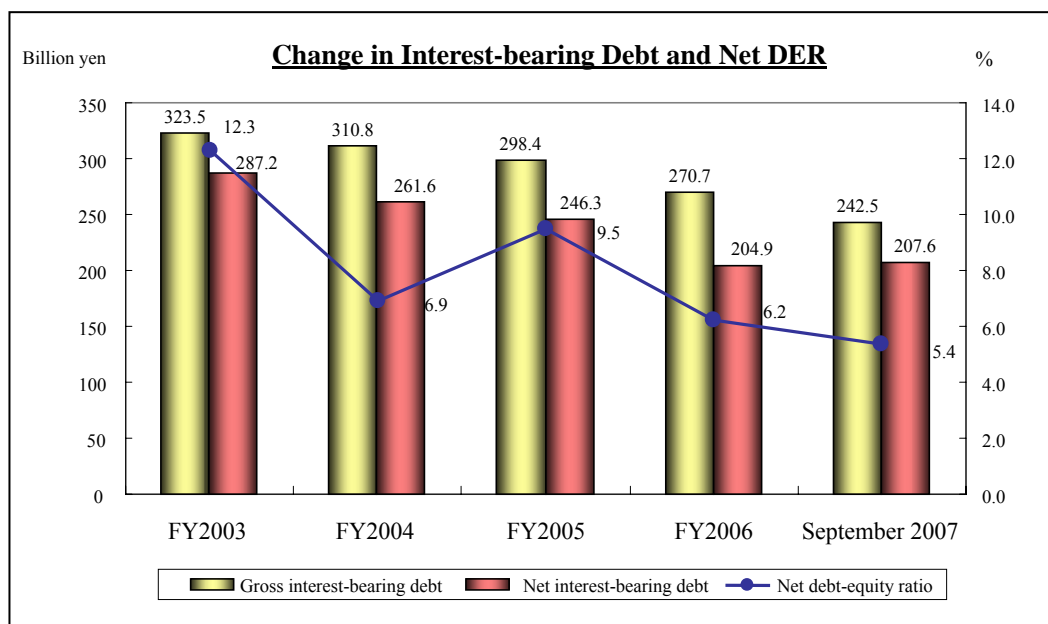
	3/2007	9/2007	(Million yen) Comparison with 3/2007	
			Change	Change (%)
Total assets	563,176	517,967	-45,209	-8.0%
Capital stock	27,781	27,781	-	-
Capital surplus	27,646	27,646	-	-
Retained earnings	-9,496	-3,957	5,539	-58.3%
Treasury stock	-627	-640	-13	2.1%
Net unrealized gain on available-for-sale securities	3,853	3,031	-822	-21.3%
Gain on hedge operations	112	98	-14	-12.5%
Land revaluation reserves	58	58	-	-
Foreign exchange translation (Note 1)	-16,368	-15,390	978	-
Minority interests	15,807	16,501	694	4.4%
Net assets	48,767	55,129	6,362	13.0%
Equity ratio (%) (Note 2)	5.9	7.5		
Net D/E ratio (Note 3)	6.2	5.4		

(Note 1) Exchange rate: 118.05 yen/US\$ as of March 31, 2007

115.43 yen/US\$ as of September 30, 2007

(Note 2) Equity ratio = (net assets – minority interests) / total assets

(Note 3) Net DER = net interest-bearing debt / (net assets – minority interests)



* Shareholder's equity = Net assets – Minority interests

(3) Assets by Account Title

(Million yen)

	3/2007	9/2007	Comparison with 3/2007	
			Change	Change (%)
Cash and bank deposits	65,778	34,872	-30,906	-47.0%
Accounts and notes receivable	205,639	201,632	-4,007	-1.9%
Inventories	84,942	75,626	-9,316	-11.0%
Investments (Note)	71,616	65,269	-6,347	-8.9%
Loans (Note)	19,376	22,115	2,739	14.1%
Tangible fixed assets	40,601	39,445	-1,156	-2.8%
Deferred tax assets	24,250	22,986	-1,264	-5.2%
Others	81,475	86,794	5,319	6.5%
Reserve for doubtful accounts	-30,501	-30,772	-271	0.9%
Total assets	563,176	517,967	-45,209	-8.0%

Note: Investments = Marketable securities + Investment securities

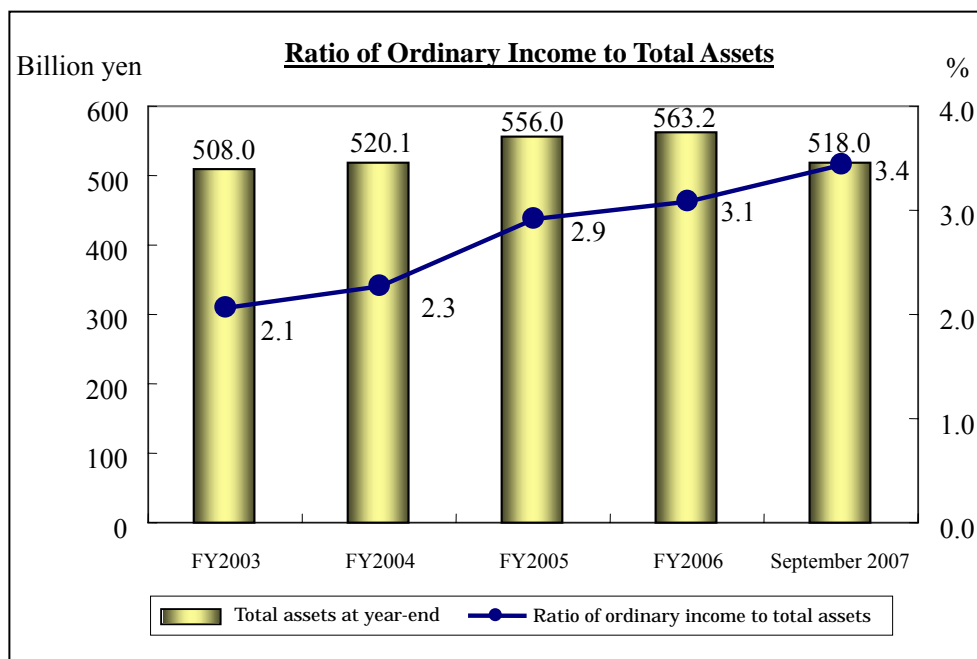
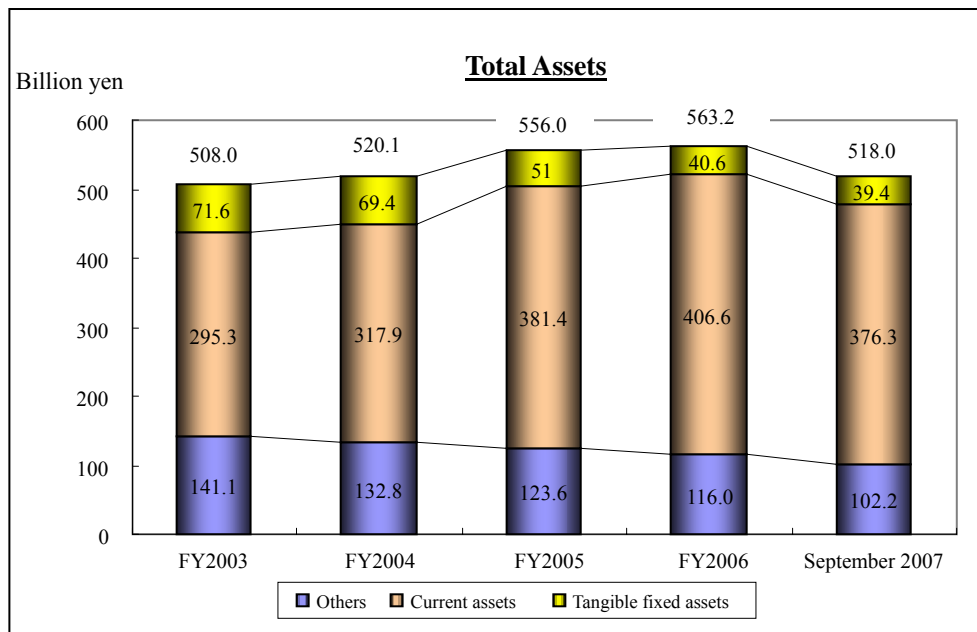
Loans = Short-term loans + Long-term loans

3. Consolidated Cash Flows

- Cash used in operating activities was 8.8 billion yen as a result of an increase in funds for transactions mainly in Foodstuffs because of rises in prices and trading volumes, and temporary advance payments caused by holidays at the end of the period. Cash used in financial activities was 28.4 billion yen due to the repayment of loans with returns on investments and cash on hand.

(Million yen)

	Period ended September 2006	Period ended September 2007	Year on year
Cash flows from operating activities	8,303	-8,781	-17,084
Cash flows from investing activities	13,782	13,757	-25
Total free cash flows	22,085	4,976	-17,109
Cash flows from financing activities	-9,196	-28,405	-19,209
Cash and cash equivalents at the end of the interim period	63,818	42,547	-21,271



4. Subsidiaries and Affiliates, and their Employees

(1) Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

(Companies)

	Period ended September 2006					Period ended September 2007					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable companies	42	26	14	19	101	37	24	15	16	92	-9
Raito (%)	80.8	68.4	48.3	79.2	70.6	80.4	64.9	57.7	59.3	67.6	-3.0
Number of non-profitable companies	10	12	15	5	42	9	13	11	11	44	2
Total	52	38	29	24	143	46	37	26	27	136	-7

(2) Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(Billion yen)

	Period ended September 2006					Period ended September 2007					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable companies	31	12	1	6	50	32	19	11	7	69	19
Sum of loss posted by non-profitable companies	-5	-9	-6	0	-20	-5	-9	-8	-1	-23	-3
Total	26	3	-5	6	30	27	10	3	6	46	16

(Note) Simple aggregation before consolidation adjustment

(3) Number of Employees

(Persons)

	9/2006	9/2007	Year on year	
			Change	Change (%)
Parent company	869	879	10	1.2%
Consolidated subsidiaries	4,349	3,579	-770	-17.7%
Total	5,218	4,458	-760	-14.6%

(4) Sales in Major Consolidated Companies

(Million yen)

Company	Business	Holdings	Net sales		
			Period ended September 2006	Period ended September 2007	Change (%)
Kanematsu Electronics Ltd.	ICT solutions	58.27%	26,292	26,705	1.6%
Kanematsu Communications Ltd.	Mobile communications	100.00%	55,204	67,735	22.7%
Kanematsu Food Corp.	Food, dairy & seafood	100.00%	6,695	7,359	9.9%
Kanematsu Agri-Tech Corp.	Feed & dairy	100.00%	4,396	6,100	38.8%
Kanematsu Trading Corp.	Domestic steel Steel materials	100.00%	33,786	35,221	4.2%
Kanematsu KGK Corp.	Machine tools Industrial machinery	97.90%	29,968	31,283	4.4%
Kanematsu Petroleum Corp.	Petroleum products Gas	100.00%	57,716	60,884	5.5%
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	9,692	9,979	3.0%
Kanematsu USA Inc.	Overseas subsidiary	100.00%	40,814	54,436	33.4%
Shintoa Corporation	Trading company	77.45%	103,955	83,181	-20.0%

(Note) Net sales are numbers before consolidated adjustments.

(Note) The numbers for Kanematsu Electronics Ltd. and Kanematsu USA Inc. are on a consolidated basis.

Reference: Non-Consolidated Financial Results

1. Non-Consolidated Financial Results: Earnings

(Million yen)

	Period ended September 2006		Period ended September 2007		Year on year	
		Percentage of net sales		Percentage of net sales	Change	Change (%)
Net sales	267,716	100.0%	279,713	100.0%	11,997	4.5%
Gross trading profit	11,972	4.5%	12,021	4.3%	49	0.4%
Operating income	3,460	1.3%	3,665	1.3%	205	5.9%
Ordinary income	4,184	1.6%	3,597	1.3%	-587	-14.0%
Net income (loss) before income taxes	2,157	0.8%	819	0.3%	-1,338	-62.0%
Net income (loss)	131	0.1%	61	0.0%	-70	-53.5%

2. Non-Consolidated Balance Sheets

(1) Total Assets and Net Interest-Bearing Debt

(Million yen)

	3/2007	9/2007	Comparison with 3/2007	
			Change	Change (%)
Total assets	390,045	357,334	-32,711	-8.4%
Gross interest-bearing debt	236,685	209,872	-26,813	-11.3%
Net interest-bearing debt	209,353	201,318	-8,035	-3.8%

(2) Net Assets

(Million yen)

		3/2007	9/2007	Comparison with 3/2007	
				Change	Change (%)
	Common stock	27,781	27,781	0	0.0%
	Capital surplus	26,888	26,888	0	0.0%
	Retained earnings	-13,336	-13,275	61	-0.5%
	Treasure stock	-174	-188	-14	8.0%
Total shareholders' equity		41,158	41,205	47	0.1%
Valuation and translation differences		2,785	2,141	-644	-23.1%
Net assets		43,943	43,346	-597	-1.4%

II. Earnings Forecast for Fiscal 2007 and Segment Information

II . Earnings Forecast for FY2007 and Segment Information

- Earnings Forecast for FY2007

- We aim to achieve the forecasts set out at the beginning of the fiscal year: 1,300 billion yen in sales, a gross trading profit of 100 billion yen, and ordinary income of 19 billion yen.
- We have revised the forecast of net income upward to 16 billion yen from the forecast made at the beginning of the fiscal year (8 billion yen), following an extraordinary gain posted on the sale of interests in the Tangguh LNG project.
- Net DER at the end of the term is expected to improve to 3.8 times.
- To quickly resume dividends we aim to eliminate non-consolidated losses carried forward.
- We aim to increase revenues by setting up new businesses in the Marketing Area in the current fiscal year, or the first year of “teamKG120”.

(1) Net Sales/Gross Trading Profit

- Sales are set to rise in each division, although there are negative factors associated with the changing of a textiles subsidiary into an equity method affiliate, etc.
- Gross trading profit is expected to fall slightly with the change of a textiles subsidiary into an equity method affiliate and a slight decline in profit in the Energy Division.

(2) Operating Income/Ordinary Income

- Operating income and ordinary income are projected to be 23.5 billion yen and 19.0 billion yen, respectively, rising 1.8 billion yen from the year-ago level, as forecast at the beginning of the fiscal year. This reflects a reduction in selling, general and administrative expenses.

(3) Net Income

- The forecast of net income has been revised upward to 16 billion yen from the 8 billion yen set at the beginning of the term, an increase of 8.5 billion from the year-ago level, to reflect a gain on the sale of interests in the Tangguh LNG project.

(4) Net Interest-Bearing Debt/Shareholders' Equity

- We will achieve net interest-bearing debt of 180 billion yen at the end of the term, as projected at the beginning of the term. Shareholders' equity is expected to rise 8 billion yen from the initial forecast, to about 48 billion yen because of the upward revision of net income.
- Consequently, net DER is projected to improve to about 3.8 times.

(Note) Shareholders' equity = net assets – minority interests

Forecast for FY 2007 (revised on October 1, 2007)

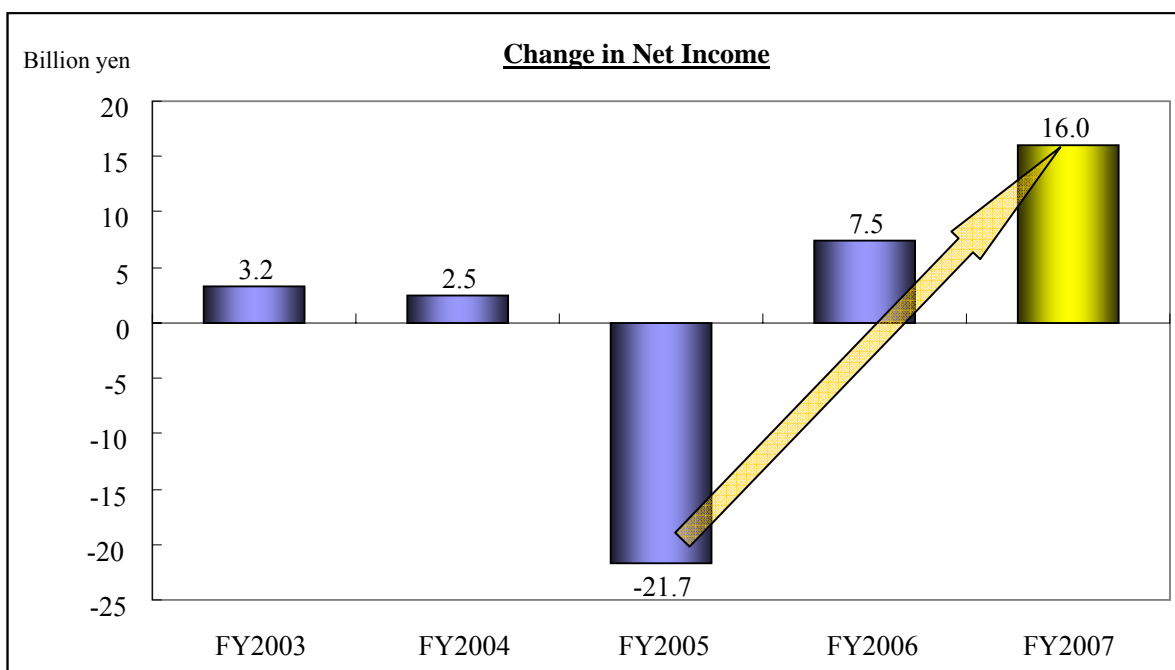
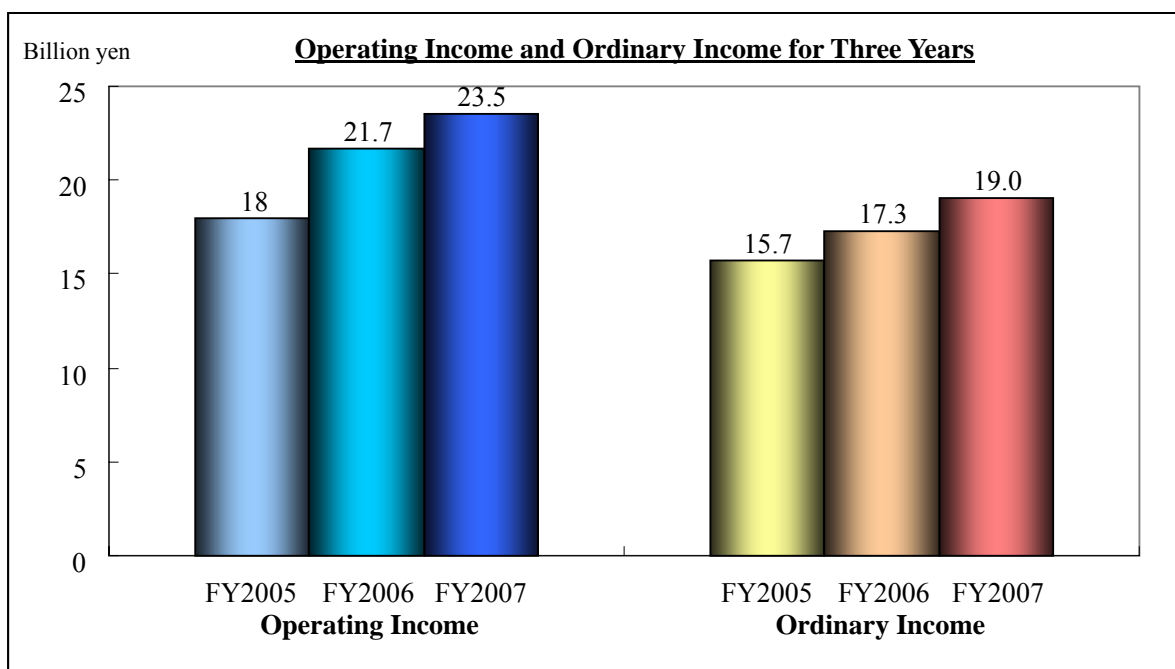
(Million yen)

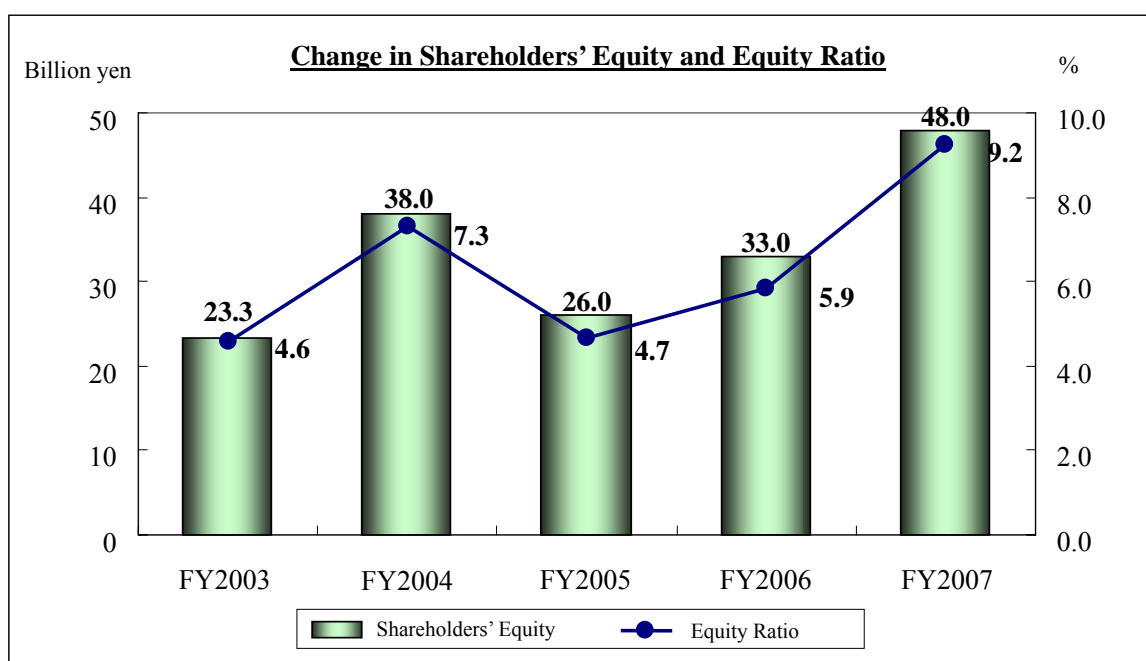
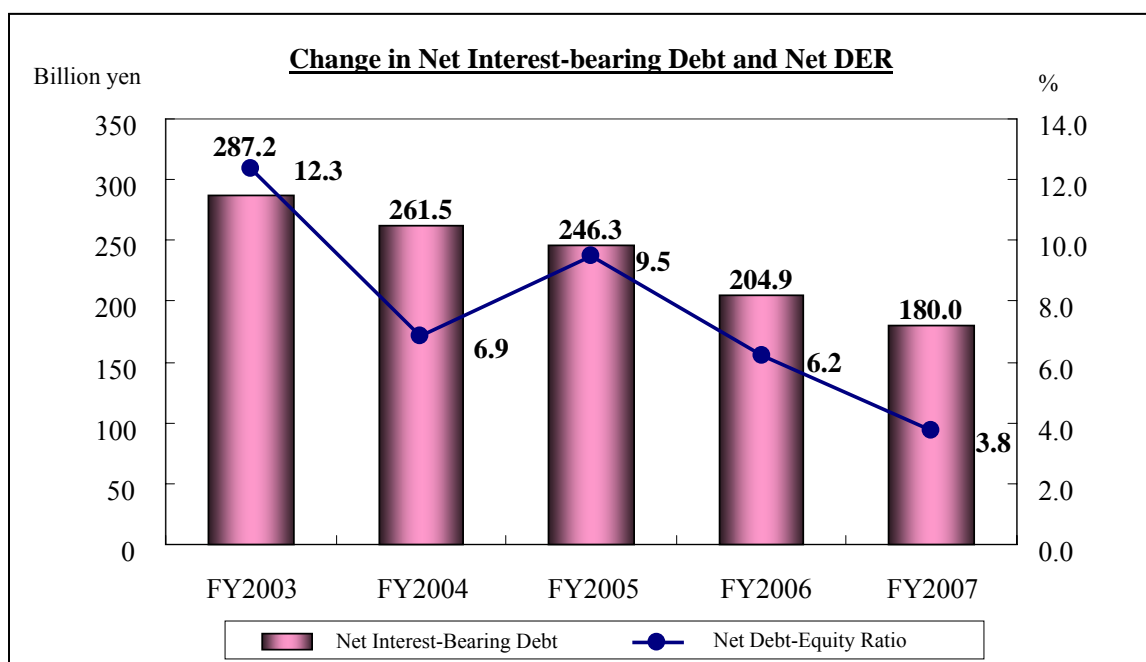
	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	1,281,331	1,300,000	18,669
Gross Trading Profit	103,711	100,000	-3,711
Ratio	8.1%	7.7%	-0.4%
Selling, General and Administrative Expenses	81,997	76,500	-5,497
Operating Income	21,713	23,500	1,787
Non-operating Income	-4,457	-4,500	-43
Ordinary Income	17,255	19,000	1,745
Extraordinary Gain/Loss	-2,641	10,000	12,641
Income before Taxes	14,615	29,000	14,385
Income Taxes	-7,107	-13,000	-5,893
Net Income	7,507	16,000	8,493
Total Assets	563,176	520,000	-43,176
Gross Interest-bearing Debt	270,678	230,000	-40,678
Net Interest-bearing Debt	204,900	180,000	-24,900
Shareholders' Equity	32,960	48,000	15,040
Net D/E Ratio (Times)	6.2	3.8	-2.5

Forecasts by segment

(Billion yen)

	Net Sales		Gross Trading Profit		Operating Income	
	FY2007 (Forecast)	Year on year	FY2007 (Forecast)	Year on year	FY2007 (Forecast)	Year on year
IT	370.0	+12.0	48.0	+2.6	8.0	+0.1
Foods & Foodstuff	285.0	+10.8	15.5	-3.7	3.5	+1.7
Iron & Steel	150.0	+7.3	11.0	+1.0	6.0	+0.5
Machinery & Plant	110.0	+5.6	11.5	+1.0	2.5	+0.6
Iron, Steel & Plant	260.0	+12.9	22.5	+2.0	8.5	+1.1
Energy	300.0	+23.1	8.0	-0.5	1.8	-0.7
Life Science	35.0	+3.5	2.5	+0.2	0.5	+0.1
Life Science & Energy	335.0	+26.6	10.5	-0.3	2.3	-0.6
Others, Consolidated adjustment	50.0	-43.7	3.5	-4.3	1.2	-0.5
Total	1,300.0	+18.7	100.0	-3.7	23.5	+1.8





Shareholder's equity = Net assets – Minority Interests

IT

- Emphasize usefulness beyond the framework of a trading company in areas including auto mechanical parts, aerospace (private sector), electronic parts for digital home appliances, and industrial machinery, in line with the concepts expressed in the following key terms: technology and expertise, B2B, and global execution.
- Continue to bolster our function as a purchasing agent and improve operating efficiency in fundamental trading businesses in areas such as electronic parts (including semiconductors, LCD parts, optical devices and electronic materials). Also provide customers who are expanding overseas with international and local procurement and distribution support.
- Expand market share by strengthening the existing customer network in the ICT solutions and mobile phone businesses. Also seek opportunities in M&A to maximize synergy.
- In new businesses, expand the mechanized parts businesses from the motorcycle arena to the automobile arena, operate mobile advertising and mobile-commerce businesses, and launch new projects in the civil aerospace sector.

(1) Main Business

Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated Net Sales (FY2007 Forecast)
Electronic Devices	Semiconductor/electronic parts, Electronic modules/materials, Semiconductor/LED	Devices Company ATE Solutions Dept	-	120 billion yen
OEM/ODM Solutions	Mechanized parts, Printer equipment, Electronic modules	Industrial Electronics Dept. Information & Electronics Dept.	-	49 billion yen
Mobile Solutions	Mobile communications terminals Mobile content/mobile advertisement	IT Administration Office	Kanematsu Communications Ltd.	108 billion yen
ICT Solutions	System solutions Communication equipment/parts	IT Administration Office Information & Electronics Dept.	Kanematsu Electronics Ltd. Nippon Office Systems Ltd.	66 billion yen (14 billion yen)
Aerospace	Aircraft/aircraft parts	Aerospace Dept.	Kanematsu Aerospace Corp. Shintoa Corporation	27 billion yen
Total				370 billion yen

(Note) Italicized company names show affiliates that contribute to consolidated ordinary income through gains (losses) on equity-method investments.
Figures in parentheses show the total net sales of equity method affiliates

(2) Forecast for FY 2007

(Million yen)

	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	357,954	370,000	12,046
Gross Trading Profit	45,445	48,000	2,555
Ratio	12.7%	13.0%	0.3%
Operating Income	7,913	8,000	87
Ratio	2.2%	2.2%	0.0%

(3) Actions and Outlook for FY2007 (compared with FY2006 results)

Electronic Devices Business (sales rising ¥4.7 billion and gross trading profit up ¥0.7 billion)

- In the semiconductor business, we will continue to focus on expanding sales of Bluetooth Chip, a promising trade right.
- In the field of electronic modules and electronic materials, we help Japanese customers to move overseas and build SCM systems. We will bolster our operations especially in South China.

OEM/ODM Solutions Business (increase in sales of ¥5.0 billion and gross trading profit of ¥0.7 billion)

- In mechanical parts trading, we aim to expand revenue using the know-how that we have developed for mechanical parts for four-wheeled and two-wheeled vehicles and printers.

Mobile Solutions Business (sales up ¥10.3 billion and gross trading profit up ¥0.6 billion)

- In the mobile-phone handset business, we will respond to changes in the market, including the introduction of a new pricing system, and seek to improve our position in the industry by promoting corporate services, collaborating with companies in different industries, and expanding the network of offices based on our regional strategy.
- In the domestic mobile Internet business, we will specialize in mobile advertising and mobile e-book operations. In the United States, we will invest in the mobile commerce business.

ICT(*) Solutions Business (increase in sales of ¥10.4 billion and gross trading profit of ¥0.4 billion)

- Kanematsu Electronics Ltd., which has amalgamated Memorex Telex Japan Ltd., will pursue synergy by effectively working with technical staff and responding to the growing needs of customers, for instance by bolstering internal control.

*ICT: Information Communication Technology

Aerospace Business (sales up ¥2.2 billion and gross trading profit up ¥0.2 billion)

- We will bolster the aerospace business for the private sector in addition to our mainstay business for government offices.

(4) Results for the 1st Half of FY2007

(Million yen)

	Results for the 1 st half of FY2006	Results for the 1 st half of FY2007	Year on year
Net Sales	167,777	182,417	14,640
Gross Trading Profit	22,704	21,962	-742
Ratio	13.5%	12.0%	-1.5%
Operating Income	4,184	4,697	513

(1) Net Sales/Gross Trading Profit

Net Sales Fell 1.3 billion yen in Electronic Devices, rose 2.5 billion yen in OEM/ODM Solutions, increased 14.8 billion yen in Mobile Solutions, declined 3.2 billion yen in ICT Solutions, and climbed 1.9 billion yen in Aerospace.

Gross Trading Profit

Fell 0.1 billion yen in Electronic Devices, rose 0.2 billion yen in OEM/ODM Solutions, increased 0.5 billion yen in Mobile Solutions, declined 1.4 billion yen in ICT Solutions, and went up 0.1 billion yen in Aerospace.

(2) Operating Income

Rose 0.5 billion yen from the year-ago level owing to a strong performance in the Mobile Solution Business and Aerospace Business.

(3) Summary

The Mobile Solutions Business recorded significant increases in sales and profit. In the ICT Solutions Business, gross trading profit fell mainly because of a decline in network-related operations, but operating income rose with the strong performance of the server-related operations.

Foods & Foodstuff

- With our motto, “the pursuit of security and safety,” we will further integrate upstream and downstream operations throughout supply chain, namely in the procurement of raw materials, processing and manufacturing functions, and strong domestic distribution functions.
- In the food business, we will actively seek additional excellent supply sources for produce such as fruit in Latin America and Eastern Europe. In addition to traditional importing/exporting, we will also continue to add value to food products themselves through our manufacturing and processing functions in China and Southeast Asia. We also plan a joint development project for cooked and prepared foods with our affiliates in Japan and overseas.
We will continually improve our processes to achieve comprehensive traceability throughout our supply chain. We are in the process of constructing a third-party certification system, in which the production processes of food producers are checked, leading to consumer confidence and increased sales to general merchandise stores.
- In the meat and marine products, grains and feed businesses and the specialty coffee business, we will focus on select overseas suppliers who meet our safety standards and who enable full supply-chain traceability. Meanwhile, we will increase the lineup of secure supply sources that can provide high-quality and price-competitive products to meet the ever-increasing needs of stable food supply.
- In the feed business, we are (1) strengthening the community-oriented dairy businesses in Hokkaido, Tohoku and Kyushu, (2) promoting joint business with so-called “mega-farms,” and (3) starting to trade new products such as DDGS (ethanol derivative products).
- In overseas markets, we will promote offshore trading of feed and beef products (from the United States and Australia to China and Asia), processed fruits (from China and Southeast Asia to Europe and the United States), and soy bean foods (from China to the United States).

(1) Main Business

Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated Net Sales (FY2007 Forecast)
Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, and others	Produce Dept. I Produce Dept. II	Kanematsu Food Corp. Shintoa Corporation	93 billion yen
Meat and Marine Products	All meat, seafood	Meat & Marine Products Dept.	Kanematsu Food Corp. Nippon Shokuhin Co., Ltd. Shintoa Corporation	55 billion yen
Grain Oil/Feed and Dairy Products	barley, wheat, rice, soybeans, pro fertilizer, Feed, cessed foods, pet foods and others	Grain Oil Dept. Formula Products Dept. Feed Dept.	Kanematsu Agri-Tech Corp. Savory-Japon S.A. Shintoa Corporation	137 billion yen
Total				285 billion yen

(2) Forecast for FY2007

(Million yen)

	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	274,163	285,000	10,837
Gross Trading Profit	19,200	15,500	-3,700
Ratio	7.0%	5.4%	-1.6%
Operating Income	1,806	3,500	1,694
Ratio	0.7%	1.2%	0.5%

(Note) Results for the term ended March 2007 include the results of a vending machine operator that was a consolidated subsidiary only in the second half—that is net sales of 13,160 million yen, a gross trading profit of 7,127 million yen, and an operating loss of 506 million yen.

(3) Actions and Outlook for FY2007 (compared with FY2006 results)

Food Business (sales down ¥3.3 billion, gross trading profit down ¥5.1 billion)

- The Company has begun to deliver cooked food and delicatessen items to convenience store chains by bolstering its food coordinator function. We will expand sales in cooperation with Group companies.
- The beverage material business continues to perform well. We will diversify production regions and quality to further differentiate ourselves from competitors and boost profits.
- Although concern over Chinese products is rising, the performance of processed fruit from China is solid, owing to an upgrading in processing and comprehensive hygienic and quality management through the transfer of Japanese cultivation technologies.
- The food safety management team, which we have established to thoroughly managing the safety of food, is working properly. We will continue to improve traceability and hygienic management.

Meat and Marine Products Business (sales up ¥1.5 billion, gross trading profit up ¥0.7 billion)

- We have developed a program for general merchandise stores whereby Canadian chilled pork is delivered from seven farms through processing plants to users, and the process is authenticated by a third-party accreditation organization. The program is working well.
- Imports of U.S. beef have resumed. Since supplies from allied farmers that carefully manage ages in months have increased, we have begun to sell U.S. beef to mass retailers. We will start to sell U.S. beef to restaurants.
- Processing sushi ingredients in processing plants in Southeast Asia continues to function well.
- Exports and tripartite trade of fish have begun successfully. We will expand sales in this new market.

Feed and Dairy Products/Grains Business (sales up by ¥12.6 billion, gross trading profit up by ¥0.7 billion)

- In the grains business, sales of wheat as feed, which began last year, were firm. We will focus on building alliances with suppliers to solidify our revenue base.
- The feed business is expected to perform well. A sense of security and safety is emphasized in the business, and more food is used as resources. In these circumstances, the Company will focus on the stable supply and reasonable prices that customers seek and add to revenues.
- We are expanding dairy products as feed, to make them a new revenue mainstay.

(4) Results for the 1st Half of FY2007

(Million yen)

	Results for the 1 st half of FY2006	Results for the 1 st half of FY2007	Year on year
Net Sales	133,260	138,717	5,457
Gross Trading Profit	5,785	6,895	1,110
Ratio	4.3%	5.0%	0.7%
Operating Income	1,363	2,053	690

(1) Net Sales/Gross Trading Profit

Net Sales Fell 7.6 billion yen in Food, rose 1.6 billion yen in Meat and Marine Products, and increased 11.4 billion yen in Feed and Dairy Products/Grains Business.

Gross Trading Profit

Fell 0.2 billion yen in Food, rose 0.5 billion yen in Meat and Marine Products, and increased 0.8 billion in Feed and Dairy Products/Grains.

(2) Operating Income

Increased 0.7 billion yen from the year-ago level with the solid performance of feed transactions and the recovery of meat transactions.

(3) Summary

- The Food Business posted a decline in profits. The Company was not able to pass on price rises associated with high raw material prices and the depreciation of the yen on to selling prices. Certain affiliates also recorded lower sales and profit.
- The Meat and Marine Products Business posted gains in sales and profit attributable to the recovery in market prices and the completion of inventory transactions in the previous fiscal year.
- In the Feed and Dairy Products/Grains Business, the Company stabilized supply through appropriate operations based on rises in market prices. Another positive factor was progress in locking in and diversifying areas of production. Most products performed well.

Iron & Steel

- Target balanced growth between the parent company's export business and the domestic sales business of affiliates.
- Expand sales volume of coated steel products by leveraging our SCM capability*, including orders and inventory control and delivery arrangement through EDI.*
* SCM: Supply Chain Management
- Plan to release new transmission components developed jointly with leading automotive manufacturers in Europe and the United States.
- Boost sales in the steadily-growing automobile industry in South America through our new operating base in Sao Paulo.
- With respect to the coil center business in China, in addition to current export trading, we will initiate a feasibility study for capacity increase targeting specifically the domestic Chinese market.
- Enhance production efficiency and sales capabilities in domestic sales of general steel products

(1) Main Business

Busines	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated Net Sales (FY2007 Forecast)
Steel Trading	Surface-treated steel plates, seamless piping	Iron & Steel Foreign Trade Dept.	SSOT	40 billion yen
Special Steel Trading	Stainless, special steel wire rods, long steel products	Special Iron & Steel Foreign Trade Dept.	-	15 billion yen
Cast and Forged Steel Products	Precision forgings	Forging & Casting Dept.	-	10 billion yen
Domestic Steel/Steel Materials	Steel products, iron ore, cokes	Machinery & Plant Administration Office	Kanematsu Trading Corp.	85 billion yen
			Total	150 billion yen

(2) Forecast for FY2007

(Million yen)

	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	142,687	150,000	7,313
Gross Trading Profit	10,047	11,000	953
Ratio	7.0%	7.3%	0.3%
Operating Income	5,475	6,000	525
Ratio	3.8%	4.0%	0.2%

(3) Actions and Outlook for FY2007 (compared with FY2006 results)

Exporting Business (sales flat, gross trading profit up ¥0.6 billion)

- In the coil center business in China, shipments of electroplate zinc-covered steel plates for Japanese users are steady. We will consider our future direction while paying attention to the effects of changes in Chinese government policy.

Specialty Steel (sales flat, gross trading profit up ¥0.2 billion)

- Shipments of high-end stainless steel plates concentrated on the first half. Although we can anticipate demand for stainless steel plates in the second half in relation to resource and environmental issues, we need to pay attention to nickel price trends.
- Shipments of alloy wires and bars performed well and reached the target despite the sluggish performance of the Big 3 in the United States. If their slump continues in the second half, it could have adverse repercussions for our performance.

Cast and Forged Steel Products (sales flat, gross trading profit up ¥0.2 billion)

- Exports of auto parts to Brazil remained strong.
- We aim to receive mass-production orders within the current fiscal year for new transmission components that we have been developing for major auto manufacturers in Europe and the United States.

Domestic Steel/Steel Materials (sales up ¥7.0 billion, gross trading profit flat)

- We will continue with the reorganization of the Group companies as part of our efforts to improve efficiency in the Group and bolster its competitiveness.
Although domestic demand was firm despite high prices in the first half, it is weakening in the second half on concerns about a decline in the number of housing starts in association with the introduction of the revised Building Standards Law.
- China's ability to buy iron ore remains strong, and the iron ore business was firm in the first half. We can expect robust performance in the second half as well.

(4) Results for the 1st Half of FY2007

(Million yen)			
	Results for the 1 st half of FY2006	Results for the 1 st half of FY2007	Year on year
Net Sales	67,555	72,602	5,047
Gross Trading Profit	4,728	5,562	834
Ratio	7.0%	7.7%	0.7%
Operating Income	2,659	3,235	576

(1) Net Sales/Gross Trading Profit

Net Sales Moved sideways in Steel Trading, rose 0.5 billion yen in Special Steel Trading, increased 0.5 billion yen in Cast and Forged Steel Products, and climbed 2 billion yen in Domestic Steel/Steel Materials.

Gross Trading Profit

Rose slightly in each business.

(2) Operating Income

Increased slightly in each business.

(3) Summary

- Performance was good in each business.
- Prices remained high in the steel market.

Plant & Machinery

- We will expand the scale of transactions in stable revenue bases, including auto parts for Japanese manufacturers operating in China, fiber products for Russia, CIS countries, and the Middle East, and package deals for shipbuilding equipment for shipyards in Vietnam. With the import of machine tools and industrial machinery, etc., where our affiliates excel, we will make sales proposals based on technologies, develop support systems for changes in specifications and other aspects, and step up sourcing from overseas, especially from Europe. We will also expand projects to improve infrastructure in developing countries in West Africa and other regions.
- In overseas equipment and plant procurement projects, involving marine cables, geothermal power generation, and shipbuilding, we will be proactive in seeking orders, tapping our close alliances with leading manufacturers and overseas partners. Our strategic regions are Southeast Asian countries such as the Philippines, Indonesia, and Vietnam, and the Middle East. We aim to receive new orders, leveraging our successful experience in regions where we are competitive, and especially in our strategic areas.
- We position environment-related businesses such as bio-fuel and CDM operations as priority new businesses and will promote cross-divisional collaboration with the Energy Division and the Business Incubation Team.

(1) Main Business

Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated Net Sales (FY2007 Forecast)
Plants and Transportation Equipment	Various plants, automobiles, vessels, marine equipment, ODA	Projects & Plant Machinery Dept. Automotive & Construction Machinery Dept. Vessel Dept.	-	35 billion yen
Cable/ Electric Power Projects	Telecommunications projects, optical fibers, electric power projects	Cable & Power Projections Dept.	-	5 billion yen
Machine Tools and Industrial Machinery	Machine tools, industrial machinery	Machinery & Plant Administration Office	Kanematsu KGK Corp.	70 billion yen
Total				110 billion yen

(2) Forecast for FY2007

(Million yen)

	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	104,437	110,000	5,563
Gross Trading Profit	10,492	11,500	1,008
Ratio	10.0%	10.5%	0.5%
Operating Income	1,945	2,500	555
Ratio	1.9%	2.3%	0.4%

(3) Actions and Outlook for FY2007 (compared with FY2006 results)

Plant and Transportation Equipment (sales up ¥3.0 billion, gross trading profit up ¥0.6 billion)

- Stable revenue sources, including shipbuilding and the supply of shipbuilding equipment in Vietnam and the export of automobiles to China and the Middle East, remain solid. We are steadily concluding agreements for chemical plant equipment and paper manufacturing plants in the Middle East and China. Consequently sales and profits are rising.

Cable/Electric Power Projects (sales down ¥4.0 billion, gross trading profit down slightly)

- Sales from large plant projects are entering a lull and will decline. However, exports of cable products, including fibers, aluminum-coated steel wires, and large capacity wires, to Russia and CIS countries and the Middle East, and cables to Southeast Asia will contribute to revenue.
- We are focusing on multiple environment-related projects, such as bio-fuel and CDM projects in Southeast Asia.

Machine Tools and Industrial Machinery (sales up ¥7.0 billion, gross trading profit up ¥0.4 billion)

- The machine tools business is expected to remain solid.
- Improved customer satisfaction as a consequence of proposal-based business and stronger maintenance services that we have promoted in the past several years will contribute to an expansion of transactions.

(4) Results for the 1st Half of FY2007

(Million yen)

	Results for the 1 st half of FY2006	Results for the 1 st half of FY2007	Year on year
Net Sales	50,101	53,583	3,482
Gross Trading Profit	5,159	5,378	219
Ratio	10.3%	10.0%	-0.3%
Operating Income	946	1,102	156

(1) Net Sales/Gross Trading Profit

Net Sales Rose 2.9 billion yen in Plants and Transportation Equipment, fell 1.1 billion yen in Cable/Electric Power Projects, and increased 1.7 billion yen in Machine Tools and Industrial Machinery.

Gross Trading Profit

Increased slightly in each business.

(2) Operating Income

Increased slightly in each business.

(3) Summary

- In Plant and Transportation Equipment, shipbuilding, the export of shipbuilding equipment, and the export of auto parts remained strong.
- Sales in Cable/Electric Power Projects fell. However, the export of cables, including fibers, aluminum-coated steel wires, and large capacity wires are growing to become base cargo, and as a result, profit rose, albeit slightly.
- Machine Tools and Industrial Machinery remained solid, backed by a continued robust market environment.

Energy

- Focus on growth in the retail gas station network and storage tank operations and increase our share of the domestic market for petroleum products.
- For overseas strategies, acquire new customers in China and Southeast Asia and build a greater presence in developing markets.
- Given the rise in demand for new energy sources and energy saving solutions stemming from growing concerns about the global environment and soaring crude oil prices, we are undertaking new energy development projects, through which we plan to provide energy saving solutions to our customers.
- To accomplish the new energy development projects as quickly as possible and accelerate our initiatives in the new emissions credit trading scheme, we will step up investment in people and business initiatives and promote cross-divisional efforts with the Plant & Machinery Division and the Business Incubation Team.

(1) Main Business

Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated Net Sales (FY2007 Forecast)
Crude Oil, Petroleum Products and Gas	Crude oil, petroleum products, LPG	Energy Dept.	Kanematsu Petroleum Corp.	300 billion yen

(2) Forecast for FY2007

(Million yen)			
	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	276,852	300,000	23,148
Gross Trading Profit	8,509	8,000	-509
Ratio	3.1%	2.7%	-0.4%
Operating Income	2,492	1,800	-692
Ratio	0.9%	0.6%	-0.3%

(3) Actions and Outlook for FY2007 (compared with FY2006 results)

Crude Oil, Petroleum Products and Gas (sales up ¥23.0 billion, gross trading profit down ¥0.5 billion)

- We faced serious challenges in the first half of the fiscal year as trading volumes of gasoline, heavy oil, etc. fell in the face of sustained high prices of petroleum products. However, we will strive to increase revenues, especially from kerosene, the peak season for which has arrived, in the second half, taking advantage of storage tanks of petroleum products in Nagoya and Kokura.
- With the wholesale price of gasoline continuing to surge, the challenge for a subsidiary managing about 150 gas stations, under direct management or in alliance, is to pass the higher prices onto retail prices.
- In the LPG business, we specialize in the bulk sale of industrial LPG and we are expanding sales to small-lot users in the comprehensive distribution system.
- In the new energy development business, we began a bio-gas project in Hokkaido and will develop the project nationwide.
- We are stepping up internal cooperation with the Plant & Machinery Division and Business Incubation Team to secure procurement sources overseas, especially in Southeast Asia.
- In emissions trading, we are brokering emissions trading among companies participating in Japan's voluntary emissions trading scheme (J-VETS) of the Ministry of the Environment. We are also facilitating the sale of emission rights to companies in Japan and overseas through participation in CDM operations and cooperation with overseas businesses.

(4) Results for the 1st Half of FY2007

(Million yen)

	Results for the 1 st half of FY2006	Results for the 1 st half of FY2007	Year on year
Net Sales	138,194	132,741	-5,453
Gross Trading Profit	5,046	3,452	-1,594
Ratio	3.7%	2.6%	-1.1%
Operating Income	1,920	600	-1,320

(1) Net Sales/Gross Trading

Net Sales Fell with the contraction of the energy business of a subsidiary and a decline in transaction volume attributable to the continued high prices of petroleum products.

Gross Trading Profit

Declined because of falls in revenue and margins.

(2) Operating Income

Dipped. Although we held down selling, general and administrative expenses in association with the contraction of the business of a subsidiary and the decline in transaction volume, we were not able to offset the fall in gross profit.

(3) Summary

Income fell from the year-ago level with the contraction of the business of a subsidiary and a decline in transaction volume.

Life Science

- Under the key words, “global environment,” “healthcare,” and “medical solutions,” we will continue to refine advanced functions in manufacturing and R&D to fuel the growth of individual businesses.
- Responding to rising demand for solar batteries as alternative energy driven by global awareness of environmental issues, we will focus on expanding the production and sale of solar battery coating materials, the manufacturing know-how and trademark rights for which we have acquired.
- In the functional materials business, we continue to identify new products, including not only supplements but also foods, and add them to our distribution channels. We will bolster sales by taking advantage of the marketing know-how we have developed through the sale of creatine and α -lipoic acid.
- In the pharmaceuticals market, a reduction in subsidies following the health insurance reform is forcing cuts in medical expenses. We will expand the contract manufacturing operation of pharmaceutical intermediates by (1) increasing imports of bulk powders (raw materials) from India and Northern and Eastern Europe and (2) entering into alliances with small and midsize chemical manufacturers.
- To construct a new revenue source, we are securing mineral resources and organic natural resources, in recognition of increasingly tight global supply.

(1) Main Business

Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated Net Sales (FY2007 Forecast)
Functional Chemicals	Battery materials, fertilizer materials, adhesive materials, solvents	Functional Chemicals Dept.	Kanematsu Chemical Corp.	27.5 billion yen
Healthcare	Functional food materials, Stolle milk, nutritional supplements	Life Science Dept.	Kanematsu Wellness Corp.	2.5 billion yen
Pharmaceuticals	Pharmaceuticals, pharmaceutical intermediates		-	5.0 billion yen
			Total	35.0 billion yen

(2) Forecast for FY2007

(Million yen)

	FY2006 (Result)	FY2007 (Forecast)	Year on year
Net Sales	31,538	35,000	3,462
Gross Trading Profit	2,257	2,500	243
Ratio	7.2%	7.1%	-0.1%
Operating Income	360	500	140
Ratio	1.1%	1.4%	0.3%

(3) Actions and Outlook for FY2007 (compared with FY2006 results)

Functional Chemicals (sales up ¥1.2 billion, gross trading profit up ¥0.1 billion)

- Imports of synthetic rubber were favorable, partly because of a reduction in production by domestic manufacturers caused by a raw material bottleneck.
- Exports of raw materials of lithium batteries to China remain strong given the expansion of the Chinese market, and should increase going forward.
- We expect an increase in deliveries of solar battery coating materials, since a customer has completed additions to plant facilities. A rise in the trading volume is expected in the second half, and we aim to add to sales and income.
- We are considering overseas investment projects, focusing on investment relating to environmental issues.

Healthcare Business (sales up by ¥0.9 billion, gross trading profit up by ¥0.1 billion)

- We will develop new markets for functional materials, including products that we already handle, from new perspectives and will focus on expanding trading volumes.
- In medical information services, we aim to expand users, especially drug makers, and information fields.

Pharmaceutical Business (sales up ¥1.3 billion, gross trading profit up slightly)

- We aim to expand contract manufacturing of pharmaceuticals both in Japan and abroad, especially in India, where technical capabilities are high.
- We will promote cooperation with affiliates and will expand imports of pharmaceuticals bulk powder from India, North Europe, and East Europe.
- We will focus on increasing exports of pharmaceuticals bulk powder to the Middle East and Southeast Asia.

(4) Results for the 1st Half of FY2007

(Million yen)

	Results for the 1 st half of FY2006	Results for the 1 st half of FY2007	Year on year
Net Sales	15,755	15,137	-618
Gross Trading Profit	1,127	1,103	-24
Ratio	7.2%	7.3%	0.1%
Operating Income	214	182	-32

(1) Net Sales/Gross Trading Profit

Net Sales Increased 0.3 billion yen in Functional Chemicals, remained almost unchanged in Healthcare, and fell 0.9 billion yen in Pharmaceuticals.

Gross Trading Profit

Remained almost at the same level in all segments.

(2) Operating Income

Fell slightly in Functional Chemicals, but rose slightly in Healthcare. Total operating income in Life Science held almost steady.

(3) Summary

- Transactions of synthetic rubber and lithium battery materials remained strong.
- Pharmaceuticals lost ground to generic products, and sales from exports of pharmaceuticals did not grow. The Company had difficulty in transactions involving pharmaceutical intermediates, since pharmaceutical companies delayed in making purchases, and they lost ground to cheaper Chinese and Indian products.
- In the Healthcare Business, medical information services by an affiliate were robust.

(Reference) Outline of Kanematsu Group

Main Business

Major Group Companies

Electronic Devices

OEM/ODM Solutions

Mobile Solutions

ICT Solutions

Aerospace

IT Division

Kanematsu Electronics Ltd.

Kanematsu Communications Ltd.

Nippon Office Systems Ltd.

Kanematsu Aerospace Corp.

Shintoa Corporation

Foods

Meat and Marine Products

Grain Oil/Feed and Dairy Products

Foods & Foodstuff Division

Kanematsu Food Corp.

Kanematsu Agri-Tech Corp.

Nippon Shokuhin Co., Ltd.

Nippon Liquor Ltd.

Steel Trading

Special Steel Trading

Cast and Forged Steel Products

Domestic Steel/Steel Materials

Plants and Transportation Equipment

Cable/Electric Power Projects

Machine Tools and Industrial Machinery

Iron, Steel & Plant Division

Kanematsu Trading Corp.

SSOT

Kanematsu KGK Corp.

Crude Oil/Petroleum Products/Gas

Functional Chemicals

Healthcare

Pharmaceuticals

Life Science & Energy Division

Kanematsu Petroleum Corp.

Kanematsu Chemicals Corp.

Kanematsu Wellness Corp.

III. Medium-Term Business Plan

“teamKG120”

(FY2007 ~ FY2009)

Vision

We are more active than ever in expanding our businesses and strengthening our functions as a **true business creator** to achieve added value.

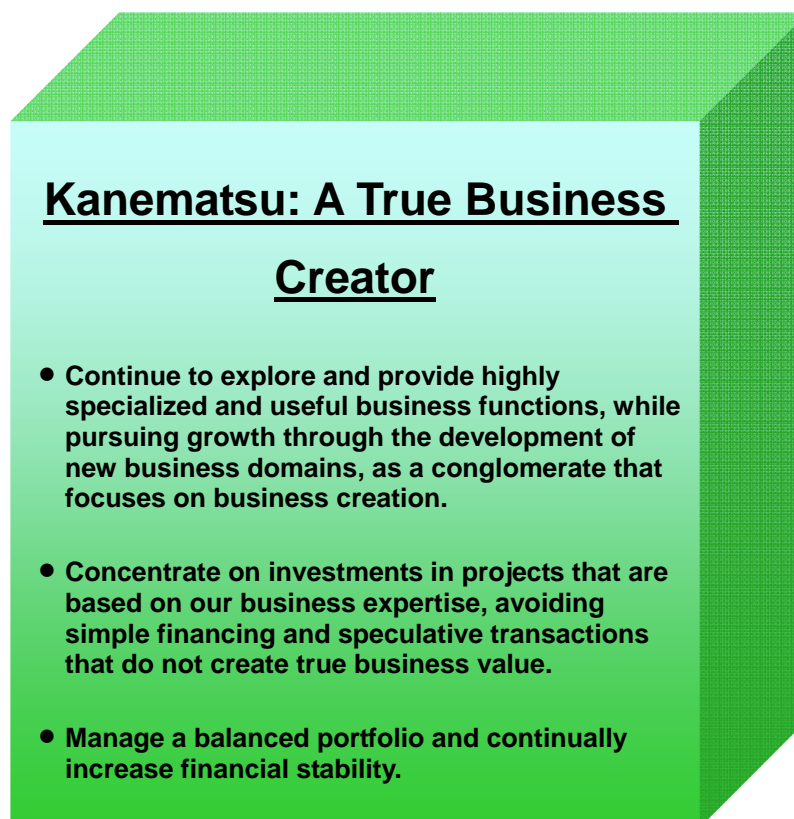
■ Target Corporate Image

- ◆ A company that **never stops creating new businesses**
- ◆ A company with **an established culture of ongoing reform and evolution**
- ◆ A company that steadfastly maintains **a streamlined and highly efficient financial position**
- ◆ A company that has built and operates **a solid management system**

■ Key Goals

- ◆ Declare dividends as soon as practicable
- ◆ Consolidated ordinary income for FY2009: ¥25.0 billion
- ◆ Consolidated net income for FY2009: ¥12.5 billion

■ Positioning of Kanematsu — A True Business Creator —



Growth Strategies - Balanced Growth with Strong Momentum -

We re-defined the mission of each business in accordance with their business models, and we are sustaining balanced growth with strong momentum.

■ Fundamental Trading

Businesses in this category provide the traditional trading (import & export) function and generate the basis of the revenue stream. They also function as the source of new business seeds in each business domain. We continue to expand Fundamental Businesses by stepping up efforts in upstream and downstream distribution operations and achieving efficiencies through economies of scale.

(Examples: The import & export of meat and marine products/grains/feed and dairy products, the fruits processing business, and the electronic parts distribution businesses)

■ Value Exploration

Businesses in this category aim at creating new value by providing not only trading functions but also R&D consulting and OEM/ODM solutions (integrated functions): this is an effective Kanematsu business model developed through the previous medium-term business plan.

(Examples: Global sourcing and export of automotive parts, SCM business of aircraft rotatable parts, shipbuilding package deal, and the coffee marketing solution business)

■ New Businesses

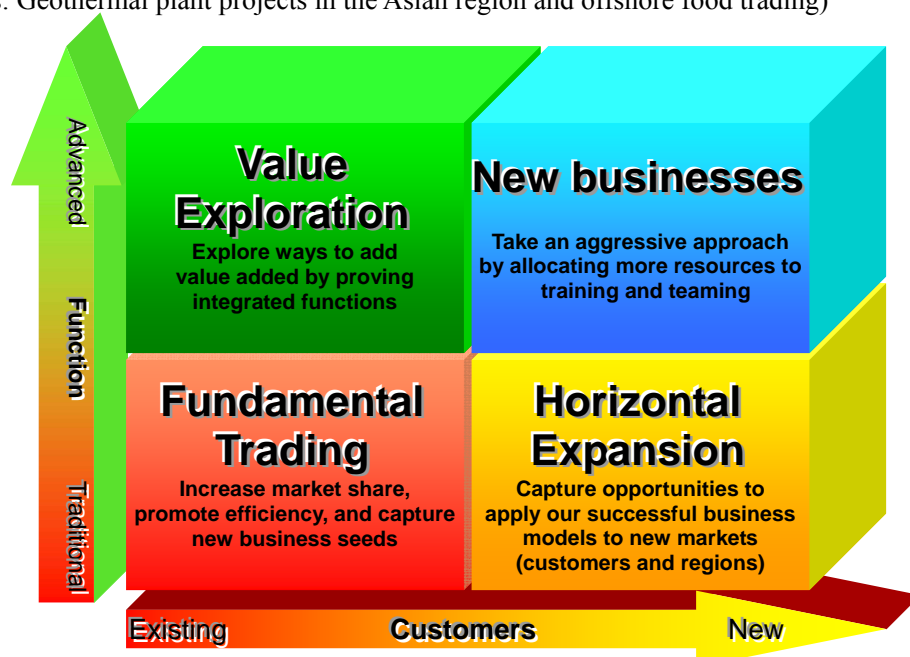
We aggressively promote new businesses, leveraging our strengths and expertise, such as business know-how, integrated functions, and global business networks.

(Examples: Mobile commerce, cooked and prepared foods business)

■ Horizontal Expansion

We capture business opportunities by **horizontally applying our successful business models** in each category of the Fundamental Trading, Value Exploration, and New Businesses.

(Examples: Geothermal plant projects in the Asian region and offshore food trading)



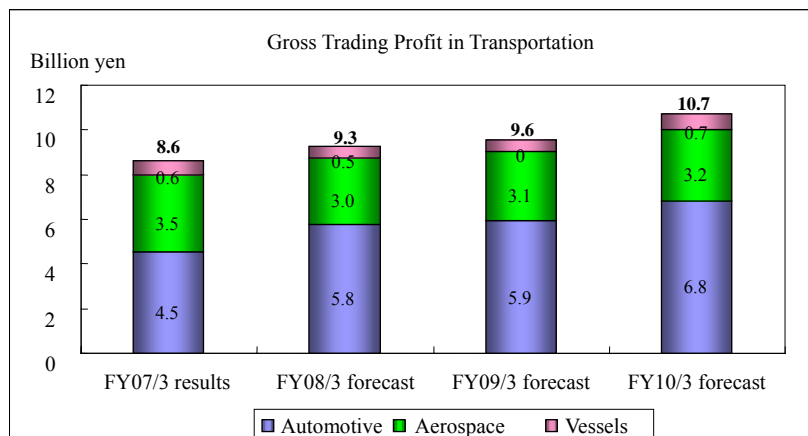
Growth Drivers

We promote growth in the following four domains—transportation, ICT solutions/mobile, food as a resource, the environment/new energy—through M&A and cross-organizational collaboration with strong growth momentum.

Transportation

We will further expand businesses in this sector, where we have built strength, such as automotive (automobiles, mechanized parts, in-vehicle electronic parts, special steel products etc.) as well as the aircraft and vessel businesses.

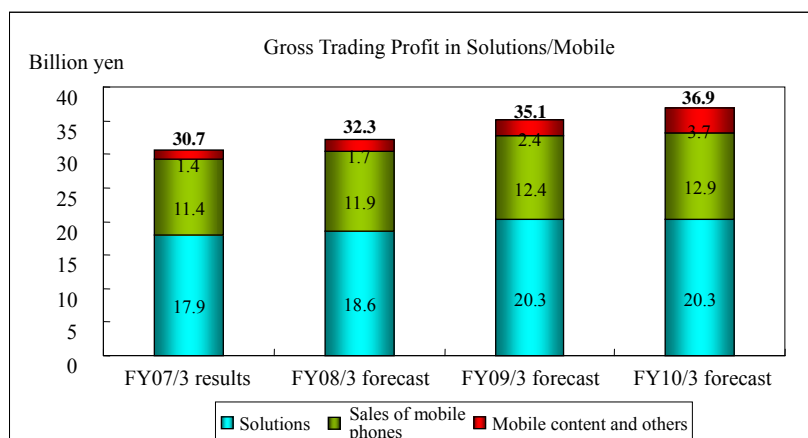
- ➡ Enhance the global sourcing function and the R&D support function.
- ➡ Expand sales to Europe, BRIC S and Asian markets
- ➡ Expand the aircraft rotatable parts business with airlines



ICT Solutions/Mobile

We will further differentiate ourselves by leveraging our presence in the industries through our expanding operations with Kanematsu Electronics Ltd. and Kanematsu Communications Ltd.

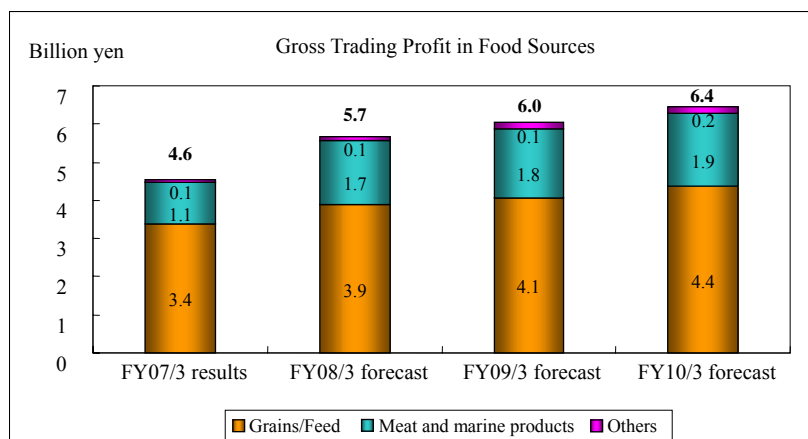
- ➡ Maximize synergy through the Group and organizational reforms.
- ➡ Aggressively promote M&A and business alliances
- ➡ Establish new businesses in the field of mobile services



Food Sources

We will actively work on securing and maintaining a reliable supply of food sources in meat and marine products, grains, and feed and dairy products.

- ➡ Pursue continuing improvement in traceability with a slogan, “safety and security.”
- ➡ Strengthen a relationship with supply sources and processing plants in preparation for tight supply.



Environments Business & New Energy

We will rapidly establish operations in those fields that have promising growth potential for the next generation.

- ➡ Construct business through cross-divisional activities in areas such as the development of CDM and the emission credits trading.
- ➡ Step up our efforts in the geothermal power generation business, principally in Indonesia where we have solid expertise.
- ➡ Accelerate F/S and R&D and rapidly commercialize biomass and fuel cell trading.

Initiatives

The entire Group is committed to the following initiatives to achieve “Balanced Growth with Strong Momentum”.

■ Bolstering the Management System

- ◆ We will continue to increase the transparency of management and strengthen our corporate governance system, so that we always retain accountability, efficiency and financial soundness. We will also ensure comprehensive compliance and internal control using IT systems.

■ Business Promotion Initiatives

◆ Developing new businesses

We have set aside ¥30 billion in new funds to propel new business creation, and we will prioritize new businesses in the distribution of management resources.

◆ Strengthening managerial support for new business development

We will develop the ability to rapidly form cross-functional project teams to enable us to effectively promote projects at an early stage with a combination of skills in business development, marketing, finance, and other managerial functions.

◆ Enhancing overseas operating bases

We will establish new operating bases in the BRICs and increase staffing at overseas operating bases.

■ Group Management Initiatives

◆ Group and Organizational Reforms

We will identify redundancy in business lines and functions among the Group and continue to execute Group and organizational reforms to maximize synergy.

◆ Prompt Decision Making

We will redevelop the decision-making systems to accelerate new business creation and achieve greater horizontal expansion.

◆ Risk Management

We will upgrade the adoption, monitoring and control system for business investment, especially regarding measures for feasibility study and profitability and risk assessment, etc. to dramatically improve the profitability of new business projects.

Quantitative Targets

■ Following are the targets we have set for the final year (fiscal 2009 ending March 31, 2010) of the Team KG120:

- ◆ Net interest-bearing debt: ¥160 billion (gross interest-bearing debt: ¥200 billion)
- ◆ Equity ratio: Approximately 11.5%
- ◆ Net debt-equity ratio: 2.5 (gross debt-equity ratio: 3.2)

(Million yen)

	FY2006 Results	New Medium-Term Business Plan "Team KG120"			Compared with FY2006	
		FY2007	FY2008	FY2009	Change	Change (%)
Net Sales	1,281,331	1,300,000	1,350,000	1,400,000	118,669	9.3
Gross Trading Profit	103,711	100,000	105,000	110,000	6,289	6.1
Ratio	8.1%	7.7%	7.8%	7.9%	-	-
Operating Income	21,713	23,500	27,000	30,000	8,287	38.2
Ratio	1.7%	1.8%	2.0%	2.1%	-	-
Ordinary Income	17,255	19,000	22,000	25,000	7,745	44.9
Ratio	1.3%	1.5%	1.6%	1.8%	-	-
Net Income	7,507	8,000	10,000	12,500	4,993	66.5

(Million yen)

	FY2006 Results	New Medium-Term Business Plan "Team KG120"			Compared with FY2006	
		FY2007	FY2008	FY2009	Change	Change (%)
Total Assets	563,176	550,000	550,000	550,000	-13,176	-2.3
Shareholders' Equity	32,960	40,000	50,000	62,500	29,540	89.6
Equity Ratio	5.9%	7.3%	9.1%	11.4%	5.5%	94.2
Gross Interest-Bearing Debt	270,678	230,000	220,000	200,000	-70,678	-26.1
Net Interest-Bearing Debt	204,900	180,000	170,000	160,000	-44,900	-21.9
Gross D/E Ratio (Times)	8.2	5.8	4.4	3.2	-	-
Net D/E Ratio (Times)	6.2	4.5	3.4	2.6	-	-
Fund Efficiency	7.3%	8.6%	10.0%	11.2%	4.0%	-
ROA (Ordinary Income)	3.1%	3.5%	4.0%	4.5%	1.5%	-
ROE (Ordinary Income)	52.4%	47.5%	44.0%	40.0%	-12.4%	-

- For the final year of the medium-term business plan, we aim to achieve ordinary income of ¥25.0 billion and net income of ¥12.5 billion;
- Maintain total assets of ¥550 billion;
- Increase shareholders' equity to ¥62.5 billion by accumulating net income, and raise the equity ratio to 11.5%;
- Continue to reduce interest-bearing debt with the aim to achieve ¥200 billion for gross interest-bearing debt and ¥160 billion for net interest-bearing debt; and
- Work to achieve a net equity-debt ratio of approximately 2.5.