



Consolidated Financial Summary for the FY2007(Ended March 31,2008)

May 2, 2008

Company name: Kanematsu Corporation

Stock Exchange listing: First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

Stock code: 8020

URL: <http://www.kanematsu.co.jp>

Representative: President, Yoshihiro Miwa

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Scheduled Date for the Ordinary General Meeting of Shareholders: June 26, 2008

Scheduled Date for the submission of financial statements: June 26, 2008

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

1. Consolidated business results for the fiscal year ended March 2008 (April 1, 2007 – March 31, 2008)

(1) Consolidated business results

(%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2008	1,244,020	(2.9)	22,605	4.1	18,747	8.6	19,016	153.3
Fiscal year ended March 2007	1,281,331	16.9	21,713	20.7	17,255	9.8	7,507	—

	Net income per share	Net income per share (diluted basis)	Return on equity	Ordinary income to total assets ratio	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2008	45.44	—	48.4	3.5	1.8
Fiscal year ended March 2007	17.94	—	25.5	3.1	1.7

(Reference) Equity in earnings of affiliated companies:

1,085 million yen for the fiscal year ended March 2008, 731 million yen for the fiscal year ended March 2007

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2008	503,456	62,239	9.1	108.95
As of March 31, 2007	563,176	48,767	5.9	78.75

(Reference) Shareholder's equity: 45,587 million yen as of March 2008, 32,959 million yen as of March 2007

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2008	14,308	38,799	(43,892)	74,437
Fiscal year ended March 2007	20,874	23,149	(30,267)	65,471

2. Dividends

(Record date)	Dividends per share			Annual total of dividend	Payout ratio (Consolidated)	Net assets dividend ratio (Consolidated)
	First half	Second half	Fiscal			
	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2007	—	—	0.00	—	—	—
Fiscal year ended March 2008	—	—	0.00	—	—	—
Fiscal year ended March 2009 (Forecasts)	—	(Not yet determined)	(Not yet determined)		—	

3. Forecasts for consolidated results ending March 2009 (April 1, 2008 – March 31, 2009)

(%: Changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	650,000	5.9	11,500	(8.4)	8,000	(27.1)	4,000	(27.8)	9.56
Full year	1,350,000	8.5	24,500	8.4	19,000	1.3	10,000	(47.4)	23.90

4. Other information

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

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

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

(ii) Change due to other than above: Yes

(Note) For more details, please see “Significant Items Regarding the Preparation of Consolidated Financial Statements” on page 17.

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares including treasury stock

Fiscal year (2008/3): 422,501,010 shares, Fiscal year (2007/3): 422,501,010 shares

(ii) Number of treasury stock

Fiscal year (2008/3): 4,072,040 shares, Fiscal year (2007/3): 3,975,292 shares

(Note) For the number of shares used as the basis for calculation of net income per share (consolidated), please see “Per Share Information” on page 20.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated business results for the fiscal year ended March 2008 (April 1, 2007 – March 31, 2008)

(1) Non-consolidated business results

(%: Changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2008	564,100	4.2	6,409	6.0	7,505	(20.3)	13,557	318.4
Fiscal year ended March 2007	541,154	5.6	6,046	70.2	9,412	37.8	3,240	—

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
Fiscal year ended March 2008	32.16	—
Fiscal year ended March 2007	7.69	—

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2008	350,142	55,008	15.7	130.52
As of March 31, 2007	390,045	43,943	11.3	104.24

(Reference) Shareholder's equity: 55,008 million yen as of March 2008, 43,943 million yen as of March 2007

2. Forecasts for non-consolidated results ending March 2009 (April 1, 2008 – March 31, 2009)

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

* Notes for the descriptions related to business forecasts

The above business forecasts are made based on the information available at the time of the announcement of this document and assumptions on uncertain factors that may influence the Company's future performance. Please note that actual performance may differ from the above forecasts due to a variety of factors. For matters related to results forecasts, please refer to “1. Business Results, (1) Analysis of business results, 2) Forecast for the fiscal year ending March 2009” on page 3.

1. Business Results

(1) Analysis of Business Results

1) Review of operations in the fiscal year ended March 2008

The global economy in the first half of the fiscal year under review enjoyed robust growth. The key drivers for this growth were the impressive economic development of emerging markets, led by China and India, as well as developing countries and regions. In the second half, however, the recessionary tone intensified in the United States, in the wake of turmoil in the financial and capital markets triggered by the subprime mortgage loan crisis. In the meantime, growth in Europe clearly began to slow.

Meanwhile, the Japanese economy generally followed a gradual expansionary path, but experienced greater uncertainty on deteriorating consumer confidence attributable to rising prices of foods and gasoline and lackluster increase of salary of employees, in addition to the weaker overseas economies.

In this environment, Kanematsu Corporation achieved solid results with its Iron, Steel & Plant Division, particularly in its special steel and machine tool businesses for North America and in the transportation equipment business. The Foods & Foodstuff Division expanded operations by securing stable supply sources at a time of rising prices of grains and meat and marine products. The IT Division also achieved strong results as the system solutions business and the mobile business remained firm.

Net sales declined 37.3 billion yen from the previous year, to 1,244 billion yen on a consolidated basis, mainly reflecting the change of Kanematsu Textile Corporation from a consolidated subsidiary to an equity-method affiliate. While gross profit fell 13.4 billion yen, to 90.3 billion yen, operating income rose 900 million yen, primarily thanks to the non-consolidation of the textile business with a high ratio of selling and administrative expenses to sales. Non-operating income and expenses improved 600 million yen from the previous year, led by a fall in interest paid associated with the reduction of interest-bearing debt, while ordinary income rose 1.5 billion yen year on year, to 18.7 billion yen. Although extraordinary gains were up 7.2 billion yen from a year ago, mainly with the posting of gains on the sale of LNG rights, extraordinary losses declined 5.6 billion yen year on year. As a result, income before income taxes increased 14.4 billion yen from the previous year, to 29 billion yen, and net income climbed 11.5 billion yen, to 19 billion yen. Retained earnings moved into the black at the end of the fiscal year under review, finally moving out of the deficit situation associated with the substantial losses recorded two years ago in the final stages of streamlining.

2) Forecast for the fiscal year ending March 2009

We expect that the US economy will slowly recover, driven by the effect of stimulatory packages issued by the government, including substantial tax breaks, as well as support from the solid performance of overseas economies and the weaker dollar. However, consumer spending will ease, reflecting the deep and prolonged correction of the housing market as well as financial and credit insecurity.

The Japanese economy is expected to slow in the first half given weakening overseas economies centering on the United States and Europe. However, we think it will gradually recover in the second half, as the US economic recovery should restrict the extent of any global economic slowdown.

In these circumstances, we expect that consolidated net sales will increase 106 billion yen from the fiscal year under review, to 1,350 billion yen in the fiscal year ending March 2009. We anticipate an operating income of 24.5 billion yen, ordinary income of 19 billion yen, in line with the level of the fiscal year ended March 2008, and a net income of 10 billion yen.

(Assumptions for the calculation of results forecast)

- Exchange rate: 1 US dollar = 110 yen
- Interest rates: expected to remain flat

(2) Analysis of financial status

1) Assets, liabilities and net assets

Fixed assets declined 35.4 billion yen in the fiscal year ended March 2008, as investments in securities and other assets declined with the sale of affiliates that owned LNG rights and the sale of equity in the aircraft leasing business. In current assets, operating assets such as accounts receivable and inventories fell, primarily because of the change of Kanematsu Textile Corporation to an equity-method affiliate. Total assets slipped 59.7 billion yen year on year, to 503.5 billion yen.

With respect to interest-bearing debt, we allocated proceeds from the liquidation of assets and strong operating revenues for the repayment of borrowings. As a result, net interest-bearing debt, which subtracts cash and deposits from interest-bearing debt, declined 56 billion yen from the end of the previous fiscal year, to 148.9 billion yen.

Since we have moved out of the red on both consolidated and non-consolidate bases, we have created the foundation for the resumption of dividends. As a result, shareholders' equity rose 12.6 billion from the end of the previous fiscal year, to 45.6 billion yen, while the equity ratio and net debt-equity ratio improved to 9.1% and 3.3, respectively.

2) Cash flows

With respect to cash flows, net cash provided by operating activities totaled 14.3 billion, reflecting continued solid business performance. Net cash provided by investing activities amounted to 38.8 billion yen, mainly attributable to proceeds from the sale of investment in securities and the collection of loans receivable. As a result of using these proceeds for the repayment of borrowings, net cash used in financing activities came to 43.9 billion yen. Cash and cash equivalents at the end of the fiscal year ended March 2008 increased 9 billion yen from a year ago, to 74.4 billion yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended March 2004	Fiscal year ended March 2005	Fiscal year ended March 2006	Fiscal year ended March 2007	Fiscal year ended March 2008
Equity ratio	4.6 %	7.3 %	4.7 %	5.9 %	9.1 %
Equity ratio on a market value basis	14.9 %	12.6 %	14.8 %	19.0 %	11.0 %
Debt redemption period (years)	12.5	20.0	10.8	6.1	4.2
Interest coverage ratio	4.0	2.5	3.7	6.0	7.8

Equity ratio: Shareholders' equity/total assets

Equity ratio on a market value basis: Market capitalization/total assets

Debt redemption period: Interest-bearing debt/free cash flow

Interest coverage ratio: Free cash flow/interest payments

* All of the above figures are calculated based on consolidated financial values.

* Market capitalization is calculated based on the following formula: Closing share price at the end of the period
x Number of shares issued (net of treasury stock) at the end of the period.

* Free cash flow is used for cash flow. Interest-bearing debt includes all debts listed on the consolidated balance sheets to which the Company pays interests. For interest payments, the amount of interests paid listed on consolidated statements of cash flows is used.

(3) Basic policy for distribution of profits and dividends in the fiscal year ended March 2008 and the fiscal year ending March 2009

The Company regards the distribution of profits to shareholders as a critical management issue, and has a basic policy of paying out dividends, taking into consideration factors such as operating results and the need to increase internal reserves.

In the fiscal year under review, although retained earnings turned positive on both consolidated and non-consolidate bases, we do not plan to pay dividends. With respect to dividends in the fiscal year ending March 2009, we have not yet decided whether to pay of dividends at this point. The decision will take the progress of results into account. We will continue to make every effort to bolster our earnings capabilities with the aim of resuming the payment of dividends at the earliest possible time.

(4) Business risks

Since the Kanematsu Group operates a broad array of businesses around the world, it is directly and indirectly affected by political developments and economic conditions in countries where it has a presence, including changes in demand and supply situations. The operations of the Group are exposed to risks such as a price fluctuation risk and a liquidity risk of foreign exchange rates, funds (interest rates), commodities and stocks, a default risk and a credit risk, an investment risk, a country risk, and a legal risk associated with changes in systems and regulations. Since these risks represent business uncertainties and include elements that are difficult to predict, they have the potential to influence the results and financial position of the Group. Although it is difficult to completely eliminate these risks, the Group controls them by developing the necessary systems and methods to manage each risk based on its nature.

1. Risks Related to Overall Business Activities

1) Market risk related to supply and demand and prices of goods traded

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by the market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. If our positions with these commodities increase, we could suffer an unexpected loss from fluctuations in commodities prices and weaker demand from purchasers, etc.

2) Default risk and credit risk

As the Group extends credit in a number of forms, including accounts receivable, advance payments, loans, and guarantees in diverse business transactions with trade partners in Japan and abroad, it confronts a risk that late repayments and defaults may occur if the financial strength of its trading partners deteriorates. The Group could also be forced to perform obligations that could be accompanied by a monetary loss in association with the conclusion and performance of a commodity supply agreement, a contract agreement, and subcontract agreement, or other agreements, irrespective of reasons, if the trade partner defaults on its obligation or contract.

Although we have set aside an allowance for these losses in our accounting procedures using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance.

3) Foreign currency risk

The Group is engaged in foreign currency transactions in a number of currencies and terms incidental to its export and import trading. The Group not only transfers the risk of currency fluctuations to customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

The Company has local subsidiaries and business corporations overseas. Since the account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing to prepare consolidated financial statements, there is a risk that shareholders' equity may change through translation adjustments associated with exchange rate fluctuations.

4) Interest rate risk

With the exception of certain loans, the Group raises most of the funds for its operating and financing activities by borrowing funds from financial institutions at variable interest rates. Since these borrowings and fund management are exposed to an interest rate risk, there is a risk that interest paid may increase if interest rates rise.

Also, since certain companies in the Group adopt a defined benefit pension plan, the retirement benefit obligation could increase in the estimation of the Group if the discount rate used for the calculation of the retirement benefit obligation falls.

5) Price fluctuation risk of marketable securities, etc.

The Group may hold shares in trade partners as a means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group through valuation differences in securities.

Since stocks and other securities are included in the portfolio of the pension assets of the Group for the purpose of making medium- and long-term investments, differences from the required investment yield could have an effect on the financial position of the Group, given that the investment yield will fall if the prices of the stocks, etc. fall.

6) Business investment risk

Since the Group makes investments to expand its business areas, it bears a risk that the value of the investments may change depending on the financial performance or success of the invested businesses. We make a decision on these business investments through predetermined procedures we have established according to the details and amounts. When we make an investment decision, we evaluate and analyze various risk factors and the profitability of the business based on cash flows, taking the standards for withdrawal from businesses into account. Even after making the investment, we regularly reevaluate and review the business potential and the investment value to minimize any potential loss. However, there is a possibility in any external investment or joint venture that we may not be able to operate or terminate the business as we envisaged in our policy because of local laws and our relationship with our partner.

7) Country risk

With respect to transactions, loans and investments overseas, the Group assumes a risk that the collection of payments may be delayed or become impossible as a result of political or economic developments in the country in question. To minimize a loss that may arise from the occurrence of this country risk, the Group regularly sets a limit based on ratings provided to countries and regions according to the degree of country risk, to avoid a situation in which it is overexposed to certain countries and regions. Although we take steps to avoid an irrecoverable loss by purchasing trade insurance according to the ratings and details of projects, there is a risk that the continuation of the business may become difficult if these developments actually occur in certain countries and regions. This could have an effect on the future business results of the Group.

8) Legal risk related to changes in laws

The business of the Group in Japan and overseas is subject to extensive legal regulations in Japan and other countries. This creates the risk that the Group may not be able to continue with certain transactions due to unexpected changes in laws, changes in regulations such as permits and licenses related to the sales and handling of products, or changes in import and export regulations, including a punitive tariff that could be introduced unilaterally following changes in the international political environment. The Group also assumes a risk that an unexpected expense may arise from a lawsuit or from a direction issued by authorities. This risk also includes the risk that a tax rate or tax arrangements imposed by authorities or between countries under international taxation arrangements may change. Changes in these legal systems could influence the financial position and operating results of the Group.

9) Legal risk related to disputes and lawsuits

When the Group operates in Japan and overseas, its activities and its assets and liabilities may be subject to a dispute, lawsuit or other legal action. These disputes and legal actions are difficult to predict. In addition, if a dispute or legal action does arise, the outcome is uncertain, and it may take considerable time before the result becomes known. If such a dispute or lawsuit arises or an unexpected result emerges, it could have an effect on the financial position and results of the Group.

10) Compliance and fraud risk

The Group operates businesses to buy, sell and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to exports and imports that are established and enforced for these products and services in Japan and other countries. However, it is difficult to execute all procedures at all times across all of the trading operations we conduct with the involvement of multiple parties. Although we take a number of actions to prevent violations, there is a risk that we may overlook a violation of a law or an instance of fraud. If the violation or fraud is material, the financial position and operating results of the Group could be affected.

2. Risk Management

1) Position management of foreign exchanges, funds (interest rate) and products

In principle, a foreign currency risk, an interest rate risk, and a price fluctuation risk of goods traded incidental to business transactions are transferred to customers, etc. in most cases in accordance with the terms of transactions. However, we have established a system to set a limit (position limit) and a limited amount of loss for each of foreign exchange, funds (interest rate) and products and their derivatives, taking into account the risk amount and income of each internal organization unit and company, to promptly reduce the position if the predetermined limit is exceeded. We also reduce the price fluctuation risk of these positions by using derivatives as a hedge.

2) Credit management of transactions

When extending credit to customers in Japan and overseas, we regularly provide the rating to individual customers based on their financial data and other information and set a credit limit based on the rating and the type of credit. We control credit risk by restricting credits so that the total amount of credits, including those arising from ordinary business transactions as well as loans and guarantees, does not exceed the limit. We have also established a system to prevent the expansion of unintended credit risks by regularly monitoring collection and frozen status and taking the necessary security steps.

We also prevent credits from exceeding the limit by systematically checking the credit limit when shipping goods to customers.

3) Security management

To prevent a violation of laws related to export and import control, we take every care in managing and operating processes by establishing export and import control regulations and programs including the Security Export Control Regulations. For legal risks overseas, we conduct risk financing, etc. by purchasing individual insurance.

4) Information security

We have established unified regulations on the use of personal computers, networks and addresses to protect company information and personal information by setting up the electric network management rules from the standpoint of preventing information leaks. We also review the infrastructure for raising the security level on a steady basis to enable us to maintain the necessary security level.

5) Compliance

To comprehensively monitor compliance with laws and regulations, we have established the Risk Management and Compliance Committee to regularly review the compliance status and deal with problems that temporarily arise. We have also developed the compliance manual and introduced the internal hotline system to fully instill of the importance of compliance in employees and to raise their awareness and understanding.

6) Operations management

To prevent operational risks arising from back-office work, we have established a system to prevent fraud, violations of rules and errors in recording in the workflow by processing all slip issuing activities after delivery and receipt operations in batches, with the implementation of Business Process Re-engineering (BPR).

We have also reviewed company-wide business processes and the marketing flow to develop the business foundations in accordance with the internal control reporting system that was applied from the fiscal year under review.

3. Medium-Term Business Plan

Based on the concept of “Balanced Growth with Strong Momentum” for its growth strategies, the Group has developed the three-year medium-term business plan “teamKG120” beginning in the fiscal year ended March 2008 and carries out initiatives to achieve quantitative targets for the fiscal year ending March 2010, the final year of the plan, including consolidated ordinary income of 25 billion yen.

However, as these quantitative targets are set based on certain assumptions and presuppositions, they could change as a result of factors including those cases in which economic conditions and industry developments are significantly different from what were expected and we cannot take effective action against these environmental changes.

2. Corporate Group

The Group operates businesses and provides a broad array of products and services in diverse fields such as IT, foods and foodstuffs, iron, steel and plants, and life sciences and energy to meet the diverse needs of customers as a true business creator. To this end, the Group organically integrates the business networks and the areas of specialization it has been cultivating in businesses around the world with the functions of a trading company, which include commodities trading, information gathering, market exploration, business development and formulation, risk management and distribution.

The Company classifies these businesses into five categories according to the contents of goods traded and services, and the Group consists of a total of 140 companies (excluding the Company), 106 subsidiaries and 34 affiliates (as of March 31, 2008). Among them, the Group has 80 consolidated subsidiaries and 47 equity-method affiliates.

As we relinquished ownership of Kanematsu Textile Corporation, the core entity in the textile business, in May 2007, we amalgamated the Textiles Division with the Other segment in the fiscal year ended March 2008.

The details of products and services and affiliates in the business segments of the Company are as follows.

Business segments	Major products and services	Principal subsidiaries and affiliates
IT (37 companies)	Semiconductors, semiconductor and LED manufacturing equipment, electronic components, mechanized parts, communication equipment and parts, optical devices, computer network systems, mobile communication terminals, mobile phones, aircrafts and aircraft parts and others	(Subsidiaries: 13 subsidiaries in Japan and 17 subsidiaries overseas) Kanematsu Electronics Ltd. Kanematsu Communications Ltd. (Affiliates: Five affiliates in Japan and two affiliates overseas) Nippon Office Systems Ltd.
Foods & Foodstuff (21 companies)	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, meat and marine products, feed, fertilizer, soybeans, barley, wheat, rice, processed foods, pet foods and others	(Subsidiaries: Nine subsidiaries in Japan and two subsidiaries overseas) Kanematsu Food Corporation Kanematsu Agri-Tech Corporation (Affiliates: Four affiliates in Japan and six affiliates overseas) Nippon Liquor Ltd. Dalian Tiantianli Co., Ltd.
Iron, Steel & Industrial Plants (28 companies)	Stainless steel, surface-treated steel plates, seamless piping, coking coal, precision forged products, steel products, automobiles and automobile parts, ships and maritime equipment, communication lines construction, optical fibers, electric power projects, machine tools, industrial tools and others	(Subsidiaries: Eight subsidiaries in Japan and 17 subsidiaries overseas) Kanematsu KGK Corp. Kanematsu Trading Corporation (Affiliates: Three affiliates overseas)
Life Science & Energy (8 companies)	Battery materials, fertilizer materials, adhesive materials, solvents, functional food materials, stollen milk, nutritional supplements, pharmaceuticals and pharmaceutical intermediates, crude oil, petroleum products, LPG and others	(Subsidiaries: Six subsidiaries in Japan) Kanematsu Chemicals Corp. Kanematsu Wellness Corp. Kanematsu Petroleum Corp. (Affiliates: Two affiliates in Japan)
Others (32 companies)	Knit clothing, wool clothing, synthetic woven goods, chemical synthetic fiber materials, chemical synthetic fiber yarn, textile materials, secondary textile products, sporting goods, insurance agent/intermediary business, air/marine cargo agent business, customs clearing, real estate management and leasing business, chips, plywood, single panels, building materials, lumber products and others	(Subsidiaries: 15 subsidiaries in Japan and five subsidiaries overseas) Shintoa Corporation KIT Co., Ltd. Central Express Ltd. (Affiliates: Six affiliates in Japan and six affiliates overseas) Kaneyo Co., Ltd. Kanematsu Textile Corp. P.T. Century Textile Industry Kanematsu-NNK Corp. Hokushin Co., Ltd.
Overseas local subsidiaries (14 companies)	Trading of products and provision of services overseas	(Subsidiaries: 14 subsidiaries) Kanematsu USA Inc. Kanematsu (Hong Kong) Ltd. Kanematsu Europe Plc

(Note) Among the subsidiaries and affiliates listed above, Kanematsu Electronics Ltd. is listed on a stock exchange in Japan (First Section of the Tokyo Stock Exchange).

3. Management Policies

Kanematsu is currently executing its three year medium-term business plan “teamKG120” (covering the period from April 2007 to March 2010), based on its vision of becoming more active than ever in expanding its businesses and strengthening its functions as a true business creator to achieve added value.

(1) Basic management policies

The following three goals form the basic principles of teamKG120:

- We will become a true business creator, committed to the constant evolution of the functions of a trading company. With a founder’s pioneering spirit and entrepreneurial ingenuity, we will establish solid relationships and pursue growth together with our customers through new business creation and development.
- We will contribute to the development of the international economy with our expertise in global trading and our domestic and international business networks, both developed over a history of 120 years.
- We will proactively fulfill our corporate social responsibility with a strict adherence to compliance, for the development of society and maintenance of a healthy global environment.

(2) Growth strategies in the teamKG120

In the teamKG120, we re-defined the mission of each business in accordance with their business models, and we are sustaining growth in a balanced manner based on the concept of “Balanced Growth with Strong Momentum.”

We have reclassified our businesses into four categories, namely “fundamental trading,” “value exploration,” “new businesses” and “horizontal expansion” to promptly respond to rapidly changing business environment and meet customers’ needs that are ceaselessly changing by expanding businesses in a balanced manner with stronger momentum.

The four business categories are as follows.

- | | |
|-------------------------|--|
| - 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. |
| - 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. |
| - New Businesses: | We are aggressively promoting new businesses, leveraging our strengths and expertise, such as business know-how, integrated functions, and global business networks |
| - Horizontal expansion: | We capture business opportunities by applying our successful business models to each category of the Fundamental Trading, Value Exploration, and New Businesses. |

(3) Issues

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

1) Bolstering the management system

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

2) Promoting business initiatives

We will not only encourage the creation of new business by setting aside ¥30 billion in new funds, but also develop the ability to support new projects and enhance overseas networks, encompassing the BRICs, to enable us to effectively promote new projects.

3) Reforming Group management

We will identify redundancy in business lines and functions across the Group and continue to execute Group and organizational reforms to maximize synergy. We will also redevelop the decision-making systems to accelerate new business creation, while upgrading risk management systems to strengthen our ability to respond to increasingly complex risks.

We believe that the most important management task for the Company is to continue to bolster earnings capabilities and resume paying dividends as soon as possible, to reward shareholders for their support. To enable us to do this, we will proceed with the initiatives described above.

(4) Target management indicators

We aim to achieve the following management targets by the final year of the teamKG120 (fiscal year ending March 2010), by instituting growth strategies and steadily pursuing the initiatives described earlier:

- Consolidated ordinary income: 25 billion yen
- Consolidated net income: 12.5 billion yen
- Net interest-bearing debt: 160 billion yen (gross interest-bearing debt: 200 billion yen)
- Net debt-equity ratio: 2.5
- Equity ratio: 11.5%

(5) Progress in the medium-term business plan “teamKG120”

In the fiscal year under review, we stepped up our efforts with a particular focus on business promotion.

We established the Business Coordination Team to strengthen the system to support the launch and development of new projects. The Team accelerated the speed with which new businesses and projects are developed and launched in cooperation with the Business Incubation Team, which had already been established.

We also opened a representative office in New Delhi, India and established a local subsidiary in Prague, the Czech Republic, to strengthen the machine tool business and add the overseas facilities needed to expand and develop existing businesses and create new businesses. We will continue to upgrade our facilities in line with the operation and expansion of new businesses.

With respect to the management indicators, we recorded consolidated ordinary income of 18.7 billion yen and net income of 19 billion yen. The management indicators remained favorable relative to the targets for the final fiscal year. We also made progress in reducing interest-bearing debt with significant improvement in our financial position, as demonstrated by the net debt-equity ratio of 3.3 and the equity ratio of 9.1%.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

Category	Fiscal 2007 (March 31, 2008)	Fiscal 2006 (March 31, 2007)	Increase/ decrease	Category	Fiscal 2007 (March 31, 2008)	Fiscal 2006 (March 31, 2007)	Increase/ decrease
Assets				Liabilities			
I Current assets				I Current liabilities			
1. Cash and bank deposits	74,758	65,778	8,980	1. Notes and accounts payable	156,800	176,658	(19,858)
2. Notes and accounts receivable	188,605	205,639	(17,034)	2. Short-term borrowings	89,080	143,527	(54,447)
3. Short-term investments	14	—	14	3. Accrued income taxes	2,381	3,424	(1,043)
4. Inventories	71,860	84,942	(13,082)	4. Deferred tax liabilities	—	0	(0)
5. Short-term loans receivable	3,153	5,145	(1,992)	5. Other	43,062	43,882	(820)
6. Deferred tax assets	5,573	4,655	918	Total current liabilities	291,323	367,493	(76,170)
7. Other	39,348	41,709	(2,361)	II Long-term liabilities			
Allowance for doubtful accounts	(1,007)	(1,280)	273	1. Long-term borrowings	134,622	127,151	7,471
Total current assets	382,307	406,590	(24,283)	2. Deferred tax liabilities	173	90	83
II Fixed assets				3. Accrued severance indemnities	4,329	5,441	(1,112)
1. Tangible fixed assets	35,052	40,601	(5,549)	4. Allowance for loss on guarantees	82	4,189	(4,107)
2. Intangible fixed assets	2,939	3,549	(610)	5. Allowance for loss on lawsuits	553	532	21
3. Investments and other assets				6. Reserve for directors' retirement benefits	689	—	689
(1) Investments in securities	47,521	71,616	(24,095)	7. Other	9,442	9,510	(68)
(2) Long-term loans receivable	14,280	14,231	49	Total long-term liabilities	149,894	146,916	2,978
(3) Doubtful accounts	20,332	23,809	(3,477)	Total liabilities	441,217	514,409	(73,192)
(4) Deferred tax assets	17,208	19,595	(2,387)	Net assets			
(5) Other	10,919	12,402	(1,483)	I Owners' equity			
Allowance for doubtful accounts	(27,104)	(29,221)	2,117	1. Capital stock	27,781	27,781	—
Total investments and other assets	83,156	112,435	(29,279)	2. Capital surplus	27,644	27,646	(2)
Total fixed assets	121,149	156,586	(35,437)	3. Retained earnings	9,556	(9,496)	19,052
				4. Treasury stock	(645)	(627)	(18)
				Total owners' equity	64,336	45,303	19,033
				II Valuation and translation adjustments			
				1. Unrealized loss on available-for-sale securities	1,576	3,853	(2,277)
				2. Deferred gain/loss on hedging	(912)	112	(1,024)
				3. Land revaluation reserves	58	58	(0)
				4. Translation adjustments	(19,470)	(16,368)	(3,102)
				Total valuation and translation adjustments	(18,749)	(12,344)	(6,405)
				III Minority interests	16,651	15,807	844
				Total net assets	62,239	48,767	13,472
Total assets	503,456	563,176	(59,720)	Total liabilities and net assets	503,456	563,176	(59,720)

(2) Consolidated Statements of Income

(Million yen)

Category	Fiscal 2007 (April 1, 2007 to March 31, 2008)		Fiscal 2006 (April 1, 2006 to March 31, 2007)		Increase/decrease	
		%		%		%
I Net sales	1,244,020	100	1,281,331	100	(37,311)	(2.9)
II Cost of sales	1,153,692	92.74	1,177,619	91.91	(23,927)	(2.0)
Gross trading profit	90,327	7.26	103,711	8.09	(13,384)	(12.9)
III Selling, general and administrative expenses	67,721	5.44	81,997	6.40	(14,276)	(17.4)
Operating income	22,605	1.82	21,713	1.69	892	4.1
IV Non-operating income						
1. Interest received	1,479		1,572		(93)	
2. Dividends received	1,158		1,282		(124)	
3. Equity in earnings of affiliated companies	1,085		731		354	
4. Other	1,422		1,734		(312)	
Total non-operating income	5,145	0.41	5,320	0.42	(175)	(3.3)
V Non-operating expenses						
1. Interest paid	6,765		8,278		(1,513)	
2. Other	2,238		1,499		739	
Total non-operating expenses	9,004	0.72	9,778	0.76	(774)	(7.9)
Ordinary income	18,747	1.51	17,255	1.35	1,492	8.6
VI Extraordinary gains						
1. Gain on sale of tangible fixed assets	164		6,655		(6,491)	
2. Gain on sale of investment in securities	15,460		1,574		13,886	
3. Gain on reversal of allowance for doubtful accounts	381		549		(168)	
Total extraordinary gains	16,006	1.29	8,779	0.68	7,227	82.3
VII Extraordinary losses						
1. Loss on sale of tangible fixed assets	429		1,058		(629)	
2. Loss on impairment	766		2,309		(1,543)	
3. Loss on sale of investments in securities	209		225		(16)	
4. Loss on valuation of investments in securities	305		532		(227)	
5. Business restructuring expenses	1,723		1,153		570	
6. Loss on devaluation of specified business assets	835		—		835	
7. Transfer to allowance for doubtful accounts for subsidiaries and affiliates	175		725		(550)	
8. Transfer to allowance for doubtful accounts for credits of special business	872		3,877		(3,005)	
9. Transfer to allowance for loss on guarantee	—		1,004		(1,004)	
10. Transfer to allowance for loss on lawsuits	20		532		(512)	
11. Provision of reserve for past directors' retirement benefits	440		—		440	
Total extraordinary losses	5,778	0.47	11,420	0.89	(5,642)	(49.4)
Income before income taxes and minority interests	28,975	2.33	14,615	1.14	14,360	98.3
Income taxes – current	5,439	0.44	6,193	0.48	(754)	(12.2)
Income taxes – deferred	2,905	0.23	139	0.01	2,766	—
Minority interests in consolidated subsidiaries	1,614	0.13	775	0.06	839	108.1
Net income	19,016	1.53	7,507	0.59	11,509	153.3

(3) Consolidated Statements of Shareholders' Equity

Fiscal year ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Million yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of March 31, 2007	27,781	27,646	(9,496)	(627)	45,303
Changes of items during the fiscal year					
Net income			19,016		19,016
Acquisition of treasury stock				(33)	(33)
Disposal of treasury stock		(2)	(0)	15	12
Effect of changes of the stake in equity method affiliates				(0)	(0)
Effect of changes of the scope of consolidated subsidiaries			1		1
Pension liability adjustments (Note)			34		34
Net changes of items other than owners' equity during the fiscal year					
Total changes of items during the fiscal year		(2)	19,053	(18)	19,032
Balance as of March 31, 2008	27,781	27,644	9,556	(645)	64,336

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized loss on available-for-sale securities	Deferred gain/loss on hedging	Land revaluation reserves	Translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	3,853	112	58	(16,368)	(12,344)	15,807	48,767
Changes of items during the fiscal year							
Net income							19,016
Acquisition of treasury stock							(33)
Disposal of treasury stock							12
Effect of changes of the stake in equity method affiliates							(0)
Effect of changes of the scope of consolidated subsidiaries							1
Pension liability adjustments (Note)							34
Net changes of items other than owners' equity during the fiscal year	(2,277)	(1,025)	(0)	(3,102)	(6,404)	843	(5,560)
Total changes of items during the fiscal year	(2,277)	(1,025)	(0)	(3,102)	(6,404)	843	13,471
Balance as of March 31, 2008	1,576	(912)	58	(19,470)	(18,749)	16,651	62,239

(Note) Changes are attributable to accounting of overseas subsidiaries

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

(Million yen)

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

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

(Note) Changes are attributable to accounting of overseas subsidiaries

(5) Consolidated Statements of Cash Flows

(Million yen)

Category	Fiscal 2007 (April 1, 2007 to March 31, 2008)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
I Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	28,975	14,615
Depreciation and amortization	3,304	3,771
Interest and dividend income	(2,638)	(2,855)
Interest expense	6,765	8,278
Gain (loss) on sale or disposal of property and equipment, net	(264)	(5,596)
Impairment loss on fixed assets	766	2,309
Gain on sale of investments, net	(15,251)	(1,349)
Loss on revaluation of investments	305	532
Loss on devaluation of specified business assets	835	—
Transfer to allowance for doubtful accounts for subsidiaries and affiliates	175	725
Transfer to allowance for doubtful accounts for credits of special business	872	3,877
Transfer to allowance for loss on guarantee	—	1,004
Transfer to allowance for loss on lawsuits	20	532
Provision of reserve for past directors retirement benefits	440	—
Decrease (increase) in notes and accounts receivable	4,314	(6,446)
Decrease (increase) in inventories	(2,695)	(5,316)
Increase (decrease) in notes and accounts payable	(8,034)	12,073
Other	6,296	2,000
Sub total	24,188	28,157
Interest and dividend income received	3,234	4,439
Interest paid	(6,848)	(7,371)
Income taxes paid	(6,266)	(4,351)
Net cash provided by operating activities	14,308	20,874
II Cash flows from investing activities:		
Increase in time deposits, net	28	889
Payments for acquisition of tangible fixed assets	(1,948)	(1,866)
Proceeds from sale of tangible fixed assets	1,626	15,952
Payments for acquisition of intangible fixed assets	(698)	(1,178)
Payments for acquisition of investments in securities	(1,383)	(1,102)
Proceeds from sale of investments in securities	28,579	5,699
Payments for purchase of shares of subsidiaries	(56)	(3,683)
Proceeds from sale of shares of subsidiaries	4,768	765
Proceeds from liquidation dividends	559	—
Increase in loans receivable	(5,381)	(4,639)
Decrease in loans receivable	11,344	12,833
Other	1,360	(521)
Net cash provided by investing activities	38,799	23,149
III Cash flows from financing activities		
Decrease in short-term loans, net	(27,838)	6,185
Proceeds from long-term debt	35,843	126,663
Repayment of long-term debt	(51,699)	(162,561)
Proceeds from share issue to minority shareholders	201	—
Other	(399)	(554)
Net cash used in financing activities	(43,892)	(30,267)
IV Effect of exchange rate changes on cash and cash equivalents	(254)	731
V Net increase (decrease) in cash and cash equivalents	8,959	14,488
VI Cash and cash equivalent at beginning of year	65,471	50,934
VII Effect of the change in scope of consolidated subsidiaries	7	48
VIII Cash and cash equivalent at end of year	74,437	65,471

(6) Significant Items Regarding the Preparation of Consolidated Financial Statements

Since there were no significant changes from the description in the latest securities report (submitted on June 28, 2007), the disclosures are omitted.

(7) Changes in Significant Items Regarding the Preparation of Consolidated Financial Statements

1) Recording of reserve for retirement benefits for directors and corporate auditors

Although we had adopted a method of recording retirement benefits for directors and corporate auditors as an expense at the time of disbursement by resolution at a general meeting of shareholders, we changed this to a method of providing an amount that can be reasonably estimated based on internal regulations as a reserve from the fiscal year ended March 2008, in the wake of the publication of the Audit Treatment for Reserves of Special Taxation Measures Law, and Allowances or Reserves of Special Law (The Japanese Institute of Certified Public Accountants (JICPA) Auditing first Committee Report No.42 on April 13, 2007).

The amount of 440 million yen, which is equivalent to reserves in prior years and which would have been recorded at the beginning of the period, was recorded as an extraordinary loss for the fiscal year ended March 2008.

2) Changes in the accounting policy for depreciation

In conjunction with the amendment of the Corporate Tax Law, namely the Law Revising a Portion of the Corporation Tax Law, Etc. (Law No. 6 of March 30, 2007) and the Government Ordinance Revising a Portion of Implementation Regulations for the Corporation Tax Law (Government Ordinance No. 83 of March 31, 2007), certain consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to a method under the revised Corporate Tax Law from the fiscal year ended March 2008.

The effect of this change on profits and losses in the fiscal year under review was minor.

Since the effect on the segment information is minor, the description in the relevant section is omitted.

(Additional information)

In conjunction with the amendment of the Corporate Tax Law, namely the Law Revising a Portion of the Corporation Tax Law, Etc. (Law No. 6 of March 30, 2007) and the Government Ordinance Revising a Portion of Implementation Regulations for the Corporation Tax Law (Government Ordinance No. 83 of March 31, 2007), certain consolidated subsidiaries depreciated tangible fixed assets acquired on and before March 31, 2007 by applying the depreciation method under the Corporate Tax Law before the amendment. With this method, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value are depreciated evenly and recorded as a depreciation expense over five years beginning in the year after the fiscal year when the residual value reached the amount equivalent to 5% of the acquisition cost.

The effect on profits and losses in the fiscal year under review was minor.

3) Business classification in the segment information

Since Kanematsu Textile Corporation, which had been a major consolidated subsidiary of the Company, became an equity-method affiliate in the fiscal year under review, the Textile segment became insignificant. Following this change, we decided to include the Textile segment in the Others segment from the fiscal year under review.

(Segment Information)

a. Industry Segment Information

A summary by industry for the fiscal year ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Million yen)

	IT	Foods & Foodstuff	Iron, Steel & Industrial Plants	Life Science & Energy	Other	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	356,122	283,565	251,860	316,406	36,065	1,244,020	—	1,244,020
(2) Inter-segment	33	0	244	66	60	405	(405)	—
Total	356,156	283,565	252,105	316,472	36,126	1,244,425	(405)	1,244,020
Operating expenses	348,055	279,236	244,643	314,739	35,749	1,222,424	(1,009)	1,221,414
Operating income	8,100	4,328	7,461	1,733	377	22,001	604	22,605
II Assets, depreciation and amortization, impairment of fixed assets, and capital expenditure								
Assets	148,272	86,631	90,305	51,586	51,940	428,736	74,720	503,456
Depreciation and amortization	1,757	431	364	299	452	3,304	—	3,304
Impairment of fixed assets	135	461	—	170	—	767	(1)	766
Capital expenditure	1,900	34	180	212	51	2,379	522	2,901

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

(Million yen)

	IT	Foods & Foodstuff	Iron, Steel & Industrial Plants	Life Science & Energy	Other	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	357,926	274,162	247,115	308,328	93,798	1,281,331	—	1,281,331
(2) Inter-segment	27	1	9	61	88	189	(189)	—
Total	357,954	274,163	247,125	308,390	93,887	1,281,520	(189)	1,281,331
Operating expenses	350,041	272,356	239,704	305,537	92,890	1,260,531	(913)	1,259,617
Operating income	7,913	1,806	7,421	2,852	997	20,989	723	21,713
II Assets, depreciation and amortization, impairment of fixed assets, and capital expenditure								
Assets	164,464	79,115	105,463	60,208	70,705	479,957	83,219	563,176
Depreciation and amortization	2,133	468	330	275	571	3,778	(7)	3,771
Impairment of fixed assets	—	—	—	443	1,865	2,309	—	2,309
Capital expenditure	1,934	239	177	184	119	2,655	346	3,001

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

2. The amount of the Company's assets that are included in "Adjustments & Eliminations" is 75,261 million yen and 83,427 million yen for the fiscal year ended March 31, 2008 and March 31, 2007 respectively. Most of these assets are cash and deposits related to financing activities and investments in securities.

b. Geographic Segment Information

A summary by geographic area for the fiscal year ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Million yen)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	1,123,783	53,678	54,431	12,062	65	1,244,020	—	1,244,020
(2) Inter-segment	61,071	6,795	54,197	4,459	1,906	128,430	(128,430)	—
Total	1,184,854	60,474	108,628	16,521	1,971	1,372,450	(128,430)	1,244,020
Operating expenses	1,165,937	59,627	105,999	16,388	1,948	1,349,900	(128,486)	1,221,414
Operating income	18,917	846	2,629	133	23	22,549	55	22,605
II Assets	507,178	32,507	36,568	12,823	1,217	590,296	(86,839)	503,456

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

(Million yen)

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

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

c. Information for Overseas Sales

Overseas net sales for the fiscal year ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Million yen)

	Asia	North America	Europe	Other Areas	Total
I Overseas sales	242,360	52,687	18,169	38,157	351,374
II Consolidated sales					1,244,020
III Ratio of overseas sales to consolidated sales (%)	19.5	4.2	1.5	3.1	28.3

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

(Million yen)

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

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

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

(Per Share Information)

Fiscal 2007 (April 1, 2007 to March 31, 2008)		Fiscal 2006 (April 1, 2006 to March 31, 2007)	
Net assets per share	108.95 yen	Net assets per share	78.75 yen
Net income per share	45.44 yen	Net income per share	17.94 yen
Net income per share on a diluted basis is not written, as there are no potential shares.		Net income per share on a diluted basis is not written, as there are no potential shares.	

(Notes) 1. The bases for the calculation of net assets per share are as follows:

	Fiscal 2007 (As of March 31, 2008)	Fiscal 2006 (As of March 31, 2007)
Total net assets (million yen)	62,239	48,767
Amount subtracted from total net assets (million yen)	16,651	15,807
(Minority interests)	(16,651)	(15,807)
Net assets for common shares (million yen)	45,587	32,959
Number of common shares issued (thousand shares)	422,501	422,501
Number of common shares held as treasury stock (thousand shares)	4,072	3,975
Number of common shares used for the calculation of net assets per share (thousand shares)	418,428	418,525

2. The bases for the calculation of net income per share are as follows:

	Fiscal 2007 (April 1, 2007 to March 31, 2008)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
Net income per share		
Net income (million yen)	19,016	7,507
Amount that does not belong to common shares (million yen)	—	—
Net income for common shares (million yen)	19,016	7,507
Average number of common shares for the period (thousand shares)	418,465	418,553

(Significant subsequent events)

There is no applicable item.

(Omission of disclosure)

Since the need to disclose information on leasing transactions, related party transactions, tax effect accounting, securities, derivatives and retirement benefits in the Consolidated Financial Summary is considered to be insignificant, notes on these items are omitted here and disclosed in the securities report (EDINET).

Highlights of Consolidated Financial Results for FY2007 (Ended March 31, 2008)

○ Ordinary income and net income both reached new ten-year highs.

- Operating income was up 4.1%, to 22.6 billion yen.
- Ordinary income was up 8.6%, to 18.7 billion yen.
- Net income was up 11.5 billion yen, to 19.0 billion yen.

○ The financial position improved significantly, with a reduction in interest-bearing debt.

○ Retained earnings moved into the black.

(Unit: 100 million yen)

(On a consolidated basis)	FY2006		FY2007		Change		Summary of Results for FY2007
		Margin		Margin	Change	Change (%)	
Net sales	12,813		12,440		-373	-2.9%	Net sales Although sales increased in Foods & Foodstuff, Machinery & Plant, and Energy, net sales declined. The primary factor was the change of Kanematsu Textile Corporation and the vending maching business company to equity-method affiliates.
Gross trading profit	1,037	8.1%	903	7.3%	-134	-12.9%	
SG&A expenses	820	*79.1%	677	*75.0%	-143	-17.4%	Gross trading profit Gross trading profit decreased, a reflection of the variation factor in sales described above.
Operating income	217	1.7%	226	1.8%	9	4.1%	
Dividends received	13		12		-1		Operating income Operatin income expanded on the solid performance of the feed business and the meat and marine products business in Foods & Foodstuff as well as the solutions and mobile businesses in IT.
Interest	-67		-53		14		
Gains on equity-method investments	7		11		4		Ordinary income Ordinary income was up, owing to the increase in operating income and the improvement in the financial balance because of reduced gross interest-bearing debt.
Others	3		-8		-11		
Non-operating income/loss	-44		-39		5		Extraordinary gain/loss An extraordinary gain on the sale of LNG rights was recorded.
Ordinary income	173	1.4%	187	1.5%	15	8.6%	
Extraordinary gain	88		160		72	82.3%	Net income Net income rose substantially, reflecting the increase in extraordinary gains in addition to higher ordinary income.
Extraordinary loss	-114		-58		56	-49.4%	
Income (loss) before income taxes	146	1.1%	290	2.3%	144	98.3%	
Income taxes and minority interests	-71		-100		-29	40.1%	
Net income	75	0.6%	190	1.5%	115	153.3%	

*: Ratio of SG&A expenses to gross trading profit

(Unit: 100 million yen)

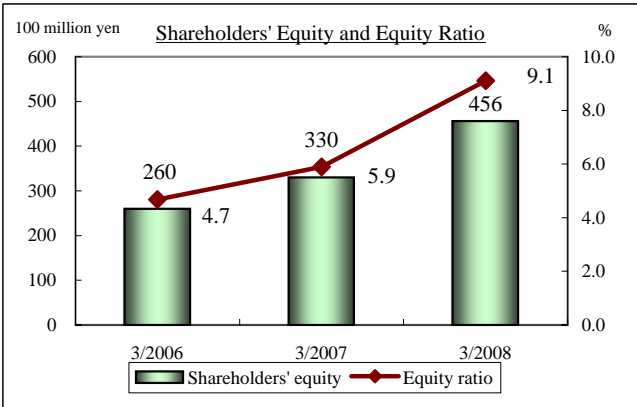
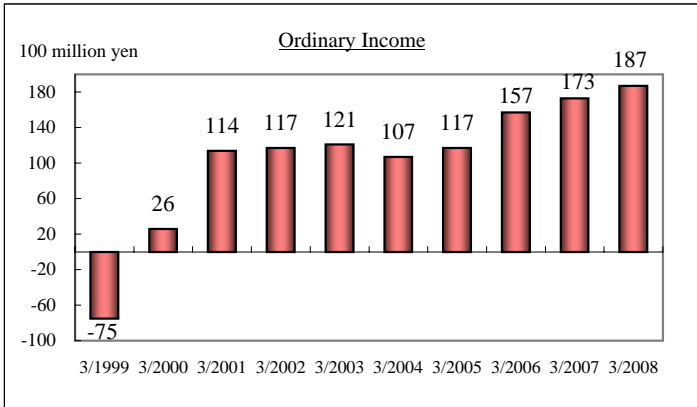
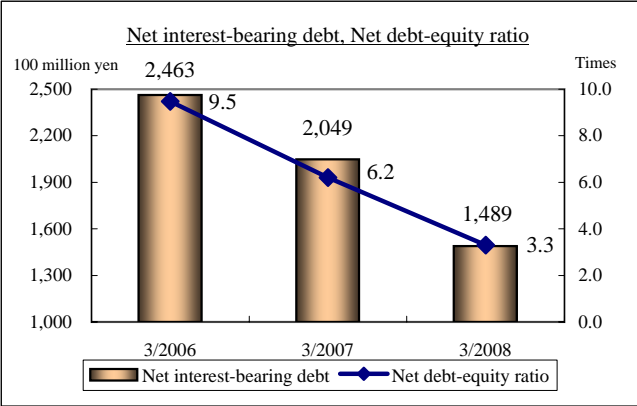
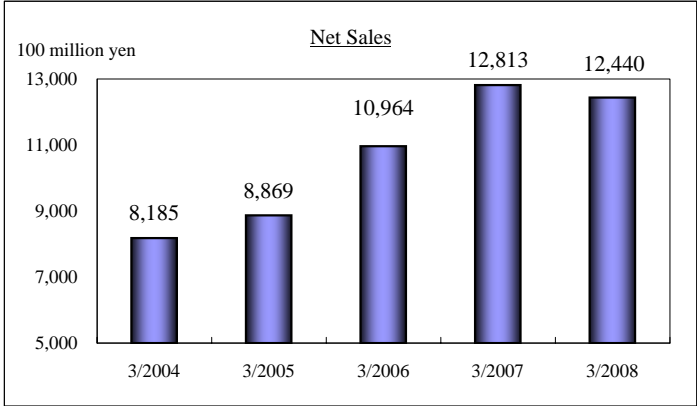
Segment information	Net Sales			Operating Income			Summary of Segment Results
	FY2006	FY2007	Change	FY2006	FY2007	Change	
IT	3,580	3,562	-18	79	81	2	IT Although the solutions and mobile-related businesses continued to do well, sales in electronic parts-related businesses were slow. As a consequence, sales in IT overall were up slightly, while operating income rose.
Foods & Foodstuff	2,742	2,836	94	18	43	25	
Iron & Steel	1,427	1,424	-3	55	53	-2	Foods & Foodstuff Both sales and income increased, reflecting the strong results of the feed business thanks to smooth progress in securing products, in addition to the solid operations of the meat and marine products business.
Machinery & Plant	1,044	1,097	53	19	22	3	
Iron, Steel & Plant	2,471	2,521	50	74	75	1	Iron, Steel & Plant In the iron and steel business, transctions involved special steel, such as high-performance stainless steel for oil projects, remained favorable. In the plant segment, machine tools and industrial machinery business performed well. As a result, both sales and income fell in this segment.
Energy	2,769	2,855	86	25	16	-9	
Life Science	315	309	-6	4	1	-3	Life Science & Energy Income declined on weaker demand, as prices remained high.
Life Science & Energy	3,084	3,164	80	29	17	-12	
Others	939	361	-578	10	4	-6	Others Kanematsu Textile Corporation was included in the previous fiscal year.
Consolidated adjustment	-2	-4	-2	7	6	-1	
Total	12,813	12,440	-373	217	226	9	

(Unit: 100 million yen)

Assets, Liabilities and Net Assets	3/2007	3/2008	Comparison with 3/2007		Summary
			Change	Change (%)	
Total assets	5,632	5,035	-597	-10.6%	Total assets Total assets declined with the change of Kanematsu Textile Corporation to an equity-method affiliate, the sales of assets for aircraft leasing, and the sale of LNG rights.
Gross interest-bearing debt	2,707	2,237	-470	-17.4%	
Net interest-bearing debt	2,049	1,489	-560	-27.3%	Interest-bearing debt Gross interest-bearing debt reduced ¥47 billion. Net interest-bearing debt decreased ¥56 billion.
Equity capital	453	643	190	42.0%	
(Retained earnings)	-95	96	191	—	Equity capital Equity capital increased with the higher net income. As a result, the equity ratio and the net DER improved to 9.1% and 3.3 times, respectively.
Valuation and translation adjustments	-123	-187	-64	51.9%	
Minority interests	158	166	8	5.3%	
Total net assets	488	622	134	27.6%	
Shareholder's equity ratio (Note 1)	5.9%	9.1%	3.2%	—	
Net debt-equity ratio (Note 2)	6.2	3.3	-2.9	—	

(Note 1) Shareholder's equity ratio = (Total net assets - Minority interests) / Total assets

(Note 2) Net D/E ratio = Net interest-bearing debt / (Total net assets - Minority interests)



(Unit: 100 million yen)

Business Forecast FY2008	FY2007 (Results)	FY2008 (Forecast)	Change
Net sales	12,440	13,500	1,060
Operating income	226	245	19
Ordinary income	187	190	3
Net income	190	100	-90

* The forecasts above are based on information available on the date of the announcement and our assumptions on uncertainties that could have an impact on future results. Please note that actual results may differ materially from the forecasts due to various changes in future circumstances.