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Consolidated Financial Summary for the First Half of the Fiscal Year Ending March 2017 (IFRS)

November 2, 2016

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): November 14, 2016

Scheduled date for commencement of dividend payments: December 2, 2016

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated business results for the first half of the fiscal year ending March 2017 (April 1, 2016 – September 30, 2016)

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

	Net sales		Operating profit		Profit before tax		Profit for the period		Profit for the period 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 2016	514,927	(4.2)	9,421	0.3	8,308	(10.9)	5,185	(12.8)	4,070	(20.0)	(405)	–
First Six Months to September 2015	537,615	–	9,397	–	9,321	–	5,949	–	5,090	–	4,269	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Six Months to September 2016	9.67		9.67	
First Six Months to September 2015	12.10		12.10	

(Note) In accordance with the accounting practices in Japan, net sales is the aggregate of the value of transactions in which the Consolidated Group is directly involved and the value of transactions in which the Consolidated Group is involved as an agent.

The basic earnings per share and the diluted earnings per share are calculated based on the profit for the period attributable to owners of the parent.

(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, 2016	446,814	118,324	90,335	20.2
As of March 31, 2016	443,592	120,706	91,599	20.6

2. Dividends

(Record date)	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
Fiscal year ended March 2016	–	2.50	–	2.50	5.00
Fiscal year ending March 2017	–	3.00	–	–	–
Fiscal year ending March 2017 (Forecasts)	–	–	–	3.00	6.00

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

3. Forecasts for consolidated results ending March 2017 (April 1, 2016 – March 31, 2017)

(%: Changes from the previous year)

	Net sales		Operating profit		Profit before tax		Profit for the year attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,150,000	8.9	22,000	17.2	20,000	10.4	10,000	11.6	23.77

(Note) Revisions to results forecasts published most recently: Yes

In accordance with the accounting practices in Japan, net sales is the aggregate of the value of transactions in which the Consolidated Group is directly involved and the value of transactions in which the Consolidated Group is involved as an agent.

The basic earnings per share is calculated based on the profit for the year attributable to owners of the parent.

* 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 (2016/9): | 422,501,010 shares | Fiscal year (2016/3): | 422,501,010 shares |
| 2. Number of treasury stock | | | |
| First half (2016/9): | 1,730,946 shares | Fiscal year (2016/3): | 1,723,802 shares |
| 3. Average number of shares during the period (First six months) | | | |
| First half (2016/9): | 420,773,942 shares | First half (2015/9): | 420,819,443 shares |

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have not been reviewed at the time of the announcement of this financial summary.

* 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 2017” on page 3 of accompanying materials for further information on results forecasts.

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1. Qualitative Information on Consolidated Results, Etc. for the First Half of the Fiscal Year Ending March 2017

(1) Details of consolidated results

During the first half under review (from April 1, 2016 to September 30, 2016), the U.S. economy remained steady, but there was a fair share of uncertainty about the economies in other parts of the world. This uncertainty stemmed from concerns over the rising risk of a downturn in the global economy, reflecting the slowdown in the China, the driver of the global economy, the loss of growth momentum in Asia and emerging economies, and concerns over the political stability in Europe due to the Brexit issue.

The overall Japanese economy remained stagnant, given the adverse effects on corporate earnings and the stagnant growth in personal consumption caused by the appreciation of the yen and declining share prices.

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

Consolidated revenue fell ¥12,376 million (3.7%) year on year, to ¥325,508 million. The consolidated gross profit increased ¥4,585 million (10.6%) from a year earlier, to ¥47,706 million. Consolidated operating profit rose ¥24 million (0.3%) from a year earlier, to ¥9,421 million, reflecting the increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses and a deterioration in other revenues and expenses. Profit before tax declined ¥1,013 million (10.9%) year on year, to ¥8,308 million as a result of a deterioration in the share of profit (loss) of investments accounted for using the equity method. Profit for the period attributable to owners of the parent fell ¥1,020 million (20.0%) year on year, to ¥4,070 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions with manufacturers remained steady. The mobile business was solid. The semiconductors manufacturing equipment business faced tough conditions mainly due to the sluggishness of the Chinese economy and a slowdown in demand for smartphones.

As a result of these conditions, revenue in the Electronics and Devices segment rose ¥5,731 million year on year, to ¥118,908 million. Operating profit climbed ¥1,369 million to ¥6,291 million.

(ii) Foods & Grain

The food business turned in a solid performance. In addition, the recovery in the market enabled the meat products business to recover from the slump in the previous fiscal year. On the other hand, the feedstuff business faced difficult conditions, mainly because of lower domestic sales prices.

As a result, revenue in the Foods & Grain segment rose ¥2,829 million year on year, to ¥114,008 million. Operating profit climbed ¥37 million, to ¥780 million.

(iii) Steel, Materials & Plant

In the plant business, transactions involving machine tools and industrial machinery were steady. In the iron and steel business, the mainstay oilfield tubing business went through a tough time due to weak crude oil prices. The energy business and the functional chemicals business faced steep challenges, given the stagnant market conditions. As a result, revenue in the Steel, Materials & Plant segment declined ¥19,258 million year on year, to ¥56,328 million. Operating profit fell ¥1,010 million, to ¥362 million.

(iv) Motor Vehicles & Aerospace

The motor vehicles and parts business performed well. Meanwhile, profits in the aerospace business declined as transactions of aircraft parts were in an in-between season.

As a result, revenue in the Motor Vehicles & Aerospace segment declined ¥1,799 million year on year, to ¥30,052 million. Operating profit fell ¥831 million, to ¥1,512 million.

(v) Other

Revenue increased ¥119 million from a year earlier, to ¥6,209 million. Operating profit climbed ¥403 million, to ¥435 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first half months of the fiscal year under review increased ¥3,222 million from the end of the previous fiscal year, to ¥446,814 million.

Interest-bearing debt decreased ¥1,087 million from the end of the previous fiscal year, to ¥135,780 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, rose ¥9,528 million from the end of the previous fiscal year, to ¥58,341 million.

In equity, equity attributable to owners of the parent fell ¥1,264 million from the end of the previous fiscal year, to ¥90,335 million, mainly reflecting a fall in exchange differences on translation of foreign operations stemming from the appreciation of the yen.

As a result, the equity ratio came to 20.2%. The net debt-equity ratio (“net DER”) was 0.6 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first half under review fell ¥10,810 million from the end of the previous fiscal year, to ¥76,655 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 ¥4,910 million (versus net cash provided of ¥5,840 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 ¥11,748 million (versus net cash used of ¥3,067 million in the first half of the previous fiscal year). This was largely due to payments for the absorption-type merger of Diamondtelecom, Inc. by Kanematsu Telecom Investment Co., Ltd.

(Cash flows from financing activities)

Net cash used in financing activities in the first half under review stood at ¥2,337 million (versus ¥5,496 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 changed the forecasts for consolidated results that we announced on May 10, 2016 as shown below, based on the results in the first half under review and our outlook and in particular consideration of the performance of equity method affiliates, which are struggling due to the effect of the sharp appreciation of the yen.

Revision of consolidated business performance for the fiscal year ending March 31, 2017

(April 1, 2016 – March 31, 2017)

	Net sales	Operating income	Profit before tax	Profit for the period attributable to owners of the parent	Basic earnings per share
Previously announced forecast (A)	¥1,250.0 billion	¥22.0 billion	¥21.0 billion	¥11.5 billion	¥27.33
Revised forecast (B)	¥1,150.0 billion	¥22.0 billion	¥20.0 billion	¥10.0 billion	¥23.77
Difference (B-A)	(¥1,00.0 billion)	–	(¥1.0 billion)	(¥1.5 billion)	(¥3.56)

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. Matters Relating to Summary Information (Notes)

(1) Important change in subsidiaries during the term

Not applicable.

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

Not applicable.

3. Condensed Consolidated Financial Statements

(1) Condensed consolidated statement of financial position

(Million yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	87,466	76,655
Trade and other receivables	163,540	165,968
Inventories	80,195	78,035
Other financial assets	2,596	2,161
Other current assets	12,776	15,487
Total current assets	346,574	338,308
Non-current assets		
Property, plant and equipment	26,883	25,380
Goodwill	4,631	6,087
Intangible assets	8,083	21,594
Investments accounted for using the equity method	7,420	5,281
Trade and other receivables	460	584
Other investments	31,535	32,282
Other financial assets	5,441	5,317
Deferred tax assets	9,084	8,155
Other non-current assets	3,477	3,823
Total non-current assets	97,017	108,506
Total assets	443,592	446,814

(Million yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	142,143	143,122
Bonds and borrowings	61,989	68,289
Other financial liabilities	7,129	7,552
Income taxes payable	2,274	2,320
Provisions	31	13
Other current liabilities	19,465	23,916
Total current liabilities	233,034	245,214
Non-current liabilities		
Bonds and borrowings	74,877	67,491
Other financial liabilities	6,679	6,689
Retirement benefits liabilities	6,024	6,692
Provisions	1,272	1,305
Deferred tax liabilities	297	458
Other non-current liabilities	699	637
Total non-current liabilities	89,851	83,275
Total liabilities	322,885	328,490
Equity		
Share capital	27,781	27,781
Capital surplus	26,463	26,789
Retained earnings	29,103	31,829
Treasury stock	(235)	(236)
Other components of equity		
Exchange differences on translation of foreign operations	2,912	(1,232)
Financial assets measured at fair value through other comprehensive income	6,967	6,957
Cash flow hedges	(1,393)	(1,554)
Total other components of equity	8,486	4,170
Total equity attributable to owners of the parent	91,599	90,335
Non-controlling interests	29,107	27,989
Total equity	120,706	118,324
Total liabilities and equity	443,592	446,814

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

(Million yen)

	FY2016 First half (From April 1, 2015 to September 30, 2015)	FY2017 First half (From April 1, 2016 to September 30, 2016)
Revenue	337,884	325,508
Cost of sales	(294,762)	(277,802)
Gross profit	43,121	47,706
Selling, general and administrative expenses	(34,659)	(37,356)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(51)	507
Impairment loss on property, plant and equipment and intangible assets	(205)	(144)
Other income	1,816	604
Other expenses	(624)	(1,896)
Total other income (expenses)	935	(928)
Operating profit	9,397	9,421
Finance income		
Interest income	255	213
Dividend income	536	669
Total finance income	792	883
Finance costs		
Interest expenses	(1,227)	(1,139)
Other finance costs	(50)	(84)
Total finance costs	(1,277)	(1,223)
Share of profit (loss) of investments accounted for using the equity method	409	(773)
Profit before tax	9,321	8,308
Income tax expense	(3,372)	(3,122)
Profit for the period	5,949	5,185
Profit for the period attributable to:		
Owners of the parent	5,090	4,070
Non-controlling interests	858	1,114
Total	5,949	5,185
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	12.10	9.67
Diluted earnings per share (yen)	12.10	9.67
Net sales (Note)	537,615	514,927

(Note) In accordance with the accounting practices in Japan, net sales is the aggregate of the value of transactions in which the Consolidated Group is directly involved and the value of transactions in which the Consolidated Group is involved as an agent.

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

(Million yen)

	FY2016 First half (From April 1, 2015 to September 30, 2015)	FY2017 First half (From April 1, 2016 to September 30, 2016)
Profit for the period	5,949	5,185
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Financial assets measured at fair value through other comprehensive income	(716)	(22)
Remeasurement of defined benefit pension plans	(103)	(205)
Share of other comprehensive income of investments accounted for using the equity method	(3)	6
Total items that will not be reclassified to profit and loss	(823)	(221)
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	44	(5,128)
Cash flow hedges	(848)	(158)
Share of other comprehensive income of investments accounted for using the equity method	(53)	(82)
Total items that may be reclassified to profit and loss	(856)	(5,369)
Other comprehensive income for the period, net of tax	(1,679)	(5,590)
Total comprehensive income for the period	4,269	(405)
Total comprehensive income for the period attributable to:		
Owners of the parent	3,541	(537)
Non-controlling interests	727	131
Total	4,269	(405)

(3) Condensed consolidated statement of changes in equity

(Million yen)

	FY2016 First half (From April 1, 2015 to September 30, 2015)	FY2017 First half (From April 1, 2016 to September 30, 2016)
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	26,621	26,463
Acquisition of treasury stock	0	0
Equity transactions with non-controlling interests	(120)	0
Other changes	–	326
Balance at the end of the period	26,501	26,789
Retained earnings		
Balance at the beginning of the period	21,879	29,103
Dividends	(631)	(1,051)
Profit for the period attributable to owners of the parent	5,090	4,070
Reclassification from other components of equity	(198)	(293)
Balance at the end of the period	26,140	31,829
Other components of equity		
Balance at the beginning of the period	14,185	8,486
Exchange differences on translation of foreign operations	92	(4,144)
Financial assets measured at fair value through other comprehensive income	(673)	(16)
Cash flow hedges	(864)	(161)
Remeasurement of defined benefit pension plans	(103)	(286)
Reclassification to retained earnings	198	293
Balance at the end of the period	12,834	4,170
Treasury stock		
Balance at the beginning of the period	(222)	(235)
Acquisition of treasury stock	(8)	(1)
Disposition of treasury stock	0	0
Balance at the end of the period	(230)	(236)
Total equity attributable to owners of the parent	93,026	90,335
Non-controlling interests		
Balance at the beginning of the period	28,771	29,107
Dividends to non-controlling interests	(456)	(785)
Equity transactions with non-controlling interests	(35)	(6)
Other changes	–	(457)
Profit for the period attributable to non-controlling interests	858	1,114
Other components of equity	(130)	(982)
Exchange differences on translation of foreign operations	(89)	(1,067)
Financial assets measured at fair value through other comprehensive income	(46)	0
Cash flow hedges	5	3
Remeasurement of defined benefit pension plans	–	81
Balance at the end of the period	29,006	27,989
Total Equity	122,033	118,324
Total comprehensive income for the period attributable to:		
Owners of the parent	3,541	(537)
Non-controlling interests	727	131
Total comprehensive income for the period	4,269	(405)

(4) Condensed consolidated statements of cash flows

(Million yen)

	FY2016 First half (From April 1, 2015 to September 30, 2015)	FY2017 First half (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities:		
Profit for the period	5,949	5,185
Depreciation and amortization	1,566	1,346
Impairment loss on property, plant and equipment and intangible assets	205	144
Finance income and costs	485	340
Share of (profit) loss of investments accounted for using the equity method	(409)	773
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	51	(507)
Income tax expense	3,372	3,122
(Increase) decrease in trade and other receivables	17,266	11,648
(Increase) decrease in inventories	(11,205)	1,008
Increase (decrease) in trade and other payables	(7,243)	(10,183)
Increase (decrease) in retirement benefit liabilities	(33)	(19)
Other	(1,182)	(1,620)
Sub total	8,821	11,238
Interest received	259	227
Dividends received	870	1,178
Interest paid	(1,240)	(1,116)
Income taxes paid	(2,870)	(6,618)
Net cash provided by (used in) operating activities	5,840	4,910
Cash flows from investing activities:		
Payments for property, plant and equipment	(1,052)	(948)
Proceeds from sales of property, plant and equipment	167	2,366
Payments for intangible assets	(194)	(301)
Purchases of other investments	(2,793)	(197)
Proceeds from sale of other investments	68	138
Proceeds from (payments for) acquisition of subsidiaries	-	(12,786)
Increase in loans receivable	(465)	(338)
Proceeds from collection of loans receivable	491	598
Other	711	(278)
Net cash provided by (used in) investing activities	(3,067)	(11,748)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(4,830)	5,005
Proceeds from long-term borrowings	12,923	1,501
Repayment of long-term borrowings	(12,146)	(6,920)
Dividends paid	(629)	(1,048)
Payments for acquisition of subsidiaries' interests from non-controlling interests	(5)	(3)
Dividends paid to non-controlling interests	(447)	(742)
Other	(360)	(129)
Net cash provided by (used in) financing activities	(5,496)	(2,337)
Increase (decrease) in cash and cash equivalents, net	(2,723)	(9,175)
Cash and cash equivalents at the beginning of the period	66,485	87,466
Effect of exchange rate changes on cash and cash equivalents	(195)	(1,635)
Cash and cash equivalents at end of the period	63,566	76,655

(5) Notes on condensed consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Notes if there is a significant change in the amount of shareholder's equity)

Not applicable.

(Segment information)

I. Previous first six months (From April 1, 2015 to September 30, 2015)

(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	113,177	111,179	75,586	31,851	331,794	6,090	–	337,884
Inter-segment	131	1	71	1	205	39	(245)	–
Total revenues	113,308	111,180	75,657	31,852	331,999	6,130	(245)	337,884
Segment profit	4,922	743	1,372	2,343	9,381	32	(16)	9,397

(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) Adjustment of negative ¥16 million for segment profit includes the inter-segment elimination of negative ¥16 million.

II. First six months under review (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	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) Adjustment of ¥38 million for segment profit includes the 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.).

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

(Million yen)

	FY2016 First half (From April 1, 2015 to September 30, 2015)	FY2017 First half (From April 1, 2016 to September 30, 2016)
Segment profit	9,397	9,421
Finance income and finance costs	(485)	(340)
Share of profit (loss) of investments accounted for using the equity method	409	(773)
Profit before tax	9,321	8,308

(Matters related to business combinations, etc.)

No important business combinations took place in the first half of the previous fiscal year (from April 1, 2015 to September 30, 2015).

The major business combination that took place in the first half under review (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, 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 previous fiscal year.

(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.

(Significant subsequent events)

Not applicable.