



Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the First Half of the Fiscal Year Ending March 2018 (IFRS)

October 31, 2017

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): November 10, 2017

Scheduled date for commencement of dividend payments: December 1, 2017

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes

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

1. Consolidated business results for the first half of the fiscal year ending March 2018 (April 1, 2017 – September 30, 2017)

(1) Consolidated business results (sum total) (%: Change from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Six Months to September 2017	335,240	3.0	13,140	39.5	12,849	54.7	8,333	60.7	6,828	67.8	11,619	-
First Six Months to September 2016	325,508	(3.7)	9,421	0.3	8,308	(10.9)	5,185	(12.8)	4,070	(20.0)	(405)	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Six Months to September 2017	81.10		81.10	
First Six Months to September 2016	48.37		48.37	

(Note) 1. The basic earnings per share and the diluted earnings per share are calculated based on the profit attributable to owners of the parent.

2. The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. "Basic earnings per share" and "diluted earnings per share" are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of September 30, 2017	486,996	139,556	109,142	22.4
As of March 31, 2017	479,717	129,863	100,357	20.9

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2017	-	3.00	-	3.00	6.00
Fiscal year ending March 2018	-	3.50	-	-	-
Fiscal year ending March 2018 (Forecasts)	-	-	-	17.50	-

(Note) 1. Revisions to dividend forecasts published most recently: None

2. The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. Accordingly, an amount that takes the effects of the consolidation of shares into account is stated for the year-end dividend per share for the fiscal year ending March 2018 (forecast), and the annual dividends are stated as "-." If the consolidation of shares is not taken into account, the year-end dividend per share for the fiscal year ending March 2018 (forecast) will be ¥3.50, and the annual dividend per share will be ¥7. Refer to "Explanation about the proper use of results forecasts, and additional information" for details.

3. Forecasts for consolidated results ending March 2018 (April 1, 2017 – March 31, 2018)

(%: Changes from the previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	700,000	3.6	25,000	10.5	23,500	31.5	12,000	49.1	142.58

(Note) 1. Revisions to results forecasts published most recently: None

2. In the forecasts for consolidated results ending March 2018, "net sales" has been changed to "revenue" in light of the usefulness of information.

3. The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. Basic earnings per share in the forecasts for consolidated results ending March 2018 take the effects of the consolidation of shares into account. Refer to "Explanation about the proper use of results forecasts, and additional information" for details.

* Notes

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

(2) Changes in accounting policies and changes in accounting estimates

- | | |
|---|------|
| 1. Changes in accounting policies required by IFRS: | None |
| 2. Changes in accounting policies other than 1.: | None |
| 3. Changes in accounting estimates: | None |

(3) Number of outstanding shares (common shares)

- | | | | |
|--|-------------------|-----------------------|-------------------|
| 1. Number of outstanding shares including treasury stock | | | |
| First half (2017/9): | 84,500,202 shares | Fiscal year (2017/3): | 84,500,202 shares |
| 2. Number of treasury stock | | | |
| First half (2017/9): | 293,770 shares | Fiscal year (2017/3): | 322,593 shares |
| 3. Average number of shares during the period (First six months) | | | |
| First half (2017/9): | 84,197,640 shares | First half (2016/9): | 84,154,790 shares |

(Note) The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. "Number of outstanding shares," "number of treasury stock" and "average number of shares during the period" are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

* Quarterly consolidated financial summaries are not subject to quarterly review.

* Explanation about the proper use of results forecasts, and additional information

The results forecasts and forward-looking statements included in this document are based on information that the Consolidated Group has obtained on the date of the announcement and certain assumptions that the Consolidated Group considers reasonable. The Consolidated Group makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to "(3) Information on the future outlook, including consolidated business performance forecasts" in "1. Qualitative Information on Consolidated Results, Etc. for the First Half of the Fiscal Year Ending March 2018" on page 3 of accompanying materials for further information on results forecasts.

(Dividends and forecasts for consolidated results after the consolidation of shares)

The consolidation of shares was passed and approved at the 123rd ordinary general meeting of shareholders of the Company held on June 23, 2017, and the Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares with October 1, 2017 as the effective date.

Dividend forecasts and forecasts for consolidated results for the fiscal year ending March 2018 are as follows.

1. Dividend forecasts for the fiscal year ending March 2018

Dividend per share End of second quarter ¥3.50 (Note1) Year end ¥3.50 (Note2)

2. Forecasts for consolidated results for the fiscal year ending March 2018

Basic earnings per share Full year ¥28.52

(Note) 1. Dividends at the end of the second quarter will be paid based on the number of shares before conducting the consolidation of shares.

2. The amount of dividend that is converted to the amount before taking the consolidation of shares into account.

3. The annual dividend per share (before taking the consolidation of shares into account) for the fiscal year ending March 2018 is ¥7.

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1. Qualitative Information on Consolidated Results, Etc. for the First Half of the Fiscal Year Ending March 2018

(1) Details of consolidated results

During the first half under review (from April 1, 2017 to September 30, 2017), the world economy continued to grow moderately, despite uncertainties such as the geopolitical risk. The U.S. economy was increasing in strength, driven by the growing momentum of the recovery of consumer spending and the firm expansion of capital investment and exports. The European economy continued to grow solidly, despite concerns about Brexit. The Chinese economy and emerging Asian countries remained generally favorable.

The Japanese economy maintained a moderate recovery trend thanks to improving exports and growing capital investment following the recovery of the world economy.

In this environment, the results of the Group for the first half under review are as shown below.

Consolidated revenue rose ¥9,732 million (3.0%) year on year, to ¥335,240 million. Consolidated gross profit increased ¥3,225 million (6.8%) from a year earlier, to ¥50,931 million. Consolidated operating profit rose ¥3,719 million (39.5%) from a year earlier, to ¥13,140 million, due to an increase in gross profit and an improvement in other income and other expenses. Profit before tax was up ¥4,541 million (54.7%) year on year, to ¥12,849 million, as a result of an improvement in the share of profit (loss) of investment accounted for using the equity method. Profit attributable to owners of the parent rose ¥2,758 million (67.8%) year on year, to ¥6,828 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions with the manufacturing and financial industries remained firm. The mobile business performed well, partly due to the integration effect of mobile phone distribution subsidiaries. In the semiconductors manufacturing equipment business, increased sales to China made a contribution.

As a result of these conditions, revenue in the Electronics and Devices segment rose ¥1,744 million year on year, to ¥120,652 million. Operating profit climbed ¥1,291 million to ¥7,582 million.

(ii) Foods & Grain

The food business turned in a solid performance. The meat products business maintained its strong performance following stable trends in the market conditions. The feedstuff business also improved year on year, reflecting the recovery of feedstuff prices in Japan.

As a result, revenue in the Foods & Grain segment rose ¥626 million year on year, to ¥114,634 million. Operating profit climbed ¥1,597 million, to ¥2,377 million.

(iii) Steel, Materials & Plant

The energy business faced challenging conditions given sluggish sales of heavy oils associated with weak demand for electricity in summer, but the iron and steel, functional chemicals and plant and infrastructure businesses remained firm. The oilfield tubing business overseas also picked up, thanks to stable oil prices.

As a result, revenue in the Steel, Materials & Plant segment rose ¥12,818 million year on year, to ¥69,146 million. Operating profit climbed ¥996 million, to ¥1,358 million.

(iv) Motor Vehicles & Aerospace

The motor vehicles and parts business turned in a solid performance. However, the aerospace business was weak, partly due to a reactionary response following the strong performance of transactions of aircraft parts in the same period of the previous fiscal year.

As a result, revenue in the Motor Vehicles & Aerospace segment declined ¥5,596 million year on year, to ¥24,456 million. Operating profit fell ¥262 million, to ¥1,250 million.

(v) Other

Revenue increased ¥142 million from a year earlier, to ¥6,351 million. Operating profit climbed ¥154 million, to ¥589 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first half of the fiscal year under review increased ¥7,279 million from the end of the previous fiscal year, to ¥486,996 million.

Interest-bearing debt decreased ¥9,365 million from the end of the previous fiscal year, to ¥124,479 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, declined ¥1,176 million from the end of the previous fiscal year, to ¥54,253 million.

In terms of equity, equity attributable to owners of the parent rose ¥8,785 million from the end of the previous fiscal year, to ¥109,142 million, mainly reflecting an increase in retained earnings as a result of profit attributable to owners of the parent and an increase in financial assets measured at fair value attributable to other comprehensive income from a rise in stock prices.

As a result, the ratio of equity attributable to owners of the parent came to 22.4%. The net debt-equity ratio (“net DER”) was 0.5 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first half under review fell ¥8,274 million from the end of the previous fiscal year, to ¥69,292 million.

The state of cash flows and factors for each category for the first half of the fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities in the first half under review stood at ¥3,231 million (versus net cash provided of ¥4,910 million in the first half of the previous fiscal year), primarily reflecting the accumulation of operating income.

(Cash flows from investing activities)

Net cash used in investing activities in the first half under review was ¥103 million (versus ¥11,748 million in the first half of the previous fiscal year). This was largely due to payments for property, plant and equipment and an increase in loans receivable, as well as proceeds from the sale of other financial assets.

(Cash flows from financing activities)

Net cash used in financing activities in the first half under review stood at ¥11,459 million (versus ¥2,337 million in the first half of the previous fiscal year), reflecting factors such as the repayment of debt.

(3) Information on the future outlook, including consolidated business performance forecasts

We have not changed the forecasts for consolidated results that we announced on May 10, 2017.

The forecasts above are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not guarantee that the forecasts will be achieved. Actual results may differ materially from forecasts due to a number of factors.

2. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated statement of financial position

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	77,566	69,292
Trade and other receivables	191,193	196,177
Inventories	80,662	89,250
Other financial assets	3,705	3,231
Other current assets	18,200	20,522
Total current assets	371,329	378,474
Non-current assets		
Property, plant and equipment	26,858	26,736
Goodwill	6,304	6,321
Intangible assets	20,935	20,750
Investments accounted for using the equity method	4,885	5,104
Trade and other receivables	1,169	1,744
Other investments	34,112	37,635
Other financial assets	5,295	4,631
Deferred tax assets	5,018	2,197
Other non-current assets	3,807	3,398
Total non-current assets	108,388	108,521
Total assets	479,717	486,996

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,011	175,653
Bonds and borrowings	64,643	60,161
Other financial liabilities	5,255	5,552
Income taxes payable	4,226	2,806
Provisions	28	16
Other current liabilities	26,291	23,501
Total current liabilities	265,455	267,692
Non-current liabilities		
Bonds and borrowings	69,201	64,318
Other financial liabilities	6,118	5,997
Retirement benefits liabilities	6,641	6,658
Provisions	1,397	1,537
Deferred tax liabilities	424	625
Other non-current liabilities	614	610
Total non-current liabilities	84,398	79,747
Total liabilities	349,854	347,439
Equity		
Share capital	27,781	27,781
Capital surplus	26,797	26,807
Retained earnings	34,579	40,337
Treasury stock	(217)	(195)
Other components of equity		
Exchange differences on translation of foreign operations	2,349	2,704
Financial assets measured at fair value through other comprehensive income	9,455	11,865
Cash flow hedges	(388)	(157)
Total other components of equity	11,416	14,412
Total equity attributable to owners of the parent	100,357	109,142
Non-controlling interests	29,506	30,414
Total equity	129,863	139,556
Total liabilities and equity	479,717	486,996

(2) Condensed consolidated statements of income / Condensed consolidated statements of comprehensive income
(Condensed consolidated statements of income)
(First half)

(Million yen)

	FY2017 First half (From April 1, 2016 to September 30, 2016)	FY2018 First half (From April 1, 2017 to September 30, 2017)
Revenue	325,508	335,240
Cost of sales	(277,802)	(284,309)
Gross profit	47,706	50,931
Selling, general and administrative expenses	(37,356)	(38,285)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	507	(33)
Impairment loss on property, plant and equipment and intangible assets	(144)	–
Other income	604	840
Other expenses	(1,896)	(312)
Total other income (expenses)	(928)	494
Operating profit	9,421	13,140
Finance income		
Interest income	213	188
Dividend income	669	468
Other finance income	–	10
Total finance income	883	667
Finance costs		
Interest expenses	(1,139)	(1,224)
Other finance costs	(84)	(40)
Total finance costs	(1,223)	(1,264)
Share of profit (loss) of investments accounted for using the equity method	(773)	307
Profit before tax	8,308	12,849
Income tax expense	(3,122)	(4,516)
Profit for the period	5,185	8,333
Profit attributable to:		
Owners of the parent	4,070	6,828
Non-controlling interests	1,114	1,505
Total	5,185	8,333
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	48.37	81.10
Diluted earnings per share (yen)	48.37	81.10

(Condensed consolidated statements of comprehensive income)
(First half)

(Million yen)

	FY2017 First half (From April 1, 2016 to September 30, 2016)	FY2018 First half (From April 1, 2017 to September 30, 2017)
Profit for the period	5,185	8,333
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Financial assets measured at fair value through other comprehensive income	(22)	2,554
Remeasurement of retirement benefits liabilities defined benefit pension plans	(205)	80
Share of other comprehensive income of investments accounted for using the equity method	6	1
Total items that will not be reclassified to profit and loss	(221)	2,637
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	(5,128)	477
Cash flow hedges	(158)	225
Share of other comprehensive income of investments accounted for using the equity method	(82)	(54)
Total items that may be reclassified to profit and loss	(5,369)	648
Other comprehensive income for the period, net of tax	(5,590)	3,285
Total comprehensive income for the period	(405)	11,619
Total comprehensive income for the period attributable to:		
Owners of the parent	(537)	10,015
Non-controlling interests	131	1,603
Total	(405)	11,619

(3) Condensed consolidated statement of changes in equity

(Million yen)

	FY2017 First half (From April 1, 2016 to September 30, 2016)	FY2018 First half (From April 1, 2017 to September 30, 2017)
Equity		
Share capital		
Balance at the beginning of the period	27,781	27,781
Balance at the end of the period	27,781	27,781
Capital surplus		
Balance at the beginning of the period	26,463	26,797
Disposition of treasury stock	0	9
Equity transactions with non-controlling interests	0	0
Other changes	326	-
Balance at the end of the period	26,789	26,807
Retained earnings		
Balance at the beginning of the period	29,103	34,579
Dividends	(1,051)	(1,262)
Profit attributable to owners of the parent	4,070	6,828
Reclassification from other components of equity	(293)	192
Balance at the end of the period	31,829	40,337
Other components of equity		
Balance at the beginning of the period	8,486	11,416
Exchange differences on translation of foreign operations	(4,144)	354
Financial assets measured at fair value through other comprehensive income	(16)	2,520
Cash flow hedges	(161)	231
Remeasurement of defined benefit pension plans	(286)	80
Reclassification to retained earnings	293	(192)
Balance at the end of the period	4,170	14,412
Treasury stock		
Balance at the beginning of the period	(235)	(217)
Acquisition of treasury stock	(1)	(3)
Disposition of treasury stock	0	25
Balance at the end of the period	(236)	(195)
Total equity attributable to owners of the parent	90,335	109,142
Non-controlling interests		
Balance at the beginning of the period	29,107	29,506
Dividends to non-controlling interests	(785)	(694)
Equity transactions with non-controlling interests	(6)	(0)
Other changes	(457)	-
Profit attributable to non-controlling interests	1,114	1,505
Other components of equity	(982)	98
Exchange differences on translation of foreign operations	(1,067)	61
Financial assets measured at fair value through other comprehensive income	0	35
Cash flow hedges	3	0
Remeasurement of defined benefit pension plans	81	-
Balance at the end of the period	27,989	30,414
Total Equity	118,324	139,556
Total comprehensive income for the period attributable to:		
Owners of the parent	(537)	10,015
Non-controlling interests	131	1,603
Total comprehensive income for the period	(405)	11,619

(4) Condensed consolidated statements of cash flows

(Million yen)

	FY2017 First half (From April 1, 2016 to September 30, 2016)	FY2018 First half (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities:		
Profit for the period	5,185	8,333
Depreciation and amortization	1,346	1,536
Impairment loss on property, plant and equipment and intangible assets	144	–
Finance income and costs	340	597
Share of (profit) loss of investments accounted for using the equity method	773	(307)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	(507)	33
Income tax expense	3,122	4,516
(Increase) decrease in trade and other receivables	11,648	(6,239)
(Increase) decrease in inventories	1,008	(8,357)
Increase (decrease) in trade and other payables	(10,183)	9,143
Increase (decrease) in retirement benefit liabilities	(19)	(8)
Other	(1,620)	(2,614)
Sub total	11,238	6,634
Interest received	227	187
Dividends received	1,178	782
Interest paid	(1,116)	(1,217)
Income taxes paid	(6,618)	(3,154)
Net cash provided by (used in) operating activities	4,910	3,231
Cash flows from investing activities:		
Payments for property, plant and equipment	(948)	(1,056)
Proceeds from sales of property, plant and equipment	2,366	451
Payments for intangible assets	(301)	(148)
Purchases of other investments	(197)	(69)
Proceeds from sale of other investments	138	202
Proceeds from sale of other financial assets	–	1,010
Proceeds from (payments for) acquisition of subsidiaries	(12,786)	–
Increase in loans receivable	(338)	(1,012)
Proceeds from collection of loans receivable	598	708
Other	(278)	(189)
Net cash provided by (used in) investing activities	(11,748)	(103)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	5,005	(2,340)
Proceeds from long-term borrowings	1,501	2,100
Repayment of long-term borrowings	(6,920)	(9,112)
Dividends paid	(1,048)	(1,260)
Payments for acquisition of subsidiaries' interests from the non-controlling interests	(3)	–
Dividends paid to non-controlling interests	(742)	(702)
Other	(129)	(144)
Net cash provided by (used in) financing activities	(2,337)	(11,459)
Increase (decrease) in cash and cash equivalents, net	(9,175)	(8,330)
Cash and cash equivalents at the beginning of the period	87,466	77,566
Effect of exchange rate changes on cash and cash equivalents	(1,635)	56
Cash and cash equivalents at end of the period	76,655	69,292

(5) Notes on condensed consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Segment information)

Income figures for reportable segments are based on operating profit for the segments.

Inter-segment revenue and transfers are determined according to transaction prices with outside customers.

I. Previous first six months (From April 1, 2016 to September 30, 2016)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	118,908	114,008	56,328	30,052	319,298	6,209	–	325,508
Inter-segment	137	0	27	–	164	34	(198)	–
Total revenues	119,045	114,008	56,356	30,052	319,463	6,243	(198)	325,508
Segment profit (loss)	6,291	780	362	1,512	8,946	435	38	9,421

(Note 1) “Other” is a business segment that is not included in the reportable segments and includes the logistics and insurance service business, etc.

(Note 2) The adjustment of ¥38 million for segment profit (loss) includes an inter-segment elimination of ¥38 million.

The changes in assets related to the absorption-type merger of Diamondtelecom, Inc. by Kanematsu Telecom Investment Co., Ltd. are included in the Electronics and Devices Division. The details of these changes are stated in the Notes (Matters related to business combinations, etc.).

II. First six months under review (From April 1, 2017 to September 30, 2017)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	120,652	114,634	69,146	24,456	328,889	6,351	–	335,240
Inter-segment	144	3	42	–	191	78	(270)	–
Total revenues	120,797	114,637	69,188	24,456	329,080	6,430	(270)	335,240
Segment profit (loss)	7,582	2,377	1,358	1,250	12,569	589	(18)	13,140

(Note 1) “Other” is a business segment that is not included in the reportable segments and includes the logistics and insurance service business, etc.

(Note 2) The adjustment of -¥18 million for segment profit (loss) includes an inter-segment elimination of -¥18 million.

The adjustment from segment profit (operating profit) to profit before tax in the condensed consolidated statements of income is as follow.

(Million yen)

	FY2017 First half (From April 1, 2016 to September 30, 2016)	FY2018 First half (From April 1, 2017 to September 30, 2017)
Segment profit	9,421	13,140
Finance income and finance costs	(340)	(597)
Share of profit (loss) of investments accounted for using the equity method	(773)	307
Profit before tax	8,308	12,849

(Matters related to business combinations, etc.)

The major business combination that took place in the first six months of the previous fiscal year (from April 1, 2016 to September 30, 2016) was as follows.

(1) Details of the business combination

Name of the acquired company:	Diamondtelecom, Inc.
Business of the acquired company:	Information and telecommunication business centered on sales of mobile communication equipment and related equipment
Date of the business combination:	April 1, 2016
Legal form of the business combination:	Acquisition of shares by Kanematsu Telecom Investment Co., Ltd., the Company's wholly owned subsidiary (As a result of the absorption-type merger of the acquired company as of April 1, 2016, the name of the company was changed to Diamondtelecom, Inc.)
Name of the controlling entity after the business combination:	Diamondtelecom, Inc.
Percentage share of voting rights acquired:	100.0%

(2) Main reasons for carrying out the business combination

The mobile business of the Consolidated Group is driven mainly by Kanematsu Communications Limited (hereinafter "Kanematsu Communications"), a wholly owned subsidiary of the Company. With its large market share in the mobile phone sales distribution industry, the mobile business is one of the core businesses of the Group as well as one of the focus areas under the Consolidated Group's medium-term vision, VISION-130.

Diamondtelecom, Inc. (hereinafter "Diamond Telecom") has been engaging in the mobile phone sales business for more than 20 years since its foundation in 1994 as a wholly owned subsidiary of Mitsubishi Electric Corporation, and owns a dominant number of carrier-certified shops throughout Japan. As a result of the acquisition of Diamond Telecom, the Consolidated Group's total sales volume combining the sales of the two companies will reach the industry's top class, and we expect that this will significantly enhance our presence in the mobile phone sales distribution industry.

We also believe that the integration of Diamond Telecom will enable us to create synergies in the Consolidated Group as the Kanematsu Communications' network of carrier-certified shops will be complemented and strengthened by the addition of Diamond Telecom's network and achieve a national network of blue-chip shops, service sophistication through shared human resources and knowhow and the enhancement of management efficiency for both companies.

(3) Acquisition cost of the acquired company and its breakdown

Acquisition cost of the acquired company: ¥17,400 million (Cash as consideration)

(4) Amount of expenses related to the acquisition and the presentation item

The amount of expenses related to the acquisition in relation to the subject business combination is ¥168 million. This amount was included in "Selling, general and administrative expenses" in the consolidated statements of income for the fiscal year ended March 2016.

(5) Amounts of assets and liabilities acquired on the date of the business combination and their main breakdown

(Million yen)

Items	Amounts
Fair value of consideration paid	17,400
Cash and cash equivalents	4,613
Trade receivables	12,828
Inventories	1,212
Other current assets	351
Property, plant and equipment	736
Goodwill (*)	1,635
Intangible assets	13,930
Other non-current assets	764
Current liabilities	(17,746)
Non-current liabilities	(925)
Total	17,400

* The details of goodwill are mainly excess earning power and synergy effects with the existing businesses. In addition, the expected amount of goodwill deductible for tax purposes is ¥12,918 million.

(6) Impacts of the business combination on cash flows

Payment of acquisition cost:	-¥17,400 million
Cash and cash equivalents acquired on the date of the business combination:	4,613 million
Payments for purchase of investments in subsidiaries:	-¥12,786 million

(7) Period for the operating results of the acquired company that are included in the condensed consolidated financial statements
The operating results for the period between April 1, 2016 and September 30, 2016 are included.

(8) Information about profit and loss after the date of the acquisition

Revenue:	¥13,186 million
Profit for the period:	-¥67 million

Because the business combination took place at the beginning of the term, there is no pro forma information.

No important business combinations took place in the first six months under review (from April 1, 2017 to September 30, 2017).

(Significant subsequent events)

Not applicable.