

Overview of Results for the first half of FY2010



KANEMATSU CORPORATION

November 11, 2010

The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties. Because of changes in the business environment, the emergence of unknown risks, among other factors, actual results could be significantly different from the forward-looking statements.



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Overview of Results for the first half of FY2010



Financial Highlight (P/L)

Both sales and income rose year on year.

(Million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	4,207	4,546	+339	+8%
Operating Income	64	92	+28	+44%
Ordinary income	46	76	+30	+66%
Net income	17	40	+23	+131%

The main factors were an improvement in the semiconductor market and the solid performance of subsidiaries in the Electronics & IT business.

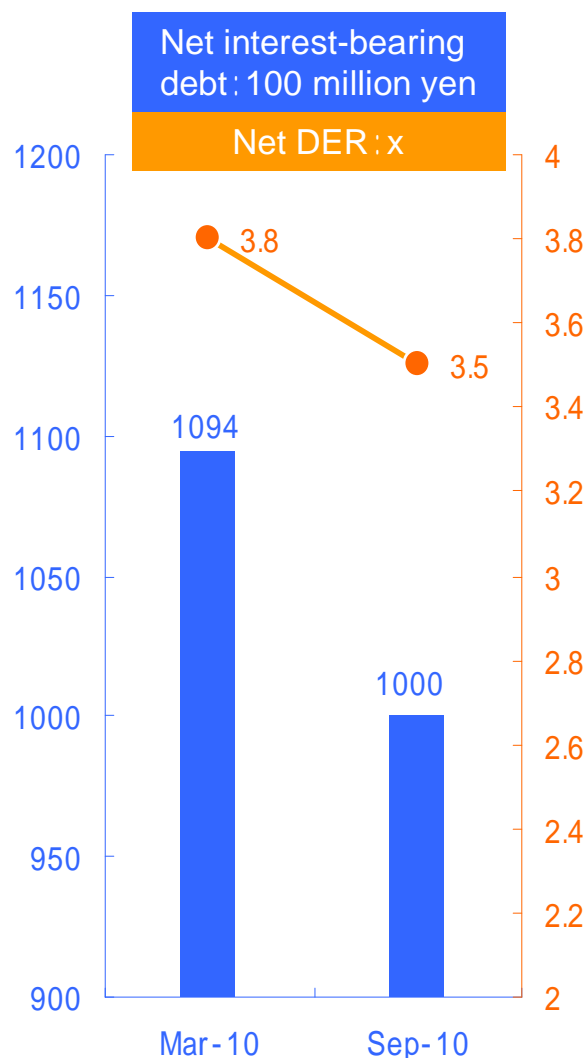
SG&A was reduced through thorough cost management.

Net income increased about 2.3-fold year on year.



Financial Highlight (B/S)

Net interest-bearing debt fell below ¥100 billion.

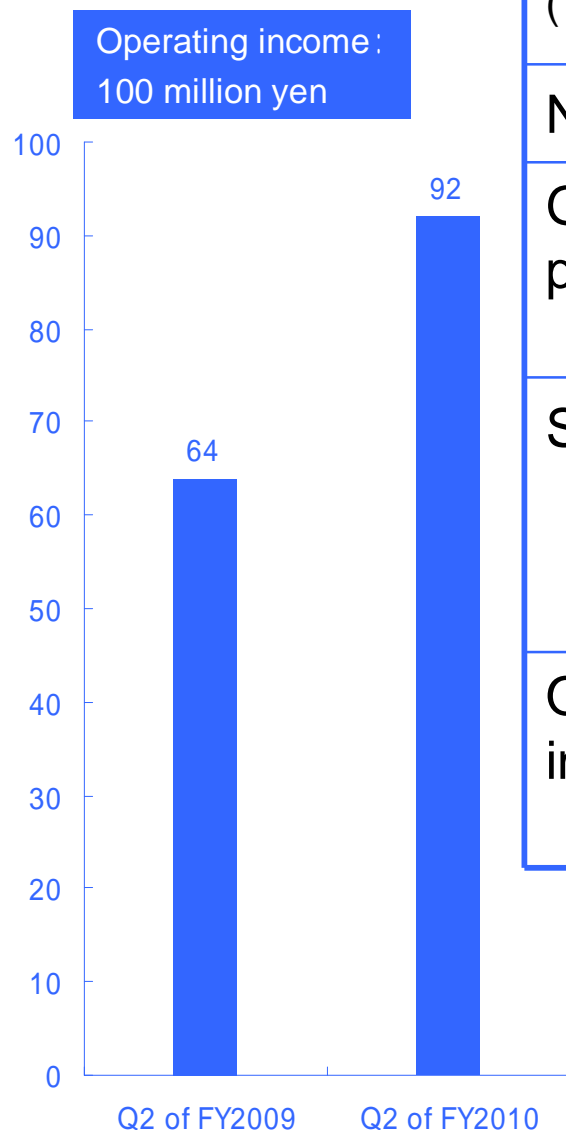


(100 Million yen)	2010/3	2010/9	Change	Change(%)
Total Assets	3,986	3,888	-98	-2%
Net Assets	458	456	-2	-
Equity capital	289	287	-2	-
Equity ratio	7.3%	7.4%	+0.1pt	
Gross interest-bearing debt	1,931	1,771	-160	-8%
Net interest-bearing debt	1,094	1,000	-94	-9%
Net DER	3.8	3.5	+0.3	

With a fall in total assets and a reduction in interest-bearing debt, the equity ratio and net DER improved.



Overview of results (P/L)



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	4,207	4,546	+339	+8%
Gross trading profit	374	380	+5	+1%
margin	8.9%	8.4%	-0.5pt	
SG&A	310	287	-23	-7%
personal expenses	162	149	-13	-8%
Non personal expenses	148	138	-10	-7%
Operating income	64	92	+28	+44%
margin	1.5%	2.0%	+0.5pt	

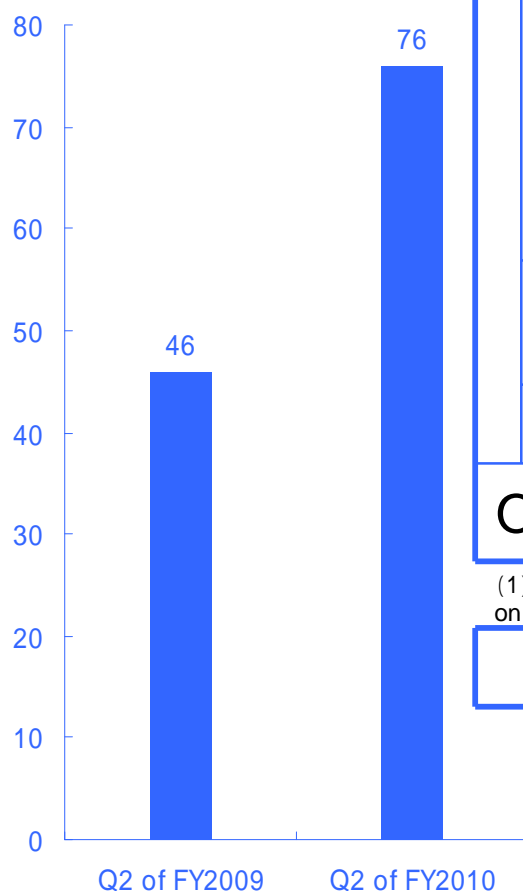
Both net sales and operating income rose, especially in the Electronics & IT segment and in the Machinery & Plant segment.

SG&A was reduced 7% through comprehensive cost management.



Overview of results (P/L)

Ordinary income :
100 million yen

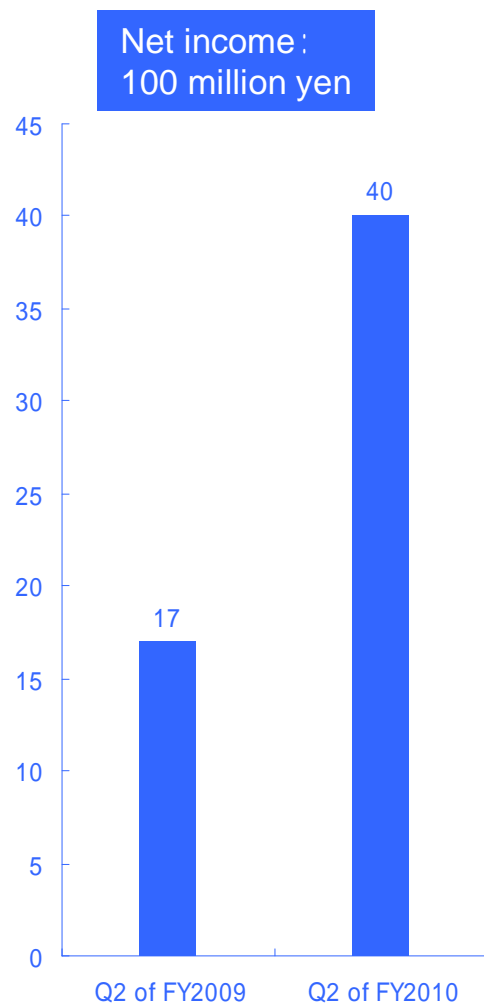


(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Non-operating income & loss	-18	-16	+2	-
Financial balance	-16	-11	+5	-
Dividend received	4	3	-1	-25%
Interest received	3	7	+4	+133%
Interest paid	-22	-21	-1	-
Gain on equity-method investment	-6	-4	+2	-
others	3	-2	-5	-
Ordinary income	46	76	+30	+66%
(1) Core earnings = Operating income + Reserve for doubtful accounts + Dividends received + Net interest received (paid) + Gain on equity-method investment				
Core earnings (1)	43	79	+36	+83%

The non-operating loss decreased, owing to improvements in the financial balance and in the gain on equity-method investment.



Overview of results (P/L)



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change (%)
Net extraordinary gain and loss	-1	-7	-6	-
Extraordinary gain	6	4	-2	-33%
Extraordinary loss	-7	-10	-3	-
Income before income taxes	45	69	+25	+56%
Income taxes	-20	-21	-1	-
Minority interests	-7	-7	-	-
Net income	17	40	+23	+131%

A loss on valuation of investment securities and the effect of applying the accounting standards for asset retirement obligations were posted.

Net income rose sharply, reflecting an increase in operating income.



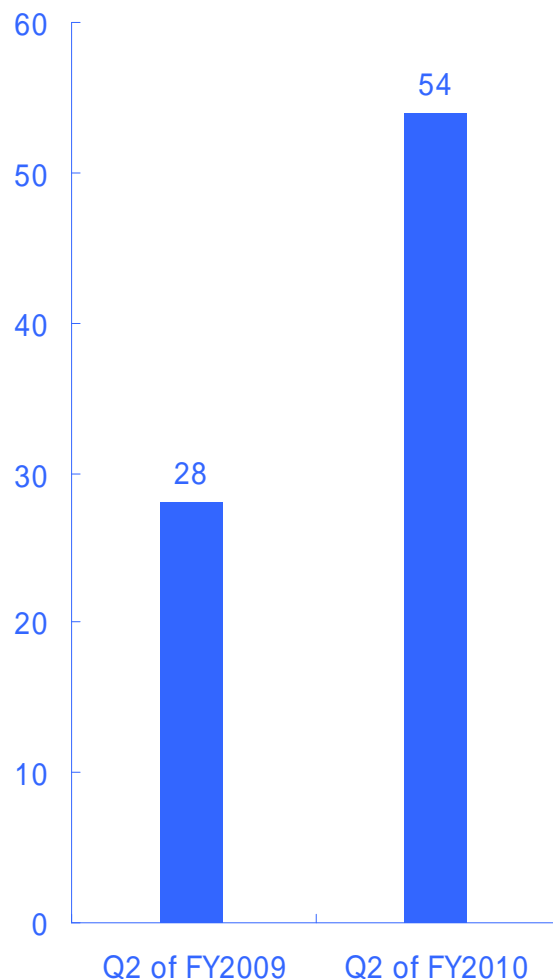
Overview of results (Segments)

(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change (%)
Net sales	4,207	4,546	+339	+8%
Electronics & IT	1,141	1,276	+135	+12%
Foods & Foodstuff	1,365	1,404	+39	+3%
Iron & Steel	432	464	+32	+7%
Machinery & Plant	276	305	+29	+11%
Environment & Materials	913	1,013	+101	+11%
Others	80	83	+3	+4%
Operating income	64	92	+28	+44%
Electronics & IT	28	54	+26	+93%
Foods & Foodstuff	16	13	-3	-19%
Iron & Steel	17	15	-2	-12%
Machinery & Plant	-5	5	+10	Returned to profitability
Environment & Materials	5	4	-1	-20%
Others	3	1	-2	-67%



Overview of results (Electronics & IT)

Operating income :
100 million yen



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	1,141	1,276	+135	+12%
Gross trading profit	192	208	+16	+8%
Operating income	28	54	+26	+93%

Point of FY2010 Q2

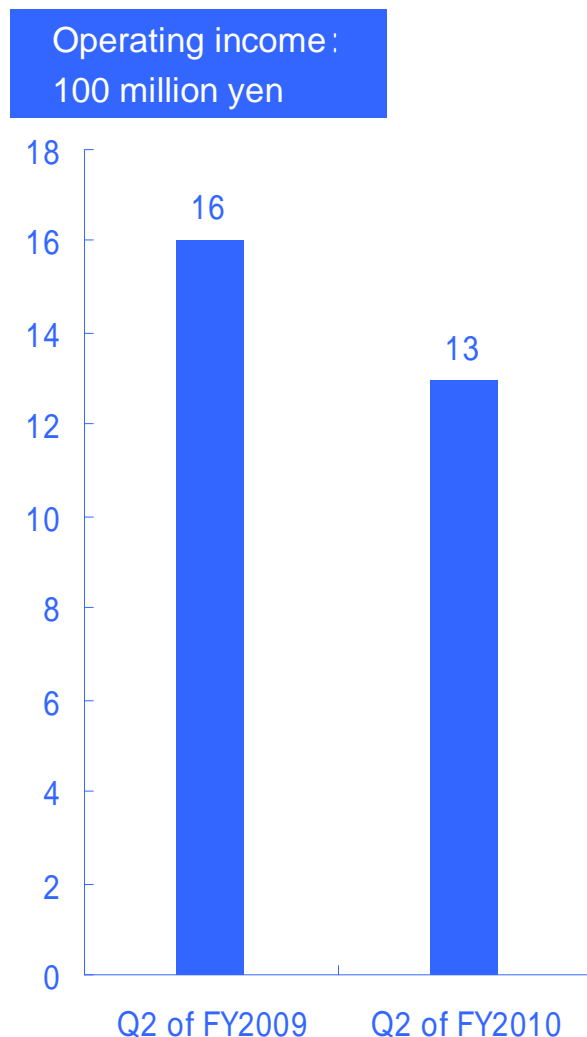
Both net sales and operating income rose as results in the semiconductor equipment and electronic component businesses improved sharply, backed by a recovery in demand for semiconductors, and the mechanical parts business performed well.

Net sales rose slightly in the ICT solution business, and operating income increased, attributable to cost cutting.

The number of products sold declined, but operating income rose in the mobile phone business.



Overview of results (Foods & Foodstuff)



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	1,365	1,404	+39	+3%
Gross trading profit	61	55	-6	-10%
Operating income	16	13	-3	-19%

Point of FY2010 Q2

Net sales of feedstuff and grains rose only slightly, reflecting weak domestic sales.

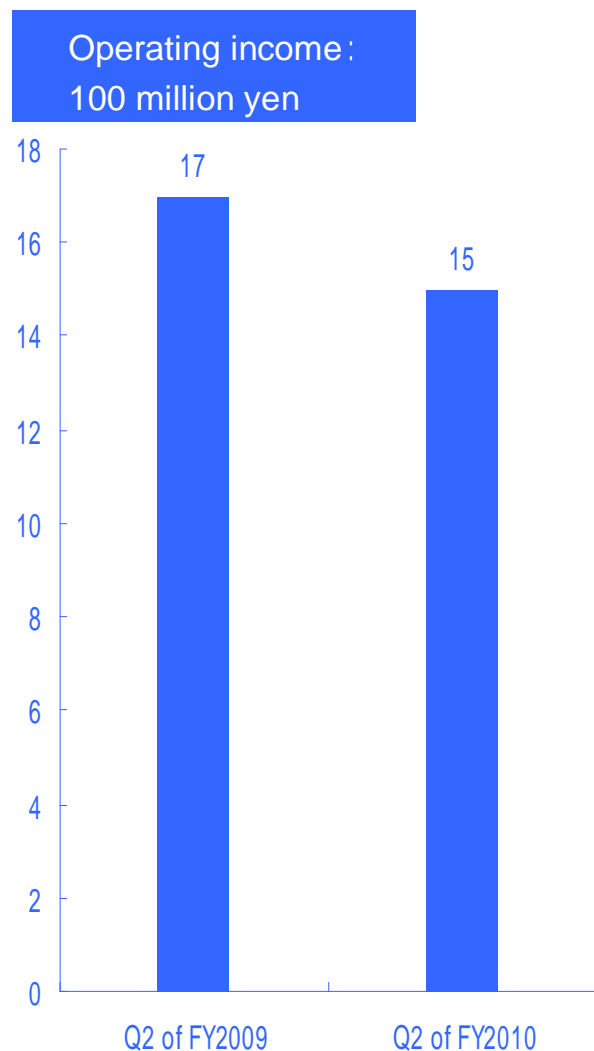
The food business performed well overall thanks to a stable supply and demand environment.

Net sales in the meat and marine products business were robust, based on stable trade relations.

Despite surges in grain prices overseas, the foodstuff business struggled in terms of income, reflecting the effect of a harsh external environment, including a decline in domestic feedstuff production and falls in the prices of soy products due to deflation.



Overview of results (Iron & Steel)



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	432	464	+32	+7%
Gross trading profit	37	33	-4	-11%
Operating income	17	15	-2	-12%

Point of FY2010 Q2

Exports of specialty steel, including automobile wire rods for Europe and the United States and stainless steel, were solid.

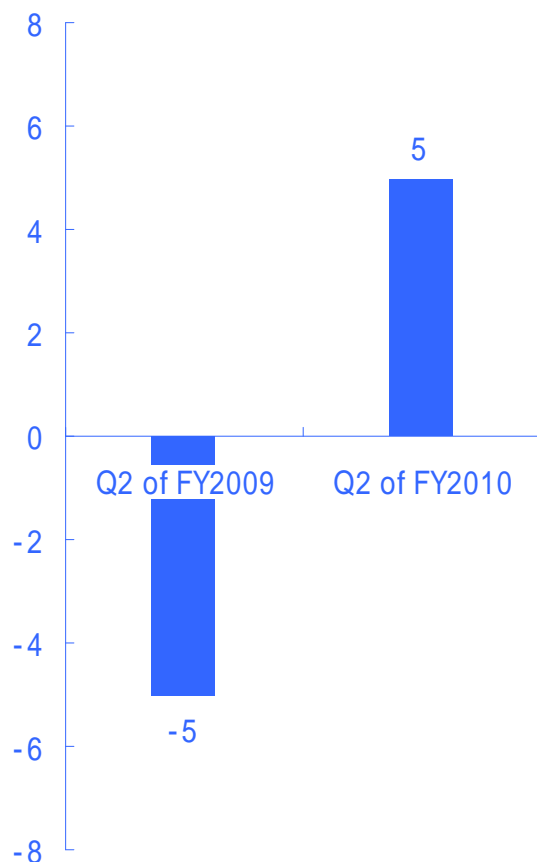
Exports of steel pipes for North America recovered.

Exports of steel plates for the Middle East struggled in the face of tougher competition with South Korea and Europe caused by the effect of a stronger yen.



Overview of results (Machinery & Plant)

Operating income:
100 million yen



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	276	305	+29	+11%
Gross trading profit	26	31	+5	+19%
Operating income	-5	5	+10	Returned to profitability

Point of FY2010 Q2

Business linked to plants for the Middle East was strong.

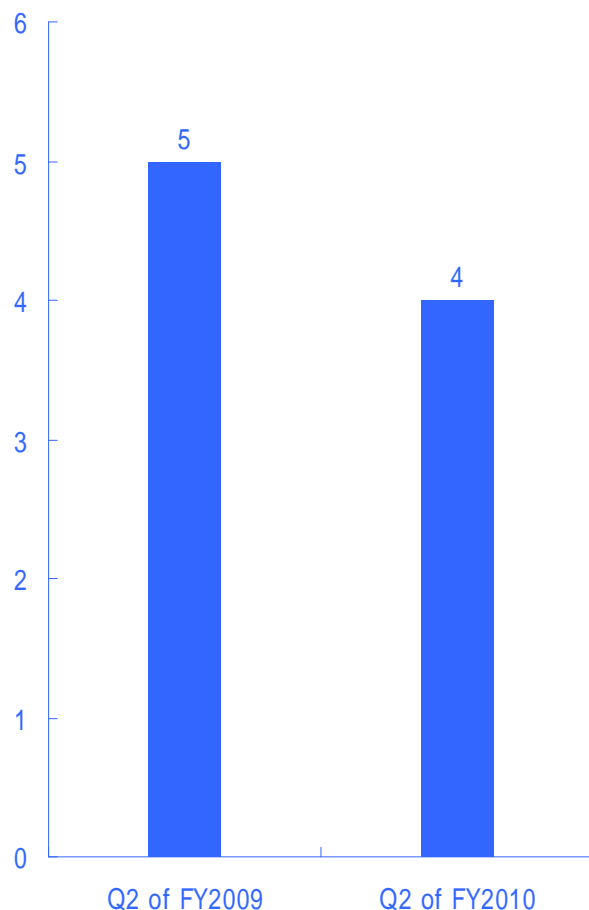
In the transportation machinery business, transactions related to auto parts with customers, especially in China, were solid.

Turnover in the machine tool and industrial machinery business rose in association with a moderate recovery in the order environment. The performance of the processing of silicon wafers for photovoltaic cells was steady.



Overview of results (Environment & Materials)

Operating income:
100 million yen



(100 million yen)	Q2 of FY2009	Q2 of FY2010	Change	Change(%)
Net Sales	913	1,013	+101	+11%
Gross trading profit	43	40	-3	-7%
Operating income	5	4	-1	-20%

Point of FY2010 Q2

In the functional chemicals business, exports of raw materials for car batteries and imports of lubricating oil additives were solid.

Profitability worsened, and income declined in the petroleum business, reflecting weak domestic demand and declines in market prices.



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Forecast of FY2010



Forecast of FY2010

The full-year forecast has been revised upward.

(100 million yen)	Results of FY2009	Revised plan of FY2010	Change	Change (%)	Initial Plan
Net Sales	8,613	8,500	-113	-1%	8,500
Operating Income	122	160	+38	+31%	150
Ordinary income	82	110	+28	+34%	100
Net income	35	50	+15	+43%	45

We have revised the full-year forecast slightly upward, assuming that uncertainties over the appreciation of the yen, political risks in emerging economies, and the outlook for advanced economies will continue.

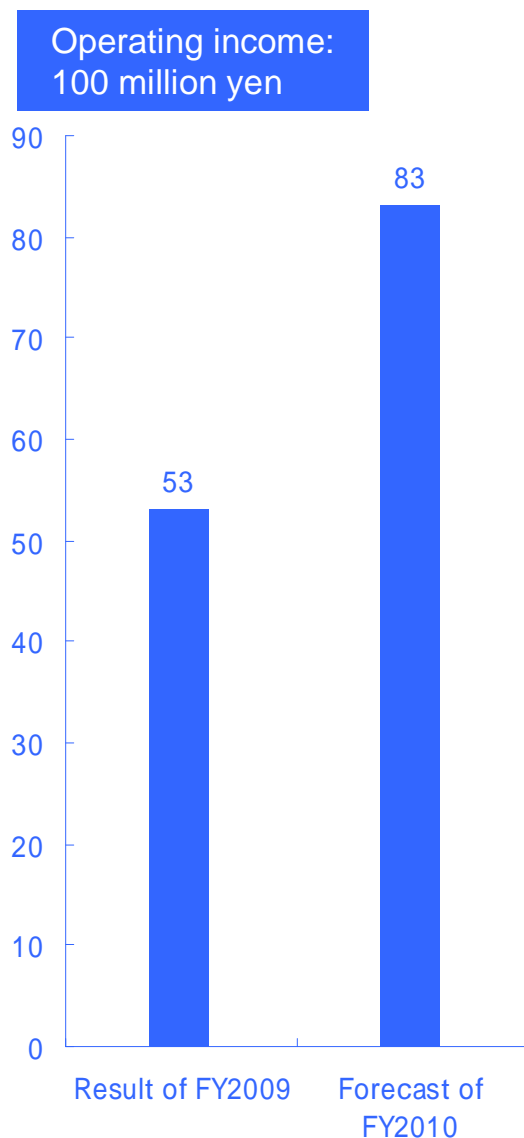


Forecast of FY2010 (Segments)

(100 million yen)	Results of FY2009	Revised plan of FY2010	Change	Change (%)	Initial Plan
Net sales	8,613	8,500	-113	-1%	8,500
Electronics & IT	2,327	2,300	-27	-1%	2,300
Foods & Foodstuff	2,642	2,700	+58	+2%	2,700
Iron & Steel	879	900	+21	+2%	900
Machinery & Plant	613	550	-63	-10%	550
Environment & Materials	1,981	1,900	-81	-4%	1,900
Others	170	150	-20	-12%	150
Operating income	122	160	+28	+31%	150
Electronics & IT	53	83	+30	+57%	70
Foods & Foodstuff	36	33	-3	-8%	40
Iron & Steel	24	25	+1	+4%	25
Machinery & Plant	-9	7	+16	Returned to Profitability	0
Environment & Materials	9	9	± 0	-	9
Others	8	3	-5	-62%	6



Forecast of FY2010 (Electronics & IT)



(100million yen)	FY2009	FY2010			
	Result	Q2	End of FY2010		
		Result	Forecast	Change	Change(%)
Net Sales	2,327	1,276	2,300	-27	-1%
Gross trading profit	385	208	403	+18	+5%
Operating income	53	54	83	+30	+57%

Point of FY2010

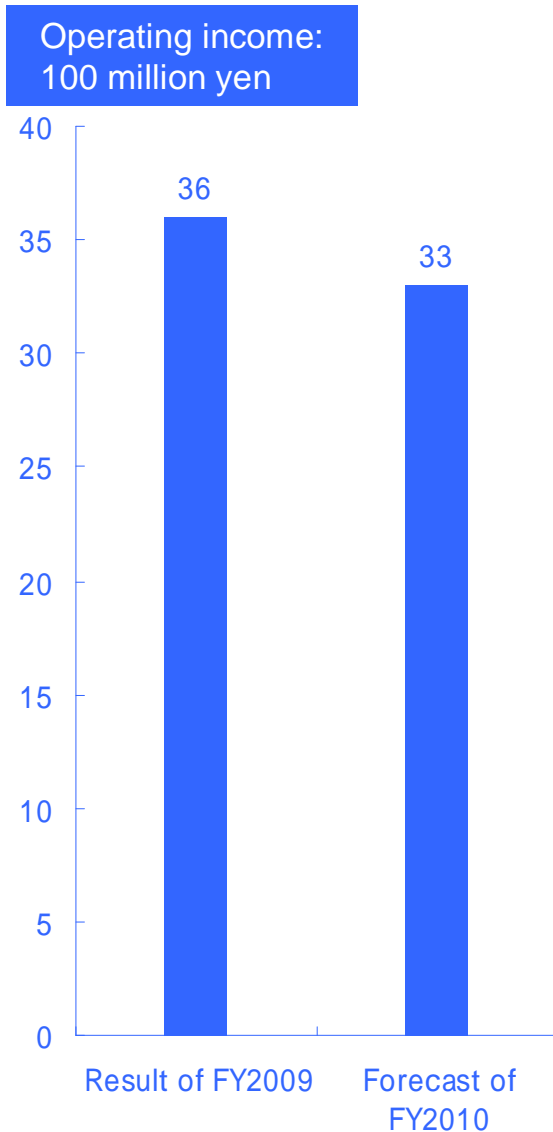
The semiconductor parts and equipment business is performing well, backed by a recovery in demand, and is expected to continue to perform well in the second half.

The ICT solution business is expected to be solid, partly due to cost cutting. We will also develop new markets, including cloud computing.

We will seek to increase profit in the mobile phone business, taking advantage of the opening of large stores and the introduction of new models.



Forecast of FY2010 (Foods & Foodstuff)



(100million yen)	FY2009	FY2010			
	Result	Q2	End of FY2010		
		Result	Forecast	Change	Change(%)
Net Sales	2,642	1,404	2,700	+58	+2%
Gross trading profit	126	55	123	-3	-2%
Operating income	36	13	33	-3	-8%

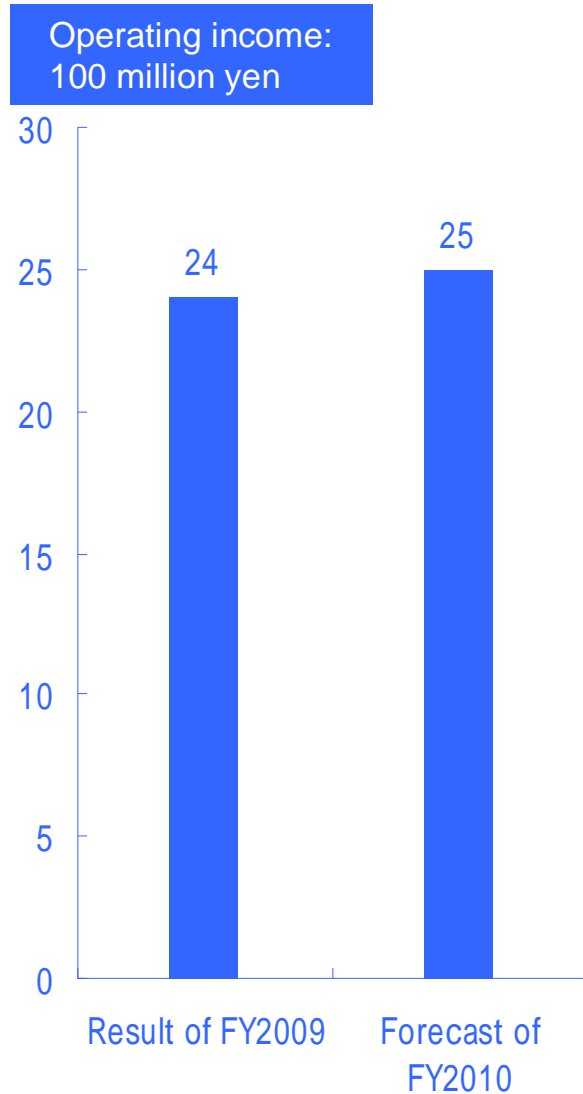
Point of FY2010

We will maintain or expand transactions in the food business through stable supplies of beverage materials, meat and marine products, and high value-added products, especially for convenience stores.

As the market environment for feedstuff and grains is expected to remain challenging, we will focus on increasing sales in the foodstuff business.



Forecast of FY2010 (Iron & Steel)



(100million yen)	FY2009	FY2010			
	Result	Q2 Result	End of FY2010 Forecast	Change	Change(%)
Net Sales	879	464	900	+21	+2%
Gross trading profit	63	33	65	+2	+3%
Operating income	24	15	25	+1	+4%

Point of FY2010

Sales of pipes and high-value added stainless steel products for North America are anticipated to remain solid in the second half.

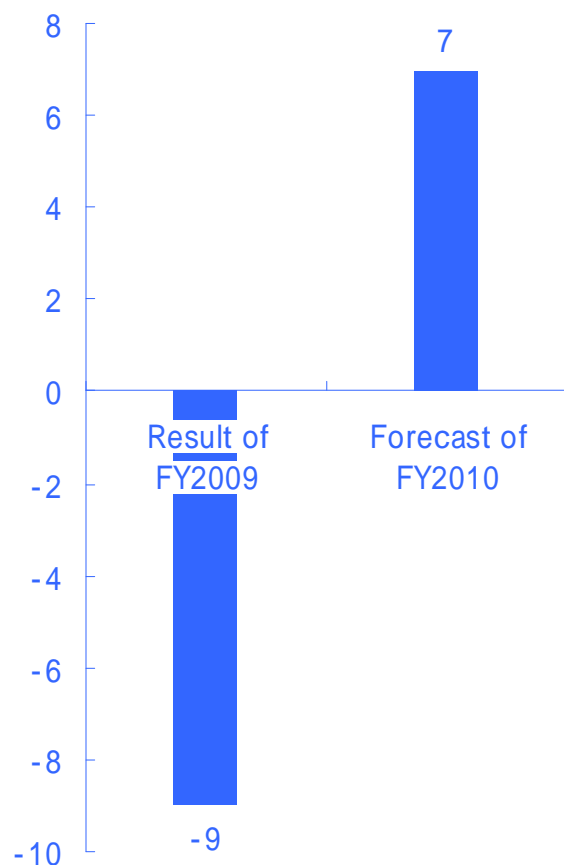
Demand for specialty steel for automobiles is expected to recover, especially in Europe and the United States. We anticipate continued stable supplies in the second half.

Domestic demand for steel has not recovered. We hope for an improvement from the second half.



Forecast of FY2010 (Machinery & Plant)

Operating income:
100 million yen



(100million yen)	FY2009	FY2010			
	Result	Q2 Result	End of FY2010 Forecast	Change	Change(%)
Net Sales	613	305	550	-63	-10%
Gross trading profit	54	31	64	+10	+19%
Operating income	-9	5	7	+16	Returned to Profitability

Point of FY2010

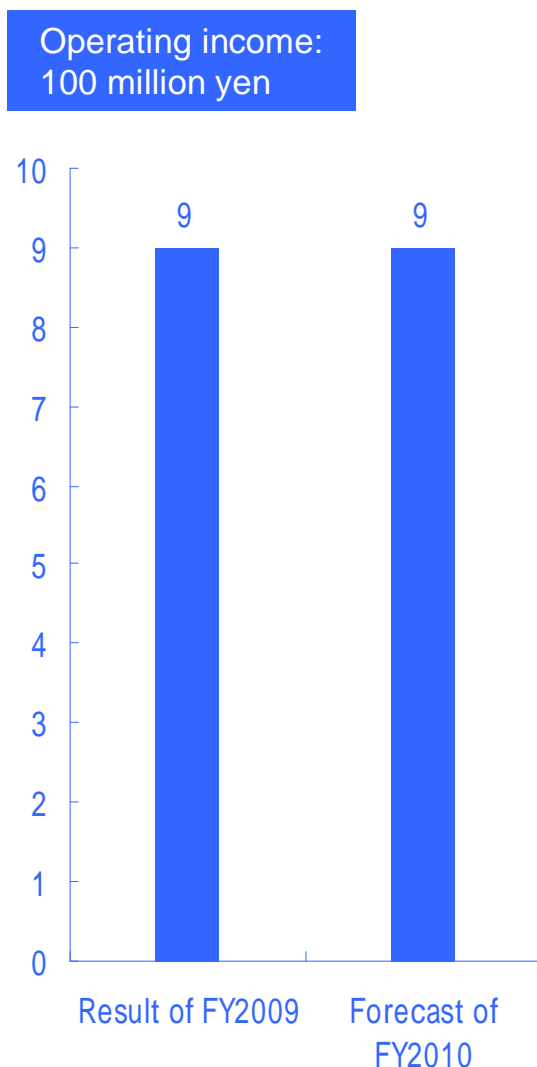
Transactions related to automobile parts and plants are expected to be solid.

We are aiming to maintain and expand the existing trade rights in the machine tool business and industrial equipment business, backed by a recovering order environment.

We are aiming to increase sales and income steadily, despite negative factors including a strong yen and economic trends.



Forecast of FY2010 (Environment & Materials)



(100million yen)	FY2009	FY2010			
	Result	Q2	End of FY2010		
		Result	Forecast	Change	Change(%)
Net Sales	1,981	1,013	1,900	-81	-4%
Gross trading profit	85	40	85	± 0	-
Operating income	9	4	9	± 0	-

Point of FY2010

We will focus on expanding imports and sales of photovoltaic cell modules.

Sales of colostrums products are expected to remain solid in the life science business.

Sales and income in the petroleum business are expected to recover, since demand rises in the second half.



Appendix



1

Mid term business plan “S-Project”

	teamKG120	“S-Project”		
(Billion yen)	FY2009 Results	FY2010 Plan	FY2011 Plan	FY2012 Plan
Net Sales	861.3	850.0	950.0	1,050.0
Gross Trading Profit	74.1	75.0	77.5	80.0
SG&A Expenses	61.9	60.0	60.5	61.0
Operating Income	12.2	15.0	17.0	19.0
Ordinary Income	8.2	10.0	12.0	14.0
Net Income	3.5	4.5	5.5	6.5



1

Mid term business plan “S-Project”

(Billion yen)	teamKG120	“S-Project”		
	FY2009 Results	FY2010 Plan	FY2011 Plan	FY2012 Plan
Total Assets	398.6	400.0	404.0	410.0
Equity Capital	28.9	33.0	38.5	45.0
Equity Ratio	7.3%	8.3%	9.5%	More than 10%
Gross Interest-Bearing Debt	193.1	185.0	177.0	169.0
Gross D/E Ratio (Times)	6.7	5.6	4.6	3.8
Cash and Bank Deposits	83.7	85.0	85.0	85.0
Net Interest-Bearing Debt	109.4	100.0	92.0	84.0
Net D/E Ratio (Times)	3.8	3.0	2.4	Approximately 2.0



1

Mid term business plan “S-Project”

	teamKG120	“S-Project”		
(Billion yen)	FY2009 Results	FY2010 Plan	FY2011 Plan	FY2012 Plan
Net Sales	861.3	850.0	950.0	1050.0
Electronics & IT	232.7	230.0	245.0	260.0
Foods & Foodstuff	264.2	270.0	300.0	330.0
Iron & Steel	88.0	90.0	100.0	115.0
Machinery & Plant	61.3	55.0	65.0	70.0
Environment & Materials	198.1	190.0	225.0	260.0
Others	17.0	15.0	15.0	15.0
Operating Income	12.2	15.0	17.0	19.0
Electronics & IT	5.4	7.0	7.5	8.0
Foods & Foodstuff	3.6	4.0	4.5	5.0
Iron & Steel	2.4	2.5	3.0	3.5
Machinery & Plant	-0.9	0	0.2	0.4
Environment & Materials	0.9	0.9	1.2	1.5
Others	0.7	0.6	0.6	0.6



Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
Electronics & IT	Electronics devices	Semiconductor / electronic parts, Electronic modules / materials, Semiconductor / LED	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. <i>Nippon office Systems Ltd.</i> Kanematsu Aerospace Corp. Shintoa Corporation
	OEM / ODM	Vehicle-mounted parts, Printer equipment, Electronic modules	
	ICT / Mobile solutions	System solutions , Communication equipment / parts, Mobile communications terminals, Mobile content, / mobile advertisement	
	Aerospace	Aircraft / Aircraft parts	
Food & Foodstuff	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, and others	Kanematsu Food Corp. Kanematsu Food Corp. Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp. Shintoa Corporation
	Meat and Marine Products	All meat , seafood	
	Grain oil / Feed and Diary Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Iron & Steel	Steel trading	Surface-treated steel plates, seamless piping	SSOT Kanematsu Trading Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Cast and Forged Steel products	Precision forgings	
	Domestic Steel / Steel Materials	Steel products, iron ore, cokes	
Machinery & Plant	Transportation equipment	Automobiles, vessels, marine equipment	Kanematsu KGK Corp.
	Plant / Infra projects	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Environment & Materials	Crude Oil, Petroleum products and gas	Crude oil, petroleum products, LPG	Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp.
	Functional Chemicals	Battery materials, fertilizer materials, adhesive materials, solvents	
	Life sciences	Pharmaceuticals, pharmaceutical intermediates, functional food materials, stolle milk, nutritional supplements	

2-1: Net Sales of Major Consolidated Subsidiaries

(100 million yen)	Business	Ownership ratio	Q2 of FY2009	Q2 of FY2010	Change
Kanematsu Electronics Ltd.	ICT Solutions	58.28%	218	229	+4
Kanematsu Communications Ltd.	Mobile communications	100%	471	470	-1
Kanematsu Food Corp.	Food, dairy & seafood	100%	89	89	-
Kanematsu Agri-Tech Corp.	Feed & dairy	100%	54	46	-8
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	211	215	+3
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	153	155	+2
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	536	624	+88
Kanematsu Chemicals Corp.	Functional chemicals	100%	82	89	+7
Shintoa Corporation	Trading company	100%	602	545	-57
Kanematsu USA Inc.	Overseas subsidiary	100%	427	437	+10

2-2: Number of Employees

(persons)	2010/3	2010/9	Change	Change (%)
Parent company	850	846	-4	-1%
Consolidated Subsidiaries	4,021	4,168	+147	+4%
Total	4,871	5,014	+143	+3%

The number of employees equals the size of the working staff (excluding transferees from the Group to outside companies and including transferees from outside companies to the Group).

3-1: Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

(Companies)	FY2008					FY2009					Year on Year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable companies	21	17	5	10	53	29	35	8	7	79	+26
Ratio (%)	46%%	41%	31%	56%	43%	74%	85%	50%	44%	71%	+28pt
Non profitable	25	25	11	8	69	10	6	8	9	33	-36
Total	46	42	16	18	122	39	41	16	16	112	-10

3-2: Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(100 million yen)	FY2008					FY2009					Year on Year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	15	4	1	1	21	17	7	1	0	25	+4
Sum of loss posted by non-rofitable	-6	-3	-6	-2	-17	-2	-0	-5	-0	-7	+10
Total	9	1	-5	-1	4	15	7	-4	0	18	+14