
Overview of Results for FY2007

May 14, 2008

 **兼松株式会社**
KANEMATSU CORPORATION

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The statements contained in these materials are based on assumptions and estimates and are subject to risks and uncertainties that may cause actual results to differ materially from the statements in these materials.

I. Overview of Results for FY2007

1. Consolidated Financial Results: Earnings

- Ordinary income and net income recorded new highs in the last 10 years.

While sales increased in the Foods & Foodstuff, Machinery & Plant and Energy Divisions, net sales declined 2.9% from the previous year, to ¥1,244 billion, attributable to negative factors such as the change of a textile subsidiary into an equity method affiliate. Gross trading profit also fell 12.9% year-on-year, to ¥90.3 billion. Operating income was up 4.1% year-on-year, to ¥22.6 billion, and ordinary income increased 8.6%, to ¥18.7 billion, its highest point in the last ten years. Net income rose to ¥19 billion, partly thanks to extraordinary gains on the sale of LNG rights.

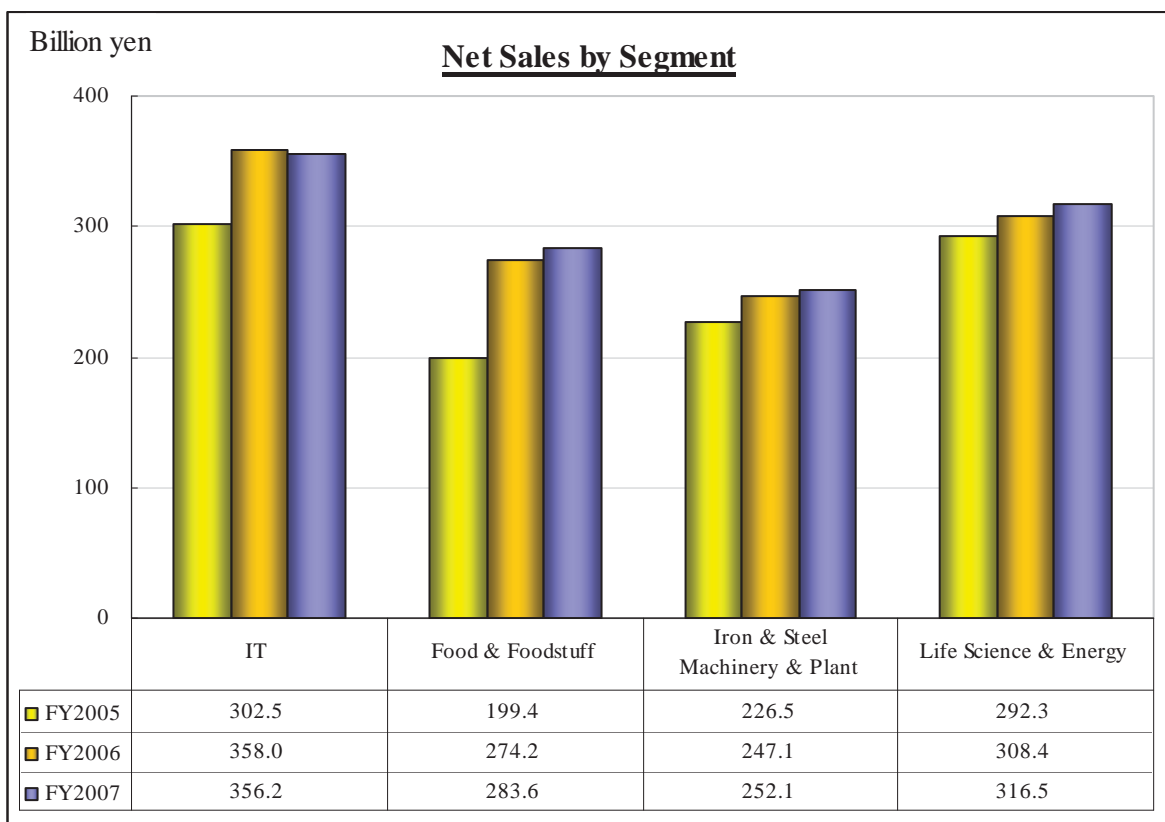
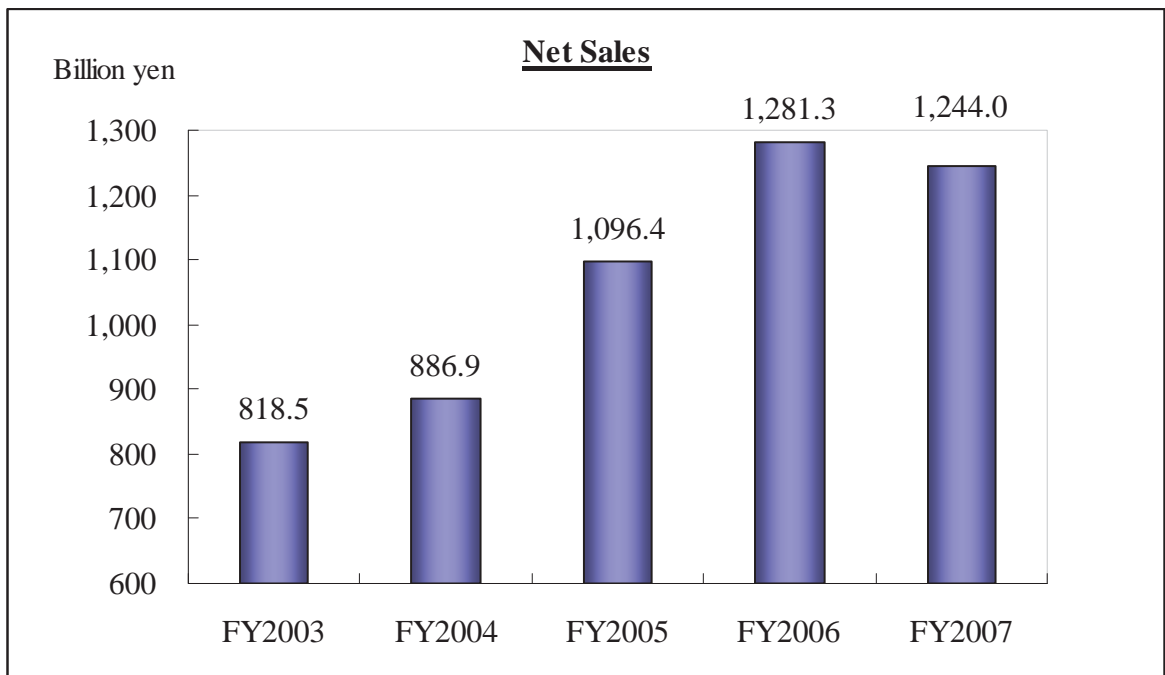
(Million yen)						
	FY2006		FY2007		Compared with FY2006	
		Percentage of net sales		Percentage of net sales	Change	Change (%)
Net sales	1,281,331	100.0%	1,244,020	100.0%	-37,311	-2.9%
Gross trading profit	103,711	8.1%	90,327	7.3%	-13,384	-12.9%
Operating income	21,713	1.7%	22,605	1.8%	892	4.1%
Ordinary income	17,255	1.4%	18,747	1.5%	1,492	8.6%
Net income before income taxes	14,615	1.1%	28,975	2.3%	14,360	98.3%
Net income	7,507	0.6%	19,016	1.5%	11,509	153.3%

(1) Net Sales

- Sales increased compared with last year, in the Foods & Foodstuff, Machinery & Plant and Energy Divisions. However, net sales declined ¥37.3 billion on negative factors such as the change of Kanematsu Textile Corporation and a vending machine business company into equity method affiliates.

(Million yen)			
	FY2006	FY2007	Compared with FY2006
IT	357,954	356,156	-1,798
Foods & Foodstuff	274,163	283,565	9,402
Iron & Steel	142,687	142,379	-308
Machinery & Plant	104,437	109,726	5,289
Iron & Steel / Machinery & Plant	247,125	252,105	4,980
Energy	276,852	285,534	8,682
Life Science	31,538	30,938	-600
Life Science & Energy	308,390	316,472	8,082
Others	93,887	36,126	-57,761
Consolidated adjustment	-189	-405	-216
Total	1,281,331	1,244,020	-37,311

(Note) Others in FY2006 include ¥57,758 million sales of Kanematsu Textile Corporation, while Foods & Foodstuff include ¥13,160 million sales of the vending machine business company.



(2) Gross Trading Profit

- Like net sales, gross trading profit also declined ¥13.4 billion from the previous year, mainly attributable to the change of Kanematsu Textile Corporation and the vending machine business company into equity method affiliates.

(Million yen)

	FY2006		FY2007		Compared with FY2006	
	Results	Percentage of total	Results	Percentage of total	Change	Change (%)
IT	45,445	12.7%	42,993	12.1%	-2,452	-5.4%
Foods & Foodstuff	19,200	7.0%	13,731	4.8%	-5,469	-28.5%
Iron & Steel	10,047	7.0%	9,919	7.0%	-128	-1.3%
Machinery & Plant	10,492	10.0%	11,110	10.1%	618	5.9%
Iron & Steel / Machinery & Plant	20,540	8.3%	21,029	8.3%	489	2.4%
Energy	8,509	3.1%	7,544	2.6%	-965	-11.3%
Life Science	2,257	7.2%	2,025	6.5%	-232	-10.3%
Life Science & Energy	10,766	3.5%	9,570	3.0%	-1,196	-11.1%
Others	7,758	8.3%	3,014	8.3%	-4,744	-61.1%
Consolidated adjustment	0	-	-12	-	-12	-
Total	103,711	8.1%	90,327	7.3%	-13,384	-12.9%

(Note) Others in FY2006 include ¥4,347 million profit of Kanematsu Textile, while Foods & Foodstuff include ¥7,127 million profit of the vending machine business company.

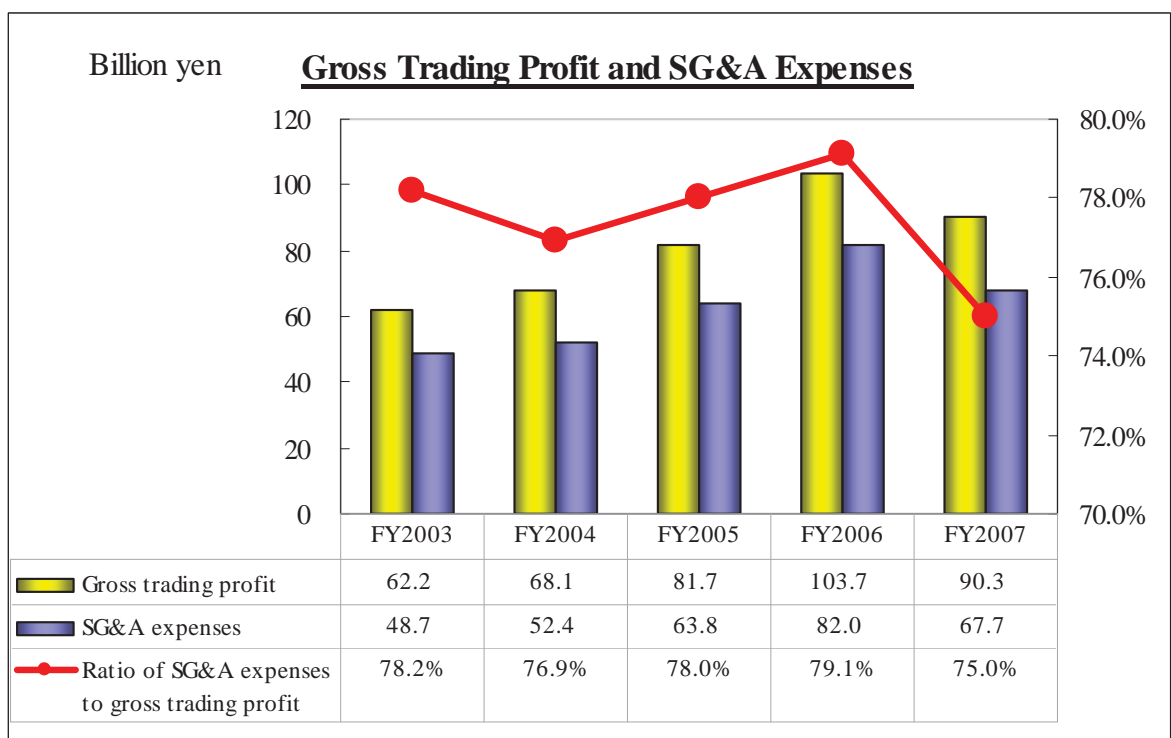
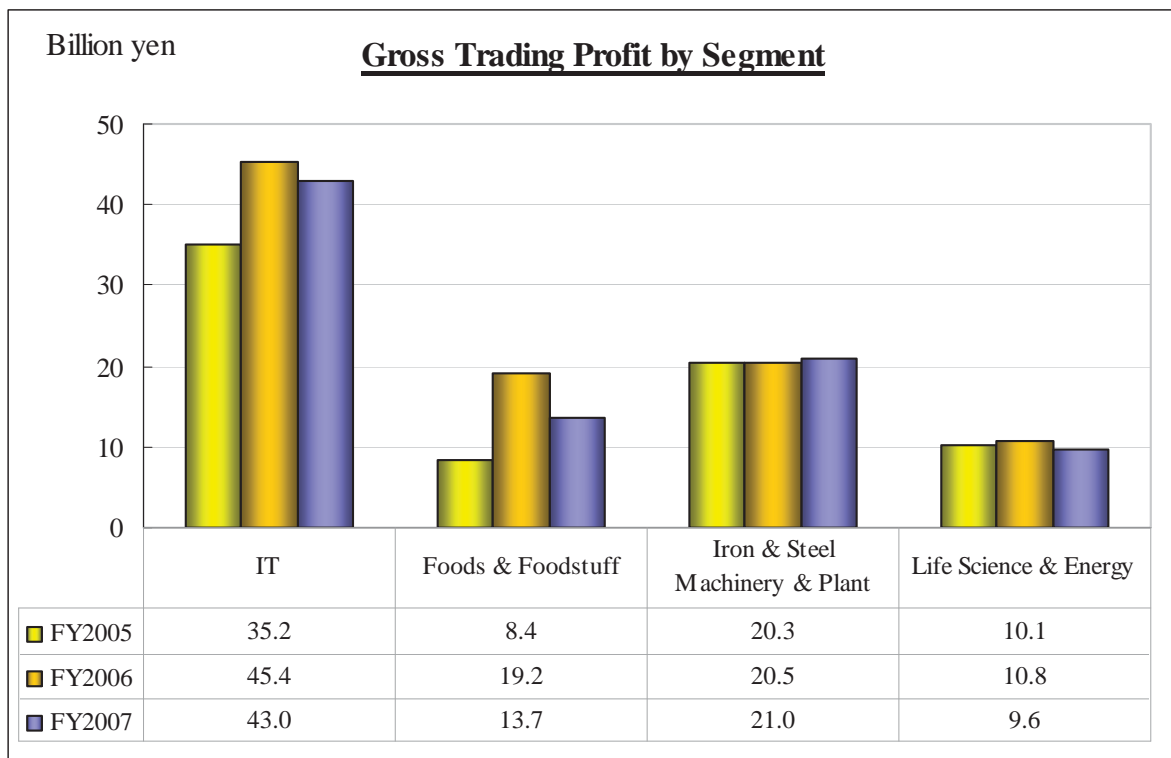
(3) Selling, General and Administrative Expenses

- Selling, general and administrative expenses decreased ¥14.3 billion from the previous year, primarily because of the change of Kanematsu Textile Corporation and the vending machine business company into equity method affiliates.
- The ratio of selling, general and administrative expenses to gross trading profit improved to 75.0%.

(Million yen)

	FY2006	FY2007	Compared with FY2006
Personnel expenses	39,967	34,225	-5,742
Non-personnel expenses	42,030	33,496	-8,534
SG&A expenses	81,997	67,721	-14,276
Ratio of SG&A expenses to gross trading profit	79.1%	75.0%	-4.1%

(Note) Selling, general and administrative expenses in FY2006 include ¥3,861 million expenses of Kanematsu Textile Corporation and ¥7,632 million expenses of the vending machine business company.



(4) Operating Income

- Operating income increased in the IT Division thanks to the solid performance of Kanematsu Electronics Ltd. and Kanematsu Communications Ltd. Operating income also rose in the Foods & Foodstuff Division, reflecting the favorable results of the feed trading attributable to progress in locking in supplies of products and the solid performance of the meat products business. In the Iron & Steel Division, operating income fell slightly although special steel trading such as high-performance stainless steel for oil-related projects remained firm. In the Machinery & Plant Division, operating income climbed due to the strong performance of the transportation equipment and machine tools businesses. In the Energy Division, operating income dropped, primarily because of a fall in trading volume, reflecting weak demand in an environment in which prices of petroleum products remained high. On balance, overall operating income rose ¥900 million from the previous year.

(Million yen)

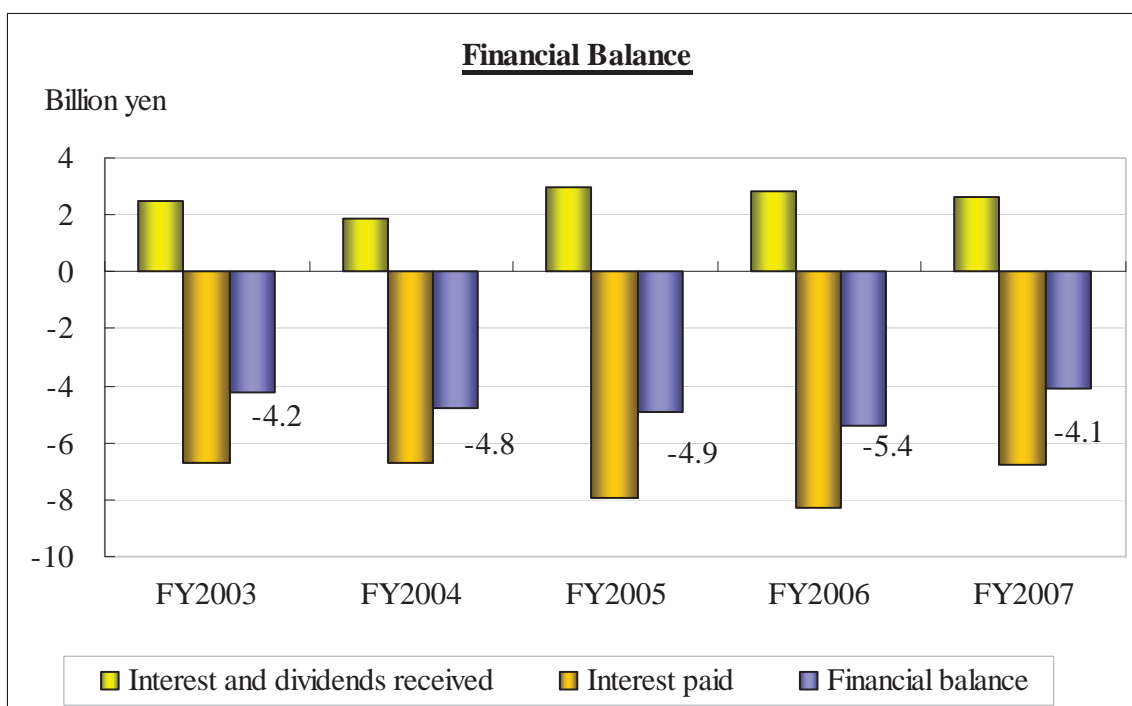
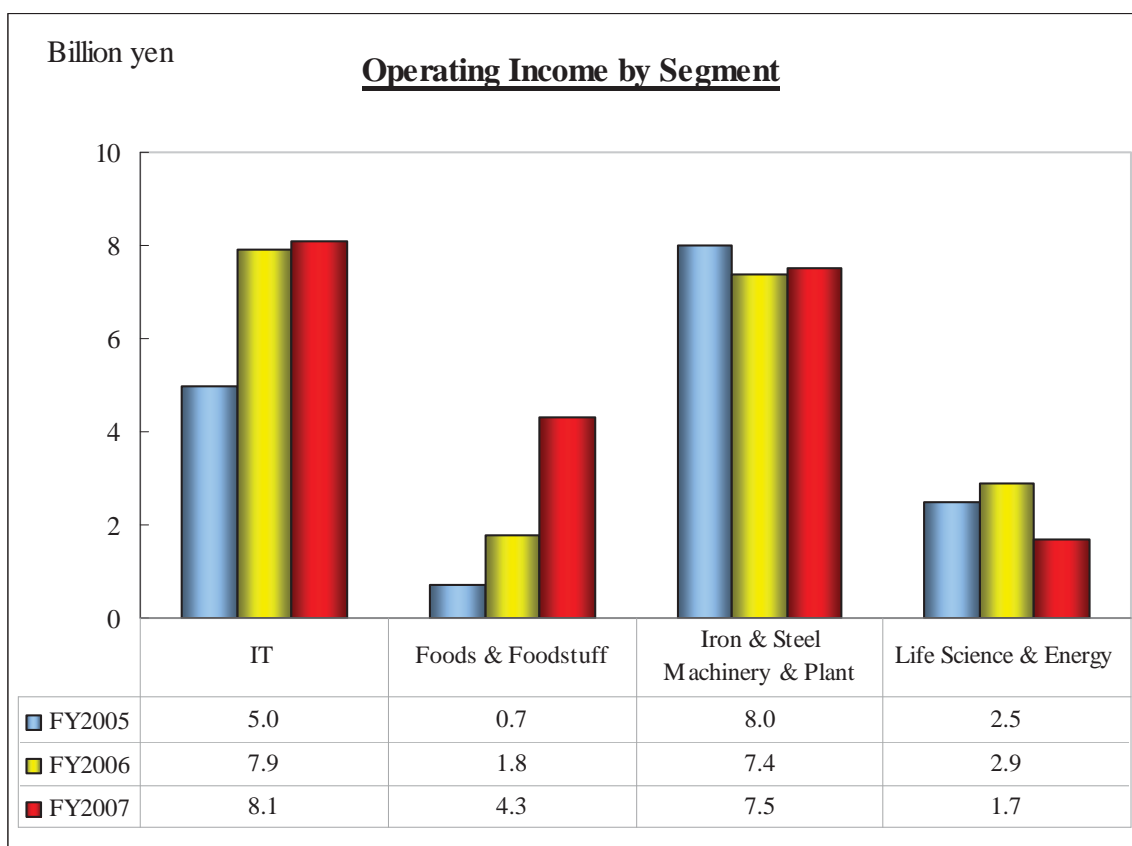
	FY2006		FY2007		Compared with FY2006	
	Results	Percentage of total	Results	Percentage of total	Change	Change (%)
IT	7,913	2.2%	8,100	2.3%	187	2.4%
Foods & Foodstuff	1,806	0.7%	4,328	1.5%	2,522	139.7%
Iron & Steel	5,475	3.8%	5,272	3.7%	-203	-3.7%
Machinery & Plant	1,945	1.9%	2,189	2.0%	244	12.6%
Iron & Steel / Machinery & Plant	7,421	3.0%	7,461	3.0%	40	0.5%
Energy	2,492	0.9%	1,600	0.6%	-892	-35.8%
Life Science	360	1.1%	133	0.4%	-227	-63.0%
Life Science & Energy	2,852	0.9%	1,733	0.5%	-1,119	-39.2%
Others	997	1.1%	377	1.0%	-620	-62.2%
Consolidated adjustment	723	-	604	-	-119	-
Total	21,713	1.7%	22,605	1.8%	892	4.1%

(5) Non-Operating Income & Loss

- Non-operating loss declined ¥600 million from the previous year, thanks to an improvement in net interest paid with the reduction of borrowings and a significant improvement in the gain on equity-method investment.

(Million yen)

	FY2006	FY2007	Compared with FY2006
Dividends received	1,282	1,158	-124
Interest received	1,572	1,479	-93
Interest paid	-8,278	-6,765	1,513
Financial balance	-5,423	-4,128	1,295
Gain on equity-method investment	731	1,085	354
Others	235	-816	-1,051
Non-operating loss	-4,457	-3,859	598



(6) Ordinary Income

- Ordinary income was up ¥1.5 billion (8.6%) from the previous year, to ¥18.7 billion.
- Core earnings also increased ¥2.3 billion from the previous year, to ¥20.1 billion.
- Funds efficiency improved to 9.6%.

(Million yen)

	FY2006	FY2007	Compared with FY2006
Ordinary income	17,255	18,747	1,492
Ordinary income ratio	1.3%	1.5%	0.2%
Core earnings (Note 1)	17,764	20,084	2,320
Funds efficiency (Note 2)	7.3%	9.6%	2.3%

(Note 1) Core earnings = Operating income + Reserve for doubtful accounts + Dividends received + Net interest received (paid) + Gain on equity-method investment

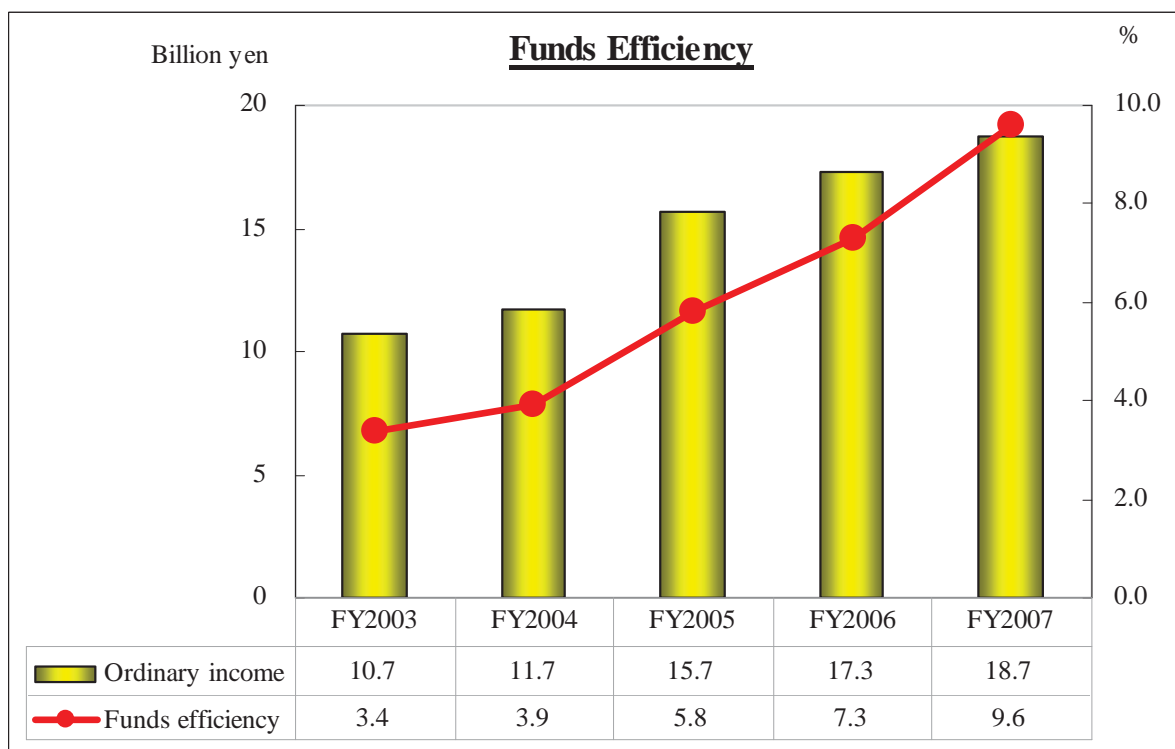
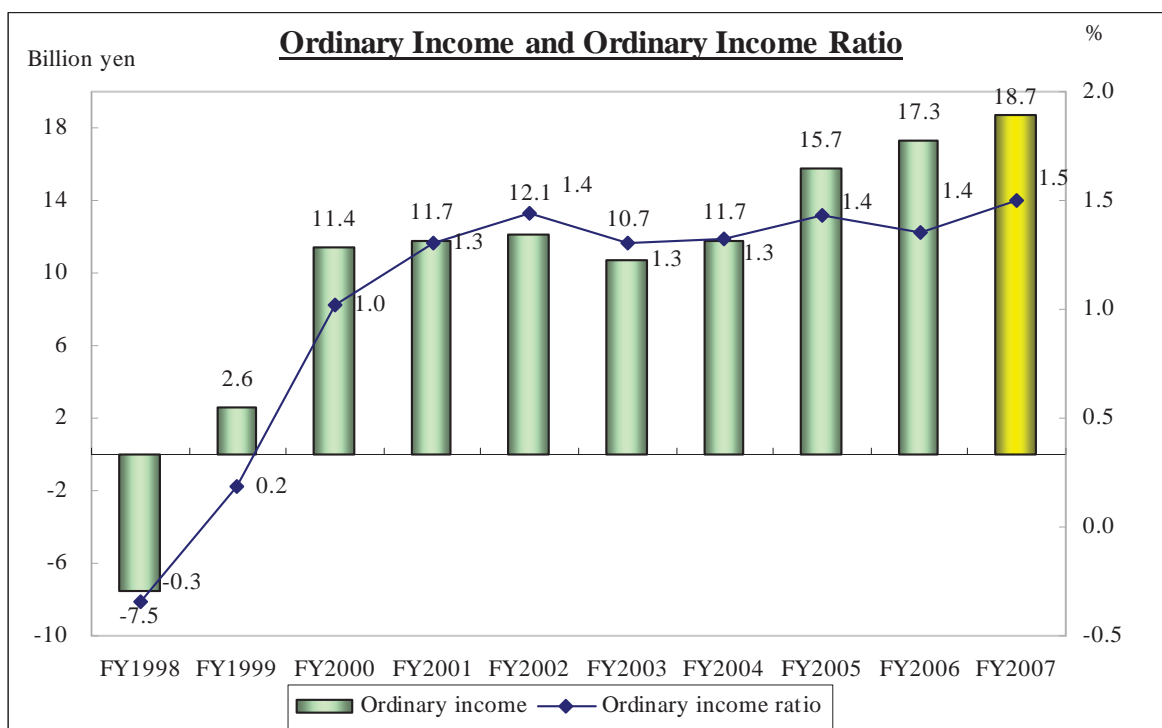
(Note 2) Funds efficiency = Ordinary income / (Net interest-bearing debt + Shareholders' equity)

(7) Extraordinary Gain/Loss and Net Income

- The Company posted an extraordinary loss of ¥5.8 billion, including a loss on the closure of businesses such as affiliates and a loss on the revaluation of assets, but recorded an extraordinary gain of ¥16 billion, including a gain on the sale of investment securities associated with the sale of LNG rights. On a net basis, the Company registered an extraordinary gain of ¥10.2 billion.
- Net income increased ¥11.5 billion from the previous year, to ¥19 billion.

(Million yen)

	FY2006	FY2007	Compared with FY2006
Gain on sale of tangible fixed assets	6,655	164	-6,491
Gain on sale of investment securities	1,574	15,460	13,886
Gain on reversal of allowance for doubtful accounts	549	381	-168
Extraordinary gain	8,779	16,006	7,227
Loss on disposal of business operated by affiliated companies	-1,153	-1,723	-570
Provision for doubtful receivables from affiliated companies	-725	-175	550
Loss on sale of investment securities	-225	-209	16
Valuation loss on investment securities	-532	-305	227
Impairment loss	-2,309	-766	1,543
Provision to loan-loss reserve regarding specific businesses	-3,877	-872	3,005
Loss on valuation of assets for specific businesses	-	-835	-835
Other extraordinary loss	-2,599	-889	1,710
Extraordinary loss	-11,420	-5,778	5,642
Net extraordinary gain and loss	-2,641	10,228	12,869
Income before income taxes	14,615	28,975	14,360
Income taxes and minority interests	-7,108	-9,959	-2,851
Net income	7,507	19,016	11,509



2. Consolidated Balance Sheets

Fixed assets decreased ¥35.4 billion from the previous year, primarily because of the sale of investment securities and a decline in consolidated subsidiaries, while current assets declined ¥24.3 billion. As a consequence, total assets declined ¥59.7 billion from the end of the previous year, to ¥503.5 billion.

Gross net interest-bearing debt fell to ¥223.7 billion, down ¥47 billion from the end of the previous year as a result of debt reductions. Net interest-bearing debt after subtracting cash and bank deposits came to ¥148.9 billion.

Net assets increased to ¥62.2 billion with a rise in retained earnings, reflecting net income. As a result, the equity ratio rose to 9.1%, while the net debt-equity ratio improved to 3.3.

(1) Assets

- Total assets declined from ¥563.2 billion to ¥503.5 billion as a result of the change of Kanematsu Textile Corporation into an equity method affiliate and the sale of assets for aircraft leasing and LNG rights.

(Million yen)

	3/2007		3/2008		Compared with 3/2007 Change
		Composition		Composition	
Current assets	406,590	72.2%	382,307	75.9%	-24,283
Fixed assets	156,586	27.8%	121,149	24.1%	-35,437
Total assets	563,176		503,456		-59,720

(2) Interest-bearing debt

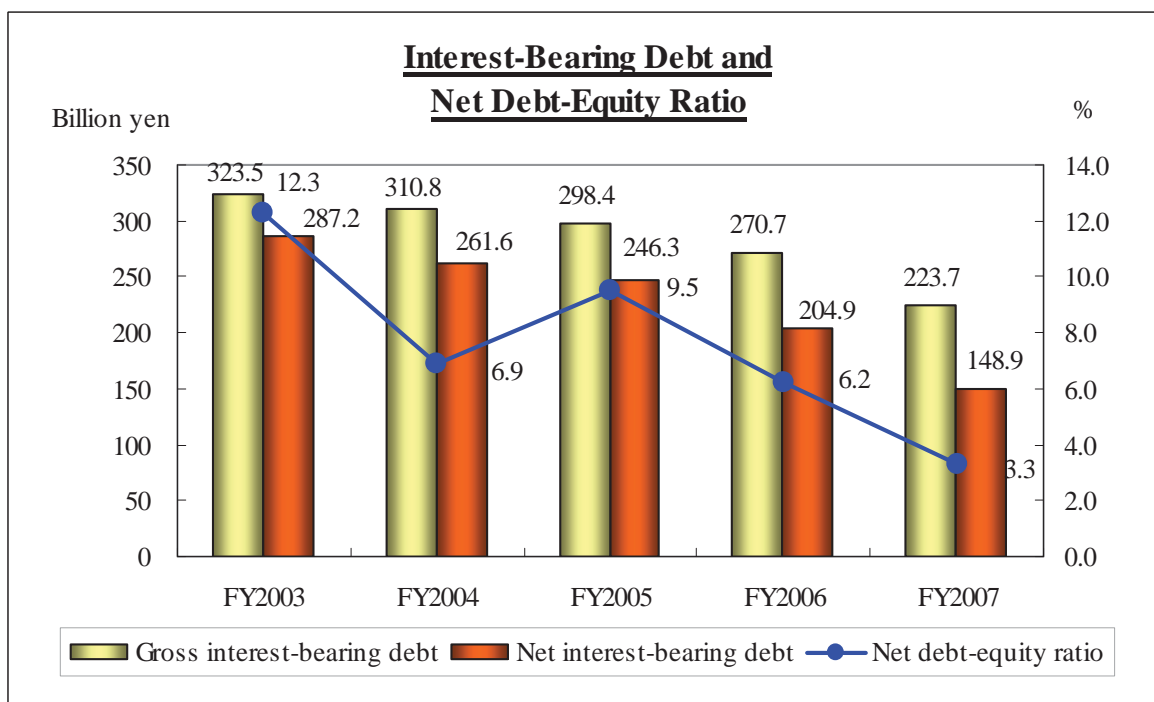
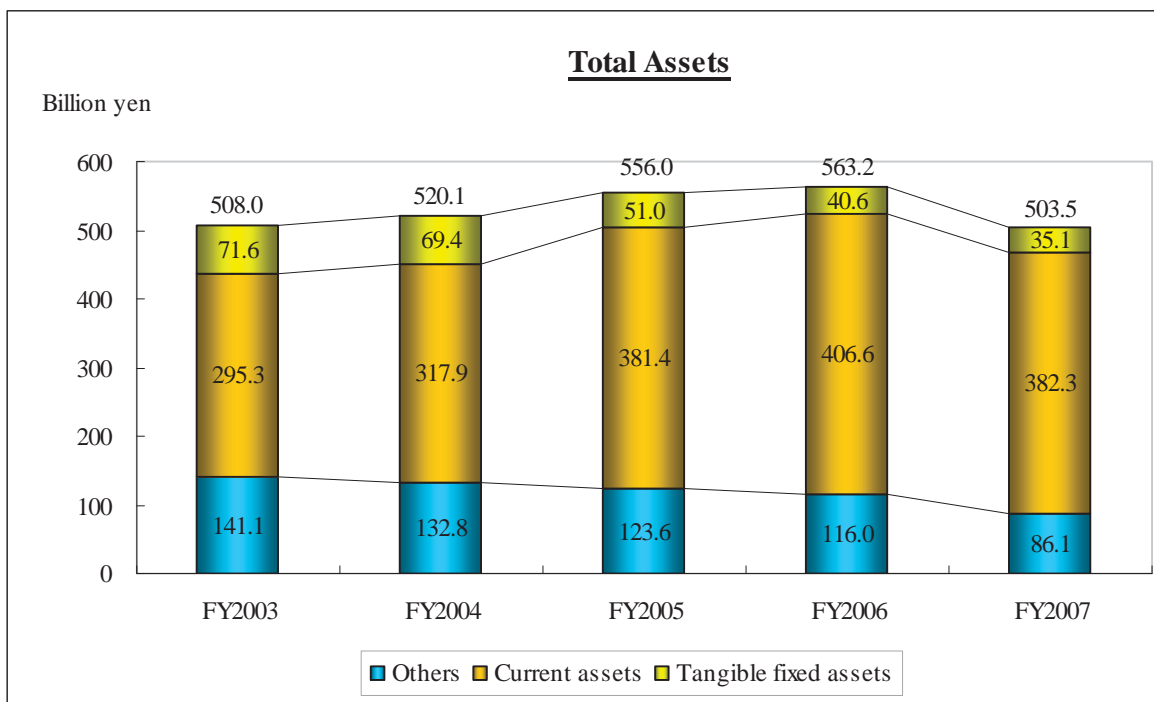
- Gross net interest-bearing debt fell ¥47 billion year on year, to ¥223.7 billion, as a result of debt reductions. Net interest-bearing debt after subtracting cash and bank deposits was ¥148.9 billion.

(Million yen)

	3/2007		3/2008		Compared with 3/2007	
		Composition		Composition	Change	Change (%)
Short-term borrowings	143,527	53.0%	89,080	39.8%	-54,447	—
Long-term borrowings	127,151	47.0%	134,622	60.2%	7,471	—
Gross interest-bearing debt	270,678		223,702		-46,976	-17.4%
Net interest-bearing debt (Note 1)	204,900		148,944		-55,956	-27.3%
Current assets	406,590		382,308			
Current liabilities	367,493		291,324			
Liquidity ratio (Note 2)	110.6%		131.2%		20.7%	—

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

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



(3) Net Assets

- Net assets increased from ¥48.8 billion at the end of the previous year, to ¥62.2 billion, the result of including net income in retained earnings.
- The equity ratio rose to 9.1%, while the net debt-equity ratio improved to 3.3.

(Million yen)

	3/2007	3/2008	Compared with 3/2007	
			Change	Change (%)
Total assets	563,176	503,456	-59,720	-10.6%
Capital stock	27,781	27,781	-	-
Capital surplus	27,646	27,644	-2	-0.0%
Retained earnings	-9,496	9,556	19,052	-
Treasury stock	-627	-645	-18	-
Valuation and translation adjustments	-12,344	-18,749	-6,405	-
Minority interests	15,807	16,651	844	5.3%
Net assets	48,767	62,239	13,472	27.6%
Equity ratio (%)	5.9	9.1		
Net D/E ratio	6.2	3.3		

* Exchange rate: 118.05 yen/US\$ as of March 31, 2007

100.19 yen/US\$ as of March 31, 2008

* Equity ratio = (Net assets – Minority interests)/ Total assets

* Net debt-equity ratio = Net interest-bearing debt/ (Net assets – Minority interests)

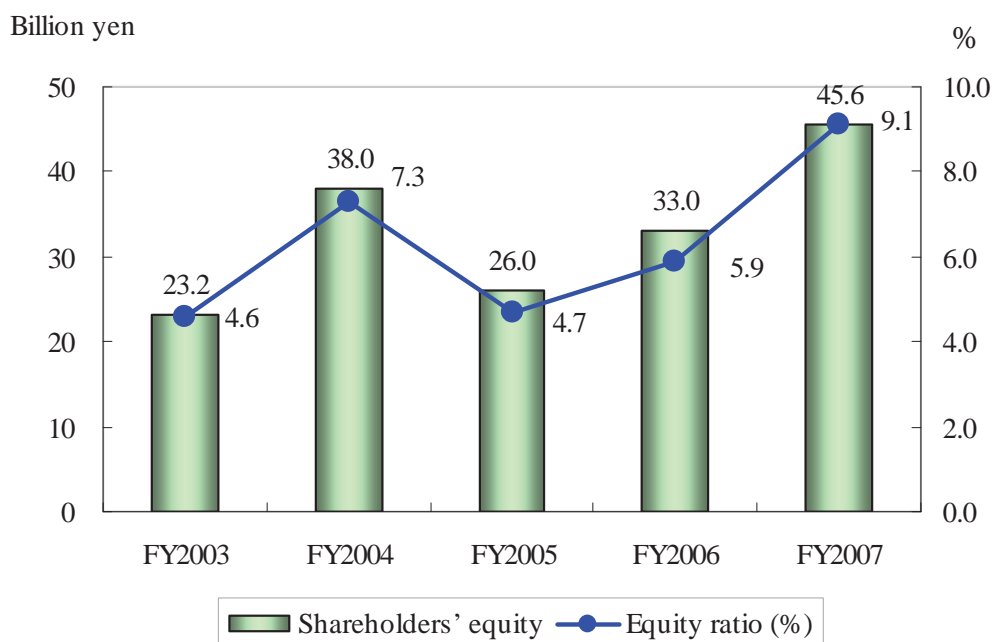
3. Consolidated Cash Flows

- Net cash provided by operating activities totaled ¥14.3 billion, reflecting the sustained health of business performance. Net cash provided by investing activities came to ¥38.8 billion, mainly owing to the sale of investment securities and the collection of loans. Net cash used in financial activities was ¥43.9 billion as a result of appropriating cash for the repayment of borrowings to reduce interest-bearing debt. Cash and cash equivalents at the end of the fiscal year under review increased ¥9 billion from a year ago, to ¥74.4 billion.

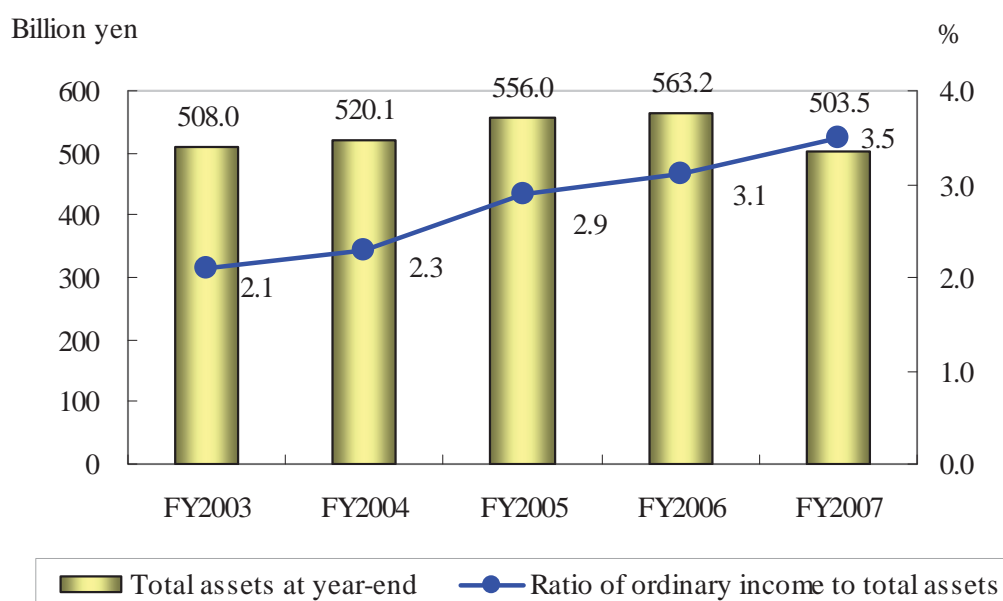
(Million yen)

	FY2006	FY2007	Compared with FY2006
Cash flows from operating activities	20,874	14,308	-6,566
Cash flows from investing activities	23,149	38,799	15,650
Total free cash flows	44,023	53,107	9,084
Cash flows from financing activities	-30,267	-43,892	-13,625
Cash and cash equivalents at the end of the period	65,471	74,437	8,966

Shareholders' Equity & Equity Ratio



Ratio of Ordinary Income to Total Assets



4. Subsidiaries and Affiliates, and their Employees

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

(Companies)

	FY2006					FY2007					(Companies) Compared with FY2006
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable companies	41	30	18	21	110	38	23	17	16	94	-16
Ratio (%)	78.8%	76.9%	60.0%	65.6%	71.9%	88.4%	62.2%	81.0%	61.5%	74.0%	2.1%
Number of non-profitable companies	11	9	12	11	43	5	14	4	10	33	-10
Total	52	39	30	32	153	43	37	21	26	127	-26

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

(Billion yen)

	FY2006					FY2007					(Billion yen)
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	Compared with FY2006
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable companies	5.2	2.6	0.6	1.5	9.9	6.1	2.5	1.0	1.0	10.6	0.7
Sum of loss posted by non-profitable companies	-4.8	-2.2	-1.2	-0.2	-8.4	-0.3	-1.3	-0.5	-0.4	-2.5	5.9
Total	0.4	0.4	-0.6	1.3	1.5	5.7	1.2	0.5	0.6	8.1	6.6

(Note) Simple aggregation before consolidation adjustment

(3) Number of Employees

(Persons)

	3/2007	3/2008	Compared with 3/2007	
			Change	Change (%)
Parent company	859	872	13	1.5%
Consolidated subsidiaries	3,671	3,644	-27	-0.7%
Total	4,530	4,516	-14	-0.3%

(4) Net sales of major consolidated subsidiaries

(Million yen)

Company name	Business	Ownership ratio	Net sales		
			FY2006	FY2007	Change (%)
Kanematsu Electronics Ltd.	ICT Solutions	58.27%	52,856	55,592	5.2%
Kanematsu Communications Ltd.	Mobile	100.00%	124,593	132,527	6.4%
Kanematsu Food Corp.	Foods, Meat and Marine Products	100.00%	13,185	13,281	0.7%
Kanematsu Agri-Tech Corp.	Grain Oil/Feed and Dairy Products	100.00%	9,736	13,136	34.9%
Kanematsu Trading Corp.	Domestic Steel/Steel Materials	100.00%	73,133	70,868	-3.1%
Kanematsu KGK Corp.	Machine Tools and Industrial Machinery	97.90%	59,434	63,296	6.5%
Kanematsu Petroleum Corp.	Petroleum Products/ Gas	100.00%	136,368	142,149	4.2%
Kanematsu Chemicals Corp.	Functional Chemicals	100.00%	19,743	20,788	5.3%
Kanematsu USA Inc.	Local subsidiary	100.00%	91,794	99,045	7.9%
Shintoa Corporation	Trading company	77.45%	197,944	161,404	-18.5%

(Note) Net sales of subsidiaries are before consolidation adjustment.

(Note) Net sales of 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)

	FY2006		FY2007		Compared with FY2006	
		Percentage of net sales		Percentage of net sales	Change	Change (%)
Net sales	541,154	100.0%	564,100	100.0%	22,946	4.2%
Gross trading profit	22,397	4.1%	23,286	4.1%	889	4.0%
Operating income	6,046	1.1%	6,409	1.1%	363	6.0%
Ordinary income	9,412	1.7%	7,505	1.3%	-1,907	-20.3%
Net income before income taxes	4,248	0.8%	15,547	2.8%	11,299	265.9%
Net income	3,240	0.1%	13,557	2.4%	10,317	318.4%

2. Non-Consolidated Balance Sheets

(1) Total Assets and Net Interest-Bearing Debt

(Million yen)

	FY2006	FY2007	Compared with FY2006	
			Change	Change (%)
Total assets	390,045	350,142	-39,903	-10.2%
Gross interest-bearing debt	236,685	191,205	-45,480	-19.2%
Net interest-bearing debt	209,353	157,311	-52,042	-24.9%

(2) Net Assets

(Million yen)

		FY2006	FY2007	Compared with FY2006	
				Change	Change (%)
	Common stock	27,781	27,781	0	0.0%
	Capital surplus	26,888	26,887	-1	-0.0%
	Retained earnings	-13,336	219	13,556	-
	Treasure stock	-174	-192	-18	-
Total shareholders' equity		41,158	54,695	13,537	32.9%
Total valuation and translation adjustments		2,785	313	-2,472	-88.8%
Net assets		43,943	55,008	11,065	25.2%

II. Earnings Forecast for FY2008 and Segment Summary

II. Earnings Forecast for FY2008 and Segment Summary

- Consolidated Earnings Forecast for FY2008

- We project an increase in sales and profit in the IT Division, attributable to the continuing growth of the ICT solutions business and the mobile business. We also anticipate a rise in sales in the Foods & Foodstuff and the Iron and Steel Divisions. However, we forecast net sales of ¥1,350 billion, gross trading profit of ¥98 billion and ordinary income of ¥19 billion for FY2008, which are slightly conservative in comparison with the quantitative targets set in the medium-term business plan. Meanwhile, we project a net income of ¥10 billion in line with the target in the medium-term business plan.
- We anticipate a further decline in net interest-bearing debt and a fall in the net debt-equity ratio to around 2.5 at the end of the period. We also project an improvement in the equity ratio to around 10.7%, thanks to the increase in shareholders' equity with the accumulation of profit.
- We aim to resume paying dividends early after achieving the forecasts above.
- In the fiscal year 2008, the second year of the "teamKG120," we will continue to promote the creation of new businesses in the marketing area.

(1) Net Sales and Gross Trading Profit

- We expect that sales will increase mainly in the IT and the Foods & Foodstuff Divisions.
- We forecast that gross trading profit will increase ¥7.7 billion year on year, to ¥98 billion, as profit is expected to rise in the IT, the Foods & Foodstuff, the Industrial Plant Divisions, although it is expected to decline in the Energy Division.

(2) Operating Income and Ordinary Income

- We expect that operating income will rise by ¥1.9 billion, to ¥24.5 billion, while ordinary income will increase slightly, to ¥19 billion.

(3) Net Income

- Net income is expected to be ¥10 billion due to the lack of gains on the sale of rights to the Tangguh LNG Project, which we recorded in fiscal 2007. Excluding this temporary factor, net income should increase.

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

- Net interest-bearing debt is expected to become ¥140 billion at the end of the period, while shareholders' equity is forecasted to become approximately ¥55.6 billion.
- As a result, we expect the net debt-equity ratio to improve to around 2.5 and the equity ratio to rise to about 10.7%.

* Shareholders' equity = Net assets – Minority interests

◇ Consolidated Earnings Forecast for FY2008

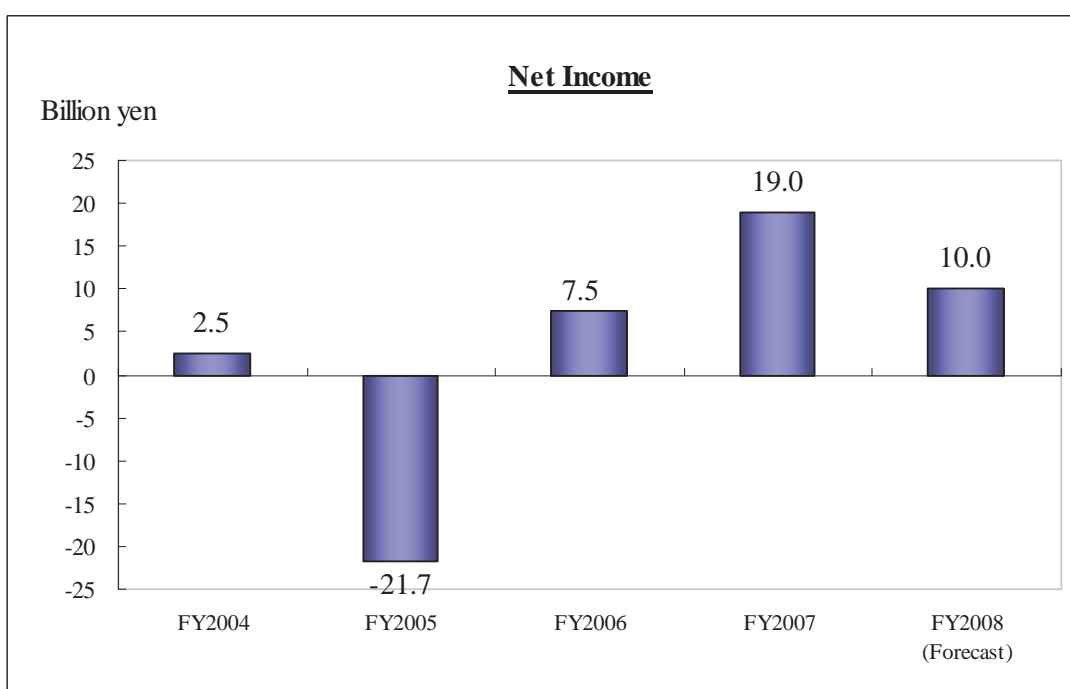
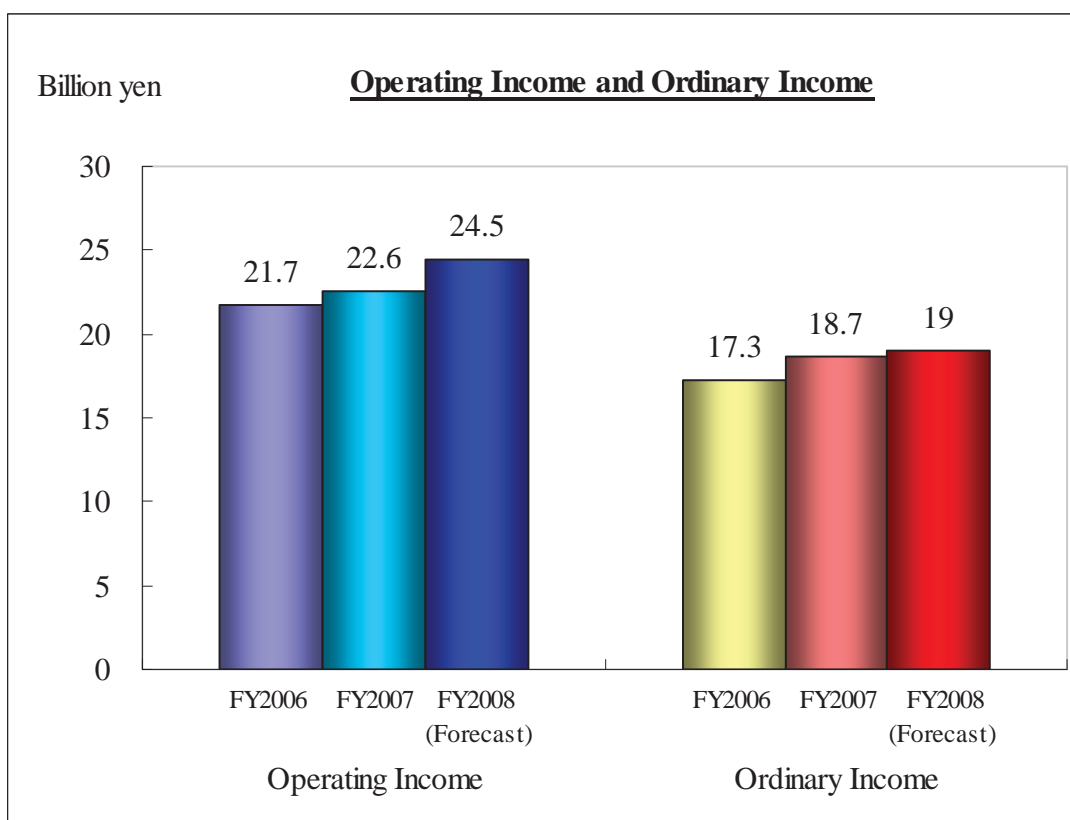
(Million yen)

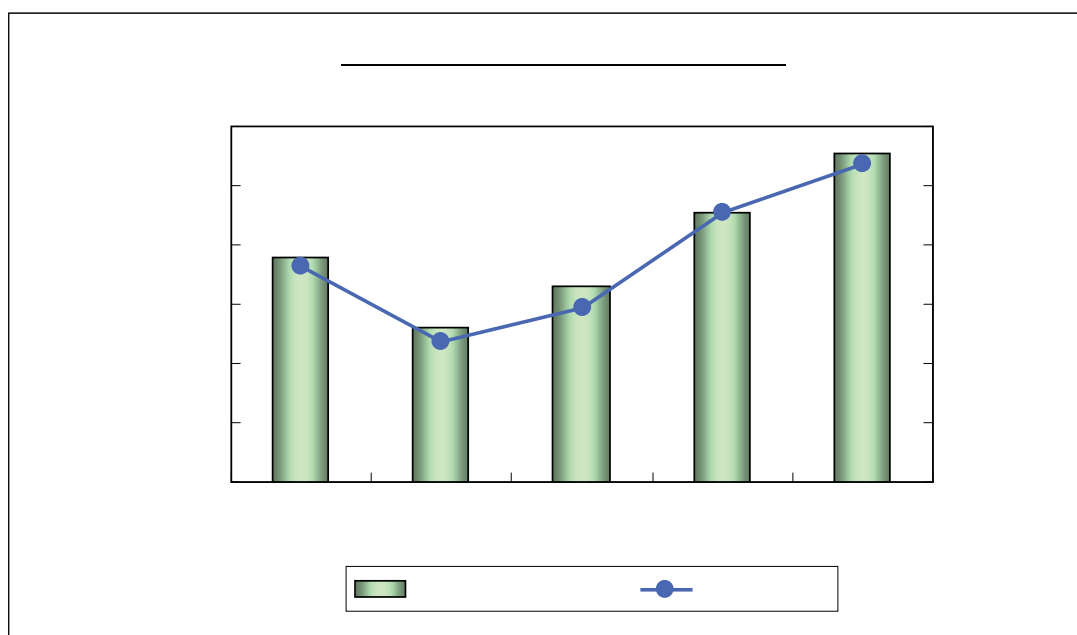
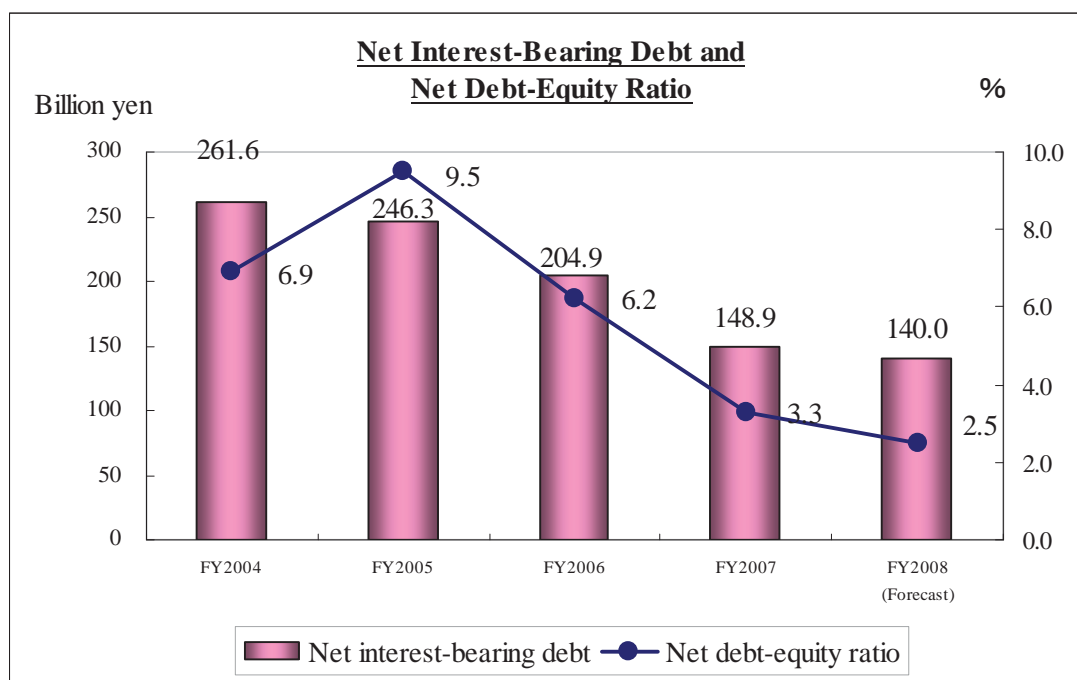
	FY2007 Results	FY2008 Forecast	Compared with FY2007
Net Sales	1,244,020	1,350,000	105,980
Gross Trading Profit	90,327	98,000	7,673
Ratio	7.3%	7.3%	0.0%
Selling, General and Administrative Expenses	67,721	73,500	5,779
Operating Income	22,605	24,500	1,895
Non-Operating Income & Loss	-3,859	-5,500	-1,641
Ordinary Income	18,747	19,000	253
Net extraordinary loss	10,228	-1,000	-11,228
Income (loss) before income taxes	28,975	18,000	-10,975
Income taxes	-9,959	-8,000	1,959
Net Income	19,016	10,000	-9,016
Total Assets	503,456	520,000	16,544
Gross Interest-Bearing Debt	223,702	210,000	-13,702
Net Interest-Bearing Debt	148,944	140,000	-8,944
Shareholders' Equity	45,587	55,600	10,013
Net D/E Ratio (Times)	3.3	2.5	Improved 0.8P
Equity Ratio	9.1	10.7	Improved 1.6P

◇ Forecast by Segment

(Billion yen)

	Net Sales		Gross Trading Profit		Operating Income	
	FY2008 Forecast	Compared with FY2007	FY2008 Forecast	Compared with FY2007	FY2008 Forecast	Compared with FY2007
IT	380	+23.8	49.5	+6.5	9.7	+1.6
Foods & Foodstuff	320	+36.4	14.2	+0.5	4.7	+0.4
Iron & Steel	155	+12.6	10.0	+0.1	5.4	+0.1
Industrial Plants	112	+2.3	11.5	+0.4	2.2	+0.0
Iron, Steel & Industrial Plants	267	+14.9	21.5	+0.5	7.6	+0.1
Energy	290	+4.5	6.3	-1.2	1.5	-0.1
Life Science	33	+2.1	2.5	+0.5	0.4	+0.3
Life Science & Energy	323	+6.6	8.8	-0.8	1.9	+0.2
Others, Consolidated adjustment	60	+24.3	4.0	+1.0	0.6	-0.4
Total	1,350	+106.0	98.0	+7.7	24.5	+1.9





- We will pursue added-value functions in the areas of vehicle-mounted parts, aerospace, digital imaging devices, and semiconductor/LCD manufacturing equipment, focusing on “technology and expertise,” “BtoB” and “global operations” as the keywords.
- In the electronics parts (semiconductors, optical devices, LCD/electronic materials, etc.) distribution business, we will strengthen the purchase agent function, improve operating efficiency and enhance the procurement and distribution support functions for customers expanding their overseas operations.
- In the solutions business and the mobile communications terminal business, we will increase market share by strengthening the relationship with customers. We will seek opportunities to reorganize the Group and conduct M&A to maximize synergy.
- As new businesses, we promote the horizontal application of vehicle-mounted parts to BRICs, the operations of advertisement and e-commerce in the mobile business and the launch of new projects in the field of aerospace for the private sector.

(1) Main Business

(Billion yen)

Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated net sales (FY2008 forecast)
Electronic Devices	Semiconductor/electronic parts, Electronic modules/materials, Semiconductor/LED	Devices Company ATE Solutions Dept	-	110.0
OEM/ODM Solutions	Vehicle-mounted parts, Printer equipment, Electronic modules	Industrial Electronics Dept. Information & Electronics Dept.	-	55.0
Mobile	Mobile communications terminals, Mobile content/mobile advertisement	IT Administration Office	Kanematsu Communications Ltd.	135.0
ICT Solutions	System solutions, Communication equipment/parts	IT Administration Office Information & Electronics Dept.	Kanematsu Electronics Ltd. <i>Nippon Office Systems Ltd.</i>	55.0 (13.8)
Aerospace	Aircraft/aircraft parts	Aerospace Dept.	Kanematsu Aerospace Corp. Shintoa Corporation	25.0
Total				380.0

(Note) The company name in italics is an affiliate: equity in net income of the affiliate contributed to consolidated ordinary income.
Figures in parentheses show sales of equity method affiliate.

(2) Consolidated Earnings Forecast for FY2008

(Million yen)

	FY2007 Results	FY2008 Forecast	Compared with FY2007
Net Sales	356,156	380,000	23,844
Gross Trading Profit	42,993	49,500	6,507
Ratio	12.1%	13.0%	0.9%
Operating Income	8,095	9,700	1,605
Ratio	2.3%	2.6%	0.3%

(3) Actions and Outlook for FY2008 (compared with FY2007 results)

- ◆ Electronic Devices Business (sales up ¥10 billion, gross trading profit up ¥1.5 billion)
 - In electronic modules and electronic materials, we offer support for Japanese customers moving operations overseas and the construction of the SCM system. In particular, we project an increase in sales and profit by stepping up our activities in the South China region.
- ◆ OEM/ODM Solutions Business (sales up ¥3.5 billion, gross trading profit up ¥0.5 billion)
 - We will horizontally apply to other businesses the know-how we have cultivated in two-wheeled and four-wheeled vehicles parts and printer-related businesses.
 - In the battery control modules manufacturing business, we have constructed a system to increase production in response to rising demand. We will continue to expand while maintaining and improving quality.
- ◆ Mobile Business (sales up ¥8 billion, gross trading profit up ¥2 million)
 - In the mobile communications terminal business, we will maintain and improve our position in the industry by boosting our services to corporations—a major area of strength—as the consumer market is maturing.
 - In the domestic mobile internet business, we will operate as an integrated company with emphasis on BtoB business in mobile content, mobile commerce, mobile advertisement and mobile solutions.
- ◆ ICT (*) Solutions Business (sales up ¥3.5 billion, gross trading profit up ¥1.5 million)
 - As Kanematsu Electronics Ltd. has bolstered its ability to propose technologies and services by working effectively with the technical staff in Memorex Telex Japan Ltd., with which we merged, we anticipate an increase in sales and profit by expanding the customer base and responding to diversified customer needs, such as demand for stronger internal control.

* ICT: Information Communication Technology
- ◆ Aerospace Business (sales up ¥3 billion, gross trading profit up slightly)
 - We will strengthen the aerospace business for the private sector in addition to our mainstay business for government offices. We will also operate the repair parts business in association with the inspection of aircraft designated by law.

Foods & Foodstuff

- With our motto, “the pursuit of security and safety,” we will further integrate upstream and downstream operations throughout supply chain, i.e. the procurement of raw materials, processing and manufacturing functions, and strong domestic distribution functions.
- In the food business, we will secure and rigorously seek additional excellent supply sources for such things as fruit products in Latin America and Eastern Europe. Not only traditional importing/exporting, we will also continue to add value to the food product itself through our manufacturing and processing functions in China and Southeast Asia. We also plan a joint development project of cooked and prepared foods with our affiliates in Japan and overseas. We will keep improving our processes to achieve thorough traceability throughout supply-chain. We are in the process of constructing a third-party certification system to check the production process of food producers, which will lead to an increase in consumers 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 selected overseas suppliers who are qualified with our safety standard and competent not to miss traceability of supply chain. Meanwhile, we will increase the lineup of our secured supply source that we 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

(Billion yen)				
Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated net sales (FY2008 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	110.0
Meat and Marine Products	All meat, seafood	Meat & Marine Products Dept.	Kanematsu Food Corp. Nippon Shokuhin Co., Ltd. Shintoa Corporation	57.0
Grain Oil/Feed and Dairy Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	Grain Oil Dept. Feed Dept. Formula Products Dept.	Kanematsu Agri-Tech Corp. Savory-Japon S.A. Shintoa Corporation	153.0
Total				320.0

(2) Consolidated Earnings Forecast for FY2008

(Million yen)			
	FY2007 Results	FY2008 Forecast	Compared with FY2007
Net Sales	283,565	320,000	36,435
Gross Trading Profit	13,730	14,200	470
Ratio	4.8%	4.4%	—0.4%
Operating Income	4,331	4,700	369
Ratio	1.5%	1.5%	0.0%

(3) Actions and Outlook for FY2008 (compared with FY2007 results)

◆ Food Business (sales up ¥5 billion, gross trading profit up slightly)

- The beverage material business continues to perform well. We will look to increase trading volumes by developing new production regions and will continue to expand the business by developing existing production regions.
- We will sustain the growth in deliveries of cooked and prepared food to the home-meal replacement and restaurant industries, including convenience store chains, which we began in earnest in fiscal 2007. We will bolster cooperation with Group companies to expand sales channels.
- As consumers are staying away from Chinese products, we will maintain a stable supply by diversifying the procurement of raw materials and processed food with a high dependency on China into other Southeast Asian regions.
- The Food Safety Control Office which we established to enforce food safety and security is functioning well. We aim to further improve traceability and compliance with the Food Sanitation Law.

◆ Meat and Marine Products Business (sales up ¥1 billion, gross trading profit up ¥0.5 billion)

- As the supply of meat and marine products is expected to tighten with a global rise in prices, we will put top priority on securing stable supply sources.
- We will strive to expand sales of Australian beef, recognized as a KG original brand.
- We will work to expand the marine products processing business at partnership plants in Southeast Asia.

◆ Grain Oil/Feed and Dairy Products (sales up ¥30 billion, gross trading profit up slightly)

- With the progress not only in safety and security awareness but also the trend of regarding food as resources, we will increase earnings by meeting customer expectations for stability (in supply) and low price (fair price), and by strengthening the relationship with suppliers in Japan and abroad.
- We will accelerate the diversification of supply sources by using hedging techniques to respond to rapid changes in prices.
- Amid rising demand for bio-energy, we began developing contracts in Canada, a new area, reflecting the trend in which marginal cultivation land moves north, to secure non-genetically modified soybean.
- In lactobacillus (EC-12) products, we will bolster sales by developing lactic acid bacterium products for beef, in addition to existing products for pork.

What is EC-12?

EC-12 is an entirely new lactobacillus product made by concentrating and dehydrating sterilized enterococcus faecalis. It has significant efficacy in improving the immune capacity and immune balance, as its ultra fine particles are directly absorbed through the intestinal canal and a large number of bacteria can be consumed with a small dose.

We sell a feed blended with EC-12 called **Lacsell Force**, which provides strong support for the healthy development of livestock.

Iron & Steel / Plant & Machinery

<Iron & Steel>

- Target balanced growth between the export business by parent and the domestic sales business by affiliates.
- We will focus on the sales expansion of auto parts for the steadily-growing automobile industry in South America through our new operating base in Sao Paulo.
- As for the coil center business in China, in addition to current export trading, we will initiate feasibility study for capacity increase specifically targeting the in-land market.
- In domestic sales of general steel products by affiliates, we will improve production efficiency and sales capability through reorganization within the Group.

<Plant & Machinery>

- We are further expanding the automobile parts business for Japanese manufacturers in China, which is a stable income source, the fiber product business in Russia, CIS and the Middle East, and the marine equipment package deal for shipyards in Vietnam. With the import of machine tools and industrial machinery, where our affiliates have strength, we have not only developed proposal-based marketing with a focus on technologies and a support system for specifications changes, but we have also strengthened the system for overseas sourcing, from areas such as Europe. We are also redoubling the basic infrastructure development projects in developing nations such as West African countries.
- Although cable and electric power projects are affected by falling demand for geothermal generation and submarine cables, this is offset by an increase in the trading of transmission cables whose trading is generally constant and the export of optical fibers to Russia, CIS and the Middle East.

(1) Main Business

(Billion yen)					
	Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated net sales (FY2008 forecast)
Iron & Steel	Steel Trading	Surface-treated steel plates, seamless piping	Iron & Steel Foreign Trade Dept.	SSOT	41.0
	Special Steel Trading	Stainless, special steel wire rods, long steel products	Special Iron & Steel Foreign Trade Dept.	-	15.0
	Cast and Forged Steel Products	Precision forgings	Forging & Casting Dept.	-	9.0
	Domestic Steel/Steel Materials	Steel products, iron ore, cokes	Machinery & Plant Administration Office	Kanematsu Trading Corp.	90.0
Plant & Machinery	Plants and Transportation Equipment	Various plants, automobiles, vessels, marine equipment, ODA	Projects & Plant Machinery Dept. Automotive & Construction Machinery Dept. Vessel Dept	—	41.0
	Cable/Electric Power Projects	Telecommunications projects, optical fibers, electric power projects	Cable & Power Projections Dept.	—	3.0
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	Machinery & Plant Administration Office	Kanematsu KGK Corp.	68.0
				Total	267.0

(2) Consolidated Earnings Forecast for FY2008

(Million yen)				
		FY2007 Results	FY2008 Forecast	Compared with FY2007
Iron & Steel	Net Sales	142,379	155,000	12,621
	Gross Trading Profit	9,919	10,000	81
	Ratio	7.0%	6.5%	- 0.5%
	Operating Income	5,273	5,400	127
	Ratio	3.7%	3.5%	- 0.2%
Plant & Machinery	Net Sales	109,726	112,000	2,274
	Gross Trading Profit	11,110	11,500	390
	Ratio	10.1%	10.3%	0.2%
	Operating Income	2,190	2,200	10
	Ratio	2.0%	2.0%	0.0%

(3) Actions and Outlook for FY2008 (compared with FY2007 results)

<Iron & Steel>

- ◆ Exporting Business (sales up ¥1 billion, gross trading profit up slightly)
 - In the coil center business in China, shipments of electroplate zinc-covered steel plates for Japanese users remain steady. We will consider our future response while watching the effects of changes in Chinese government policy.
- ◆ Special Steel (sales down ¥1 billion, gross trading profit flat)
 - We are active in the sale of high added-value products centering on high-performance stainless steel for oil-related products. We need to pay attention to the price movements of nickel.
 - In alloy wires and bars, income should remain in line with the level of fiscal 2007, although sluggish performance of the Big 3 in the United States is expected.
- ◆ Cast and Forged Steel Products (sales flat, gross trading profit flat)
 - Exports of auto parts to Brazil remain strong.
 - Development projects of transmission components for major auto manufacturers in Europe and the United States are in the final stages of mass production.
- ◆ Domestic Steel/Steel Materials (sales up ¥13 billion, gross trading profit down slightly)
 - In the domestic steel business, high product prices are expected to continue in fiscal 2008, given high prices of raw materials. Meanwhile, the effect of the revised Building Standards Law introduced last year needs continued monitoring.
 - In the steel materials business, we will closely monitor changes in the economic environment in China to maintain sales, as significant changes in iron ore prices in China are expected.

<Plant & Machinery>

- ◆ Plant and Transportation Equipment (sales up ¥4 billion, gross trading profit up ¥1 billion)
 - Stable revenue sources, including shipbuilding and the supply of shipbuilding equipment in Vietnam remain solid, as do shipments of automobiles to China and the Middle East, where we have maintained strength.
 - The transportation equipment business for Eastern Europe is emerging as a stable revenue source.
 - Chemicals plant equipment and paper manufacturing plants in the Middle East and China are likely to be robust.
 - We will aim to complete an ODA project (drainage treatment facilities to prevent environmental contamination) for Vietnam.
- ◆ Cable/Electric Power Projects (sales down ¥2 billion, gross trading profit up slightly)
 - While submarine cables and geothermal generation projects are influenced by falling demand, the negative effect on income should be offset by the expansion of the trading volume of cable products such as fibers, aluminum coated copper wires, higher capacity lines for Russia, CIS and the Middle East and cables exported to Asian countries.
- ◆ Machine Tools and Industrial Machinery (sales up slightly, gross trading profit down ¥0.5 billion)
 - Machine tools in Japan and the United States are expected to grow at a sluggish pace due to concerns over a downturn in the US economy. Although a fall in the profit margin associated with intensified competition is expected, we will look for sales from large machinery for the heavy electrical industry. We are also expanding trade in Asia.

Life Science / Energy

<Energy>

- Focus on growth as a group including retail gas station network and storage tank operation and increase our market share of domestic trading of petroleum products.
- As for overseas strategies, we will acquire new customers in China and Southeastern Asia and penetrate these developing markets.
- Given the rise of demand for new energy sources and energy saving solutions stemming from growing concerns about the global environment and soaring crude oil prices, we will undertake new energy development projects and plan to provide energy saving solution to our customers as a result of those projects.
- To accomplish the new energy development projects as quickly as possible and accelerate our efforts in the new emissions credit tradings, we increase investment in people and business initiatives and also promote cross-divisional efforts with the Plant & Machinery Division and the Business Incubation Team.

<Life Science>

- Under the key words, “global environment,” “healthcare,” and “medical solution,” we shall keep enhancing such advanced functions as manufacturing and R&D capabilities to make each individual business grow.
- Against a backdrop of increasing demand for solar batteries as an alternative energy amid rising environmental consciousness around the world, we are focusing on strengthening the production and sales business of solar battery coating materials, an area where we have production know-how and trademark rights. We are also emphasizing the development and commercialization of new products such as heat shield paint.
- In pharmaceutical materials trading, we are expanding 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 unique small and midsize chemicals manufacturers, responding to requests for medical cost reductions due to higher beneficiary liabilities as a result of the health insurance reform.
- In the functional materials business, we are stepping up the exploration and sales of new products using the expertise we have cultivated in the trading of creatine and α -lipoic acid.
- To construct a new revenue source, we will secure mineral resources and organic natural resources whose supply are getting tighter worldwide.

(1) Main Business

(Billion yen)					
	Business	Main Products	Department in Charge	Major Consolidated Subsidiaries	Consolidated net sales (FY2008 forecast)
Energy	Crude Oil, Petroleum Products and Gas	Crude oil, petroleum products, LPG	Energy Dept.	Kanematsu Petroleum Corp.	290.0
Life Science	Functional Chemicals	Battery materials, fertilizer materials, adhesive materials, solvents	Functional Chemicals Dept.	Kanematsu Chemical Corp.	26.4
	Pharmaceuticals, Healthcare	Pharmaceuticals, pharmaceutical intermediates, functional food materials, stolle milk, nutritional supplements	Life Science Dept.	Kanematsu Wellness Corp.	6.6
Total					323.0

(2) Consolidated Earnings Forecast for FY2008

(Million yen)				
		FY 2007 Results	FY 2008 Forecast	Compared with FY 2007
Energy	Net Sales	285,534	290,000	4,466
	Gross Trading Profit	7,544	6,300	— 1,244
	Ratio	2.6%	2.2%	— 0.4%
	Operating Income	1,600	1,500	— 100
	Ratio	0.6%	0.5%	— 0.1%
Life Science	Net Sales	30,938	33,000	2,062
	Gross Trading Profit	2,025	2,500	475
	Ratio	6.5%	7.6%	1.1%
	Operating Income	133	400	267
	Ratio	0.4%	1.2%	0.8%

(3) Actions and Outlook for FY2008 (compared with FY2007 results)

<Energy>

◆ Crude Oil, Petroleum Products and Gas (sales up ¥4.5 billion, gross trading profit down ¥1.2 billion)

- We project an increase in sales and a fall in profit, as prices of petroleum products are expected to remain high with international prices remaining at elevated levels.
- An affiliate that runs approximately 150 gas stations, including company-owned and partnership stations, is seeking to increase profitability by passing the rising wholesale price of gasoline onto users and improving efficiency through the consolidation and elimination of operating bases.
- In the LPG business, we specialize in the bulk sale of industrial LPG and we are expanding sales to small-lot users in a comprehensive distribution system.
- We are creating Group synergies by consolidating the energy business of Shintoa Corporation into Kanematsu Petroleum Corporation. We will continue to bolster the lubricant oil business.
- In the new energy creation business, we began operating a bio-gas project in Hokkaido based on a bio-gas joint venture which we established in the previous year, and we will develop the project nationwide.
- In the bio-fuel business, we will step up internal cooperation with the Plant & Machinery Division and Business Incubation Team to identify procurement sources overseas, especially in Southeast Asia.
- In emissions trading, we will continue to participate in the voluntary emissions trading scheme of the Ministry of the Environment. We will also facilitate the sale of emissions rights to companies in Japan and overseas through measures such as business operations in small and retail areas using the carbon offset, the intermediary service of emissions trading, participation in CDM operations, and cooperation with overseas businesses.

<Life Science>

◆ Functional Chemicals (sales flat , gross trading profit up slightly)

- Imports of synthetic rubber remain favorable, partly because of the tight supply in Japan and production cuts by domestic manufacturers.
- We are increasing exports of raw materials of lithium batteries to China, responding to rising demand in the Chinese market.
- We anticipate an increase in deliveries of solar battery coating materials, since production continues to increase at customer plants. We will also promote a horizontal application through trading in related components and the development of new markets.
- We are developing environmental products such as heat shield paint.

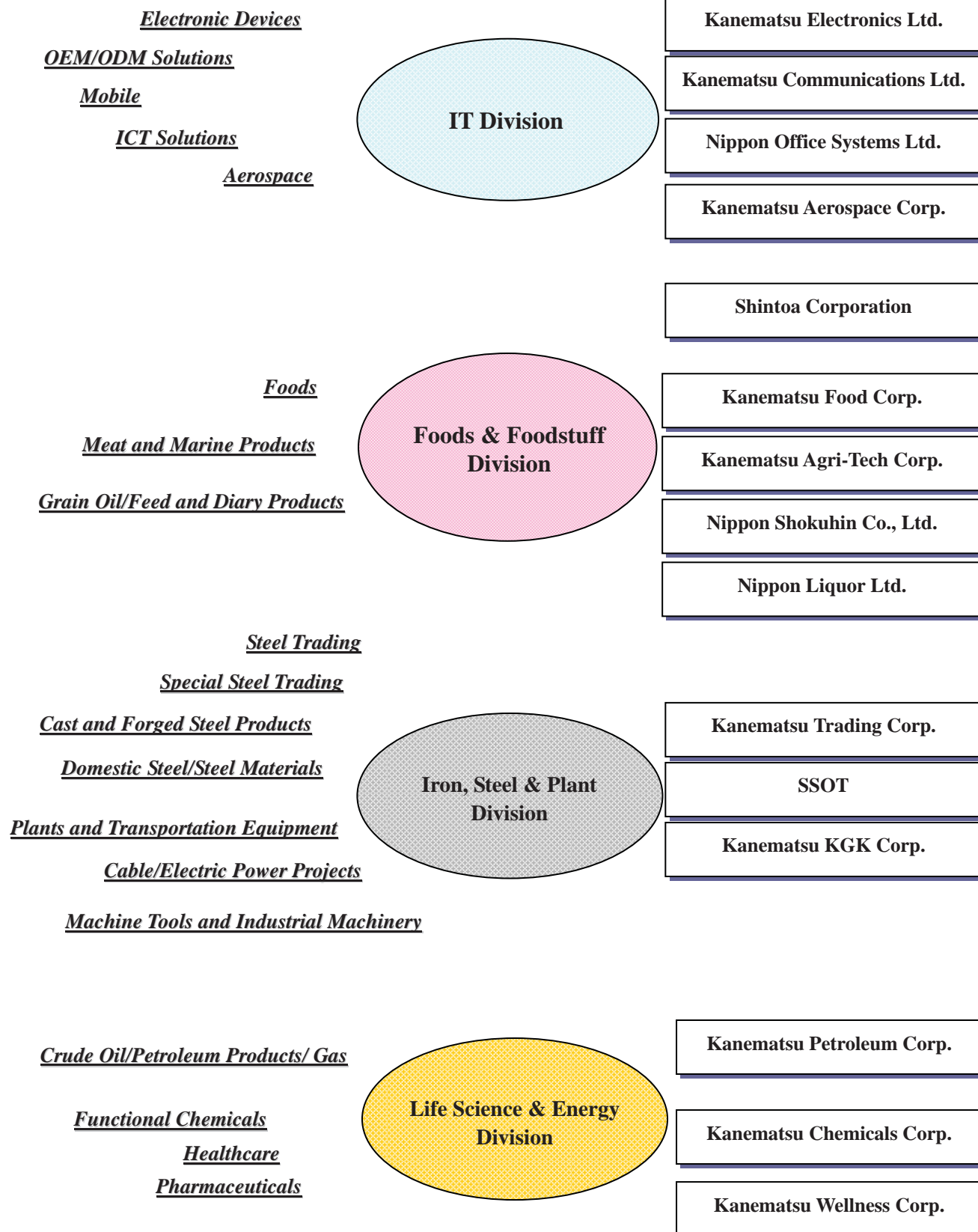
◆ Pharmaceutical/Healthcare Business (sales up ¥2 billion, gross trading profit up slightly)

- In the pharmaceuticals business, we project an increase in sales with the expansion of the contract manufacturing operation of pharmaceuticals intermediates in Japan and abroad and the growth of exports of pharmaceuticals products and bulk power.
- We aim to further increase imports of bulk power from India and Northern and Eastern Europe by enhancing cooperation with affiliates.
- We will step up exports of bulk pharmaceuticals to the Middle East and Southeast Asia.
- In the medical information provision services, we will seek new business, especially from pharmaceuticals companies, and the diversification of the areas to which we provide medical service information.

(Reference) Outline of Kanematsu Group

Main Business

Major Group Companies



III. “teamKG120”
Medium-Term Business Plan
(April 2007 - March 2010)

Vision

We are ever more active 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 exploiting the creation of new business
- ◆ A company with an established culture of continuing reform and evolution
- ◆ A company that steadfastly maintains a streamlined and highly efficient financial position
- ◆ A company that has built 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 — The Creator of Real Business —

- ◆ Explore and provide highly specialized and useful business functions
- ◆ Concentrate on investments in projects that are backed by real business
- ◆ Avoid simple financing and speculative transactions
- ◆ Pursue growth through the development of new businesses
- ◆ Avoid a disproportionate weighting on specific areas and increase stability

Growth Strategies — Balanced Growth with Strong Momentum—

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

■ Fundamental Trading

Businesses in this category provide traditional trading (importing & exporting) functions 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 importing & exporting 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 the further creation of added 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 are aggressively promoting 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 Asian region and offshore food trading)



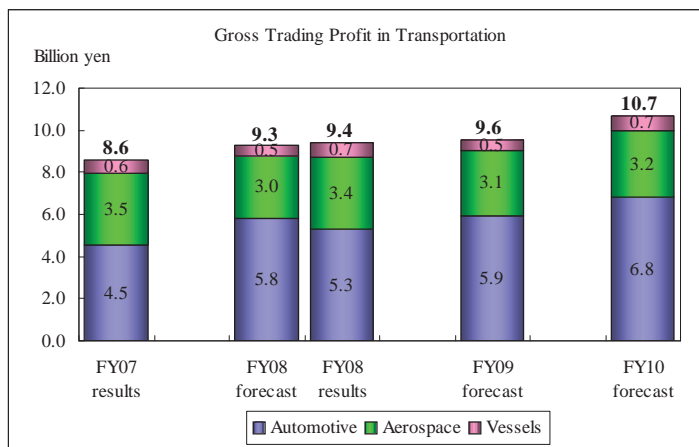
Growth Drivers

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

Transportation

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

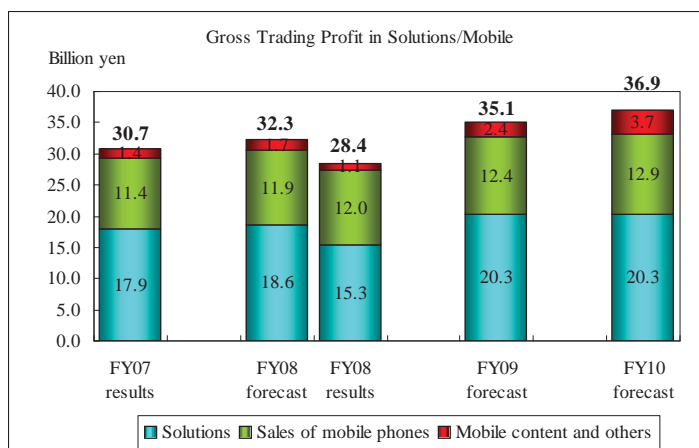
- Enhance the global sourcing function and the R&D support function.
- Expand sales to Europe, BRICs and Asian markets
- Expand the aircraft rotatable parts business with airlines



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.

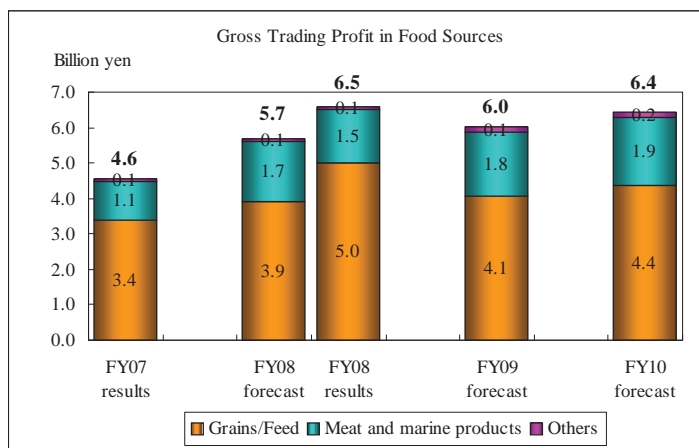
- Maximize synergy through the Group and organizational reforms.
- Aggressively promote M&A and business alliances
- Establish new businesses in the field of mobile services



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 the slogan, "safety and security."
- Strengthen our relationship with supply sources and processing plants in preparation for tight supply.



Environment/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 commits itself to the following initiatives to achieve “Balanced Growth with Strong Momentum”.

■ Enhancement of the Management System

- ◆ We continue to increase the transparency of management and reinforce the corporate governance system so as to never lose accountability, efficiency and financial soundness. We will also ensure comprehensive compliance and internal control using our IT systems.

■ Business Promotion Initiatives

- ◆ **Developing new businesses**
We prepared new funds to the amount of ¥30 billion to stimulate new business creation, and will prioritize “New Businesses” in the distribution of management resources.
- ◆ **Strengthening managerial support for new business developments**
We are developing our ability to rapidly form multi-functional project teams to enable us to effectively promote projects at an early stage, combining various 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 redundant 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 increased horizontal expansions.
- ◆ **Risk Management**
We will upgrade the adoption, monitoring and controlling system for business investment especially regarding the measures of feasibility study and profitability and risk assessment, etc. to dramatically improve profitability of new business projects.

<<Progress in the first fiscal year>>

- ◆ **Establishment of Business Coordination Team**
We established the Business Coordination Team to strengthen the system for supporting the launch and development of new projects. The Team worked to accelerate the speed of launching and developing new businesses and projects in cooperation with the Business Incubation Team, which had already been established.
- ◆ **Expanding overseas operations**
We also opened a representative office in New Delhi, India and established a local subsidiary in Prague, the Czech Republic, to strengthen our machine tool business. Our aim is to reinforce our overseas facilities to enable the growth and horizontal expansion of existing businesses and the creation of new businesses. We will continue to bolster our facilities in line with the operation and expansion of new businesses.

Quantitative Targets

■ The followings 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	Medium-Term Business Plan "teamKG120"				
		FY2007		FY2008		FY2009
		Initial projection	Results	Initial projection	Forecast	Initial projection
Net Sales	1,281,331	1,300,000	1,244,020	1,350,000	1,350,000	1,400,000
Gross Trading Profit	103,711	100,000	90,327	105,000	98,000	110,000
Ratio	8.1%	7.7%	7.3%	7.8%	7.3%	7.9%
Operating Income	21,713	23,500	22,605	27,000	24,500	30,000
Ratio	1.7%	1.8%	1.8%	2.0%	1.8%	2.1%
Ordinary Income	17,255	19,000	18,747	22,000	19,000	25,000
Ratio	1.3%	1.5%	1.5%	1.6%	1.4%	1.8%
Net Income	7,507	8,000	19,016	10,000	10,000	12,500

(Million yen)

	FY2006 Results	Medium-Term Business Plan "teamKG120"				
		FY2007		FY2008		FY2009
		Initial projection	Results	Initial projection	Forecast	Initial projection
Total Assets	563,176	550,000	503,456	550,000	520,000	550,000
Shareholders' Equity	32,960	40,000	45,588	50,000	55,600	62,500
Equity Ratio	5.9%	7.3%	9.1%	9.1%	10.7%	11.4%
Gross Interest-Bearing Debt	270,678	230,000	223,702	220,000	210,000	200,000
Gross D/E Ratio (Times)	8.2	5.8	4.9	4.4	3.8	3.2
Net Interest-Bearing Debt	204,900	180,000	148,944	170,000	140,000	160,000
Net D/E Ratio (Times)	6.2	4.5	3.3	3.4	2.5	2.6
Fund Efficiency	7.3%	8.6%	9.6%	10.0%	9.7%	11.2%
ROA (Ordinary Income)	3.1%	3.5%	3.7%	4.0%	3.7%	4.5%
ROE (Ordinary Income)	52.4%	47.5%	41.1%	44.0%	34.2%	40.0%

* Fund Efficiency = Ordinary income/(Net interest-bearing debt + Shareholders' equity)

(MEMO)