



Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the FY 2017 Ended March 31, 2017 (IFRS)

May 10, 2017

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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

Representative: President and CEO, Masayuki Shimojima

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Scheduled date for the Ordinary General Meeting of Shareholders: June 23, 2017

Scheduled date for commencement of dividend payments: June 5, 2017

Scheduled date for the submission of financial statements: June 23, 2017

Supplementary documents for financial results: Yes

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

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

1. Consolidated business results for the fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated business results

(%: Change from the previous year)

| | Net sales | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of the parent | | Total comprehensive income for the year | |
|------------------------------|-------------|-------|------------------|--------|-------------------|--------|-------------|--------|---|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 2017 | 1,100,254 | 4.2 | 22,633 | (20.6) | 17,875 | (1.4) | 10,286 | (4.8) | 8,049 | (10.2) | 12,965 | 204.8 |
| Fiscal year ended March 2016 | 1,056,230 | (4.7) | 18,772 | (20.3) | 18,122 | (19.0) | 10,808 | (17.7) | 8,959 | (15.0) | 4,253 | (82.6) |

| | Basic earnings per share | Diluted earnings per share | Return on equity attributable to owners of the parent | Profit before tax to total assets | Operating profit to net sales |
|------------------------------|--------------------------|----------------------------|---|-----------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended March 2017 | 19.13 | 19.13 | 8.4 | 3.9 | 2.1 |
| Fiscal year ended March 2016 | 21.29 | 21.29 | 9.9 | 4.0 | 1.8 |

(Reference) Share of profit (loss) of investments accounted for using equity method:

-1,990 million yen for the fiscal year ended March 2017
675 million yen for the fiscal year ended March 2016

(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 diluted earnings per share are calculated based on the profit 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 | Equity attributable to owners of the parent per share |
|----------------------|--------------|--------------|---|---|---|
| | Million yen | Million yen | Million yen | % | Yen |
| As of March 31, 2017 | 479,717 | 129,863 | 100,357 | 20.9 | 238.44 |
| As of March 31, 2016 | 443,592 | 120,706 | 91,599 | 20.6 | 217.68 |

(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 2017 | 11,852 | (14,691) | (6,904) | 77,566 |
| Fiscal year ended March 2016 | 33,024 | (4,214) | (6,729) | 87,466 |

2. Dividends

| (Record date) | Annual dividends | | | | | Annual total of dividend | Payout ratio (Consolidated) | Dividend on equity attributable to owners of the parent (Consolidated) |
|---|----------------------|-----------------------|----------------------|----------|--------|--------------------------|-----------------------------|--|
| | 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 | 2,106 | 23.5 | 2.3 |
| Fiscal year ended March 2017 | – | 3.00 | – | 3.00 | 6.00 | 2,527 | 31.4 | 2.6 |
| Fiscal year ending March 2018 (Forecasts) | – | 3.50 | – | 3.50 | 7.00 | | 24.5 | |

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

2. The Company plans to conduct 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. However, the annual dividend per share for the fiscal year ending March 2018 (forecasts) does not take the consolidation of shares into account. The annual dividend per share of common stock on the assumption that the consolidation of shares was conducted at the beginning of the period is ¥35. Details are as described in a separate timely disclosure.

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 | 28.52 |

(Note) "Net sales" have been changed to "Revenue" in the forecasts for consolidated results ending March 2018 in light of the usability of information.

* Notes

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

(2) Changes in accounting policies and changes

- | | |
|---|------|
| 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 | | | |
| Fiscal year (2017/3): | 422,501,010 shares | Fiscal year (2016/3): | 422,501,010 shares |
| 2. Number of treasury stock | | | |
| Fiscal year (2017/3): | 1,612,972 shares | Fiscal year (2016/3): | 1,723,802 shares |
| 3. Average number of shares during the period | | | |
| Fiscal year (2017/3): | 420,821,792 shares | Fiscal year (2016/3): | 420,803,562 shares |

(Reference) Overview of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated business results (%: Change from the previous year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit for the year | |
|------------------------------|-------------|-------|------------------|--------|-----------------|--------|---------------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 2017 | 411,436 | (4.9) | 2,949 | 203.1 | 7,915 | 10.0 | 5,730 | (25.8) |
| Fiscal year ended March 2016 | 432,457 | (9.0) | 973 | (76.5) | 7,197 | (31.4) | 7,722 | (1.8) |

| | Profit for the year per share | Diluted profit for the year per share |
|------------------------------|-------------------------------|---------------------------------------|
| | Yen | Yen |
| Fiscal year ended March 2017 | 13.60 | — |
| Fiscal year ended March 2016 | 18.33 | — |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2017 | 274,443 | 85,204 | 31.0 | 202.26 |
| As of March 31, 2016 | 270,298 | 79,803 | 29.5 | 189.43 |

(Reference) Shareholders' equity 85,204 million yen for the fiscal year ended March 2017
79,803 million yen for the fiscal year ended March 2016

* Consolidated financial summaries are not subject to audit.

* 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 "1. Overview of Business Results, Etc., (1) Overview of business results in the fiscal year ended March 2017, (ii) Future outlook" on page 3 of accompanying materials for further information on results forecasts.
- The Company operates its businesses on a consolidated basis. The Company produces no forecast for non-consolidated business results.
- The Company plans to hold a results briefing for institutional investors and analysts on Tuesday, May 16, 2017. Results briefing materials distributed at the results briefing will be posted on the Company's website immediately after it is held.

Accompanying Materials – Contents

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1. Overview of Business Results, Etc.

(1) Overview of business results in the fiscal year ended March 2017

(i) Review of operations in the fiscal year ended March 2017

In the fiscal year under review, the U.S. economy expanded steadily with firm domestic demand, and the Chinese economy and emerging economies in Asia also continued to grow, although the growth slowed.

The Japanese economy stayed on a moderate recovery track despite weak personal consumption, shored up by the government's economic policy and the Bank of Japan's monetary policy. Uncertainty remained, however, given concerns about situations overseas, including the political risk in Europe and policy trends in the United States.

In this environment, the results of the Group in the fiscal year under review are as shown below.

Consolidated revenue rose ¥7,205 million (1.1%) year on year, to ¥675,579 million. Consolidated gross profit increased ¥13,901 million (16.1%) from a year earlier, to ¥100,139 million. Consolidated operating profit rose ¥3,861 million (20.6%) year on year, to ¥22,633 million, reflecting the increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses and the deterioration of other revenues and expenses. Profit before tax decreased ¥247 million (1.4%) year on year, to ¥17,875 million, mainly as a result of an increase in financial costs and a decline 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 ¥910 million (10.2%) year on year, to ¥8,049 million.

Results for each business segment are described below.

(Electronics & Devices)

In the ICT solutions business, transactions with manufacturers and others remained steady. The mobile business also remained solid, reflecting the recovery of the market conditions in the second half of the period. Meanwhile, the semiconductor parts business faced tough conditions.

As a result of these conditions, revenue in the Electronics and Devices segment rose ¥19,252 million year on year, to ¥254,280 million. Operating profit climbed ¥3,690 million, to ¥14,348 million.

(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 ¥5,187 million year on year, to ¥227,764 million. Operating profit increased ¥1,062 million, to ¥2,489 million.

(Steel, Materials & Plant)

The energy business remained strong thanks to firm demand for kerosene and heavy oils in winter. 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.

As a result, revenue in the Steel, Materials & Plant segment declined ¥4,068 million year on year, to ¥131,201 million. Operating profit fell ¥568 million, to ¥2,820 million.

(Motor Vehicles & Aerospace)

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

As a result, revenue in the Motor Vehicles & Aerospace segment declined ¥13,373 million year on year, to ¥50,419 million. Operating profit fell ¥741 million, to ¥2,223 million.

(Other)

Revenue increased ¥208 million from a year earlier, to ¥11,914 million. Operating profit rose ¥427 million, to ¥756 million.

(ii) Future outlook

In the next consolidated fiscal year, the global economy is expected to see the economic expansion in the United States supported by rising personal consumption backed by higher employment and income, and the relatively firm growth is also anticipated to continue in emerging countries in Asia. However, the global economic outlook is likely to remain uncertain, given factors such as the stronger pressure of protectionist policies in developed countries, the tightening monetary policy in the United States and geopolitical tension in the Middle East and Asia.

The Japanese economy is expected to maintain a gradual economy recovery trend, underpinned by strong corporate earnings backed by the weaker yen and improvement in the employment and income environment.

In this environment, the Company forecasts consolidated revenue of ¥700 billion, operating profit of ¥25 billion, profit before tax of ¥23.5 billion and profit attributable to owners of the parent of ¥12 billion for the fiscal year ending March 31, 2018.

(Assumptions for the calculation of results forecast)

- Exchange rate: 1 US dollar = 110 yen

- Interest rates: Interest rates are expected to remain unchanged or to fall moderately.

* Note on forward-looking statements:

The above statements on future performance, such as the results forecasts, have been made based on information available to the Company at the time of the announcement 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) Overview of financial position in the fiscal year ended March 2017

(i) Assets, liabilities and equity

Total assets at the end of the fiscal year under review increased ¥36,125 million from the end of the previous fiscal year, to ¥479,717 million.

Interest-bearing debt decreased ¥3,023 million from the end of the previous fiscal year, to ¥133,844 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, rose ¥6,616 million from the end of the previous fiscal year, to ¥55,429 million.

In terms of equity, equity attributable to owners of the parent rose ¥8,758 million from the end of the previous fiscal year, to ¥100,357 million, mainly reflecting an increase in retained earnings as a result of a profit for the period 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 20.9%. The net debt-equity ratio (“net DER”) was 0.6 times.

(ii) Cash flows

Net cash provided by operating activities stood at ¥11,852 million (versus ¥33,024 million provided in the previous fiscal year), chiefly reflecting the accumulation of operating income. Net cash used in investing activities was ¥14,691 million (versus ¥4,214 million used in the previous fiscal year), mainly due to payments for the absorption-type merger of Diamondtelecom, Inc. by Kanematsu Telecom Investment Co., Ltd. Net cash used in financing activities amounted to ¥6,904 million (versus ¥6,729 million used in the previous fiscal year), mainly reflecting factors such as dividends paid and the repayment of debt.

As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥77,566 million, down ¥9,900 million from the end of the previous fiscal year.

(Reference) Changes in cash flow-related indicators

| | Fiscal year ended March 2015 | Fiscal year ended March 2016 | Fiscal year ended March 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Ratio of equity attributable to owners of the parent | 19.4% | 20.6% | 20.9% |
| Ratio of equity attributable to owners of the parent on a market value basis | 15.8% | 15.6% | 17.5% |
| Ratio of interest-bearing debt to cash flow (year) | 20.7 | 4.1 | 11.3 |
| Interest coverage ratio | 2.3 | 13.7 | 5.2 |

Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent/total assets

Ratio of equity attributable to owners of the parent on a market value basis: Market capitalization/total assets

Ratio of interest-bearing debt to cash flow: 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.

* Cash flows from operating activities are used for cash flow. Interest-bearing debt includes all debt listed on the consolidated balance sheets on which the Company pays interest. For interest payments, the amount of interest 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 2017 and the fiscal year ending March 2018

The Company regards the distribution of profits to shareholders as a critical management issue. It adopts a basic policy for dividends of taking into consideration factors such as operating results and the balance with appropriate internal reserves for growth investments in the future.

Under VISION-130, the Company's medium-term vision, the Company has set a goal of stable and continuous dividend payments with a consolidated dividend payout ratio of 25% as a rough indication. Accordingly, in the fiscal year under review, it paid an interim dividend of 3.0 yen per share. A dividend payment of 3.0 yen is scheduled for the end of the fiscal year under review as per the plan at the beginning of the year, which will give a total of 6.0 yen per share for the full fiscal year.

As for dividend payments for the next fiscal year, the Company plans to increase the annual dividend per share by 1.0 yen, to 7.0 yen, comprising an interim dividend of 3.5 yen per share and a year-end dividend of 3.5 yen per share, given expectations for its continued solid performance.

2. Corporate Group

The Group operates its businesses as a “business creation team,” which builds solid relationships of trust with its customers and works closely with them to develop new businesses by providing a broad array of products and services in diverse fields such as electronics and devices, foods and grain, steel, materials and plant, and motor vehicles and aerospace through the organic integration of domestic and international business networks, expertise acquired in each business area, and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution.

The Company classifies these businesses into categories according to the contents of goods traded and services, and the Group consists of a total of 116 companies including the Company, 88 consolidated subsidiaries and 28 equity-method affiliates (as of March 31, 2017).

The details of the goods traded and services based on each of the Group’s business segments and its major subsidiaries and affiliates are as follows.

| Business segments | Major products and services | Principal subsidiaries and affiliates |
|---|---|--|
| Electronics & Devices (23 companies) | Electronic parts and members, semiconductor/LCD/solar cell manufacturing equipment, communication equipment and parts, materials and indirect materials related to electronics, telecommunications technology systems and services, mobile communication terminals, mobile Internet systems and services, security equipment, etc. | (Consolidated subsidiaries: 12 subsidiaries in Japan and 8 subsidiaries overseas) Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Diamondtelecom, Inc. Kanematsu Sustech Corporation Nippon Office Systems Ltd. (Equity-method affiliates: 3 subsidiaries in Japan and 0 subsidiaries overseas) |
| Foods & Grain (27 companies) | Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, meat and marine products, feed, fertilizer, soybeans, wheat, barley, rice, processed foods, cooked foods, pet foods, etc. | (Consolidated subsidiaries: 11 subsidiaries in Japan and 3 subsidiaries overseas) Kanematsu Shintoa Foods Corporation Kanematsu Agri-Tech Corporation (Equity-method affiliates: 3 subsidiaries in Japan and 10 subsidiaries overseas) Dalian Tiantianli Food Co.,Ltd. |
| Steel, Materials & Plant (26 companies) | Steel plates, bars and wire rods, pipes, stainless products, general steel products, raw materials for iron and steel, battery materials, fertilizer materials, adhesive materials, solvents, functional food materials, nutritional supplements, pharmaceuticals and pharmaceutical intermediates, crude oil, petroleum products, LPG, greenhouse gas emission rights, biomass energy, chemical and petrochemical plants, papermaking machines, communication lines construction, optical fibers, electric power projects, ships and maritime equipment, machine tools, industrial tools, etc. | (Consolidated subsidiaries: 10 subsidiaries in Japan and 12 subsidiaries overseas) Kanematsu KGK Corp. Kanematsu Trading Corporation Kanematsu Petroleum Corp. Kanematsu Chemicals Corp. (Equity-method affiliates: 2 subsidiaries in Japan and 2 subsidiaries overseas) |
| Motor Vehicles & Aerospace (8 companies) | In-vehicle parts, mechanized parts, aircraft and aircraft parts, satellite equipment and parts, automobiles and automobile parts, industrial vehicles, construction machinery, general-purpose machines, forgings, foundry pieces, etc. | (Consolidated subsidiaries: 1 subsidiary in Japan and 6 subsidiaries overseas) Kanematsu Aerospace Corp. (Equity-method affiliates: 0 subsidiaries in Japan and 1 subsidiary overseas) |
| Other (16 companies) | Textile materials, beds, bedding and interior goods, housing materials, medium-grade fiberboard, nonferrous metals, insurance agent/intermediary business, air/marine cargo agent business, customs clearing, real estate management and leasing business and others | (Consolidated subsidiaries: 8 subsidiaries in Japan and 1 subsidiary overseas) Shintoa Corporation Kanematsu Logistics & Insurance Ltd. (Equity-method affiliates: 4 subsidiaries in Japan and 3 subsidiaries overseas) Kaneyo Co., Ltd. Hokushin Co., Ltd. |
| Overseas local subsidiaries (16 companies) | Trading of products and provision of services overseas | (Consolidated subsidiaries: 16 subsidiaries) Kanematsu USA Inc. Kanematsu (Hong Kong) Ltd. Kanematsu (China) Co.,Ltd. Kanematsu GmbH |

(Note) 1. Of the above companies, the consolidated subsidiaries whose stocks are listed on domestic stock exchanges are Kanematsu Electronics Ltd. (First Section of the Tokyo Stock Exchange) and Kanematsu Sustech Corporation (First Section of the Tokyo Stock Exchange).

2. In the first quarter of the fiscal year under review, Diamondtelecom, Inc. in the Electronics & Devices segment was included in major subsidiaries and affiliates.

3. Kanematsu-NNK Corp. changed its company name to Kanematsu Sustech Corporation on October 1, 2016.

3. Basic Approach to Selection of Accounting Standards

The Company decided to voluntarily adopt International Financial Reporting Standards (IFRS), in place of the Japanese GAAP used previously, beginning with its consolidated financial statements in the annual securities report for the fiscal year ended March 31, 2016 (122nd Term), to improve the global comparability of financial information in capital markets.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated statement of financial position

(Million yen)

| | End of Fiscal 2016 (March 31, 2016) | End of Fiscal 2017 (March 31, 2017) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 87,466 | 77,566 |
| Trade and other receivables | 163,540 | 191,193 |
| Inventories | 80,195 | 80,662 |
| Other financial assets | 2,596 | 3,705 |
| Other current assets | 12,776 | 18,200 |
| Total current assets | 346,574 | 371,329 |
| Non-current assets | | |
| Property, plant and equipment | 26,883 | 26,858 |
| Goodwill | 4,631 | 6,304 |
| Intangible assets | 8,083 | 20,935 |
| Investments accounted for using the equity method | 7,420 | 4,885 |
| Trade and other receivables | 460 | 1,169 |
| Other investments | 31,535 | 34,112 |
| Other financial assets | 5,441 | 5,295 |
| Deferred tax assets | 9,084 | 5,018 |
| Other non-current assets | 3,477 | 3,807 |
| Total non-current assets | 97,017 | 108,388 |
| Total assets | 443,592 | 479,717 |

(Million yen)

| | End of Fiscal 2016 (March 31, 2016) | End of Fiscal 2017 (March 31, 2017) |
|--|--|--|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 142,143 | 165,011 |
| Bonds and borrowings | 61,989 | 64,643 |
| Other financial liabilities | 7,129 | 5,255 |
| Income taxes payable | 2,274 | 4,226 |
| Provisions | 31 | 28 |
| Other current liabilities | 19,465 | 26,291 |
| Total current liabilities | 233,034 | 265,455 |
| Non-current liabilities | | |
| Bonds and borrowings | 74,877 | 69,201 |
| Other financial liabilities | 6,679 | 6,118 |
| Retirement benefits liabilities | 6,024 | 6,641 |
| Provisions | 1,272 | 1,397 |
| Deferred tax liabilities | 297 | 424 |
| Other non-current liabilities | 699 | 614 |
| Total non-current liabilities | 89,851 | 84,398 |
| Total liabilities | 322,885 | 349,854 |
| Equity | | |
| Share capital | 27,781 | 27,781 |
| Capital surplus | 26,463 | 26,797 |
| Retained earnings | 29,103 | 34,579 |
| Treasury stock | (235) | (217) |
| Other components of equity | | |
| Exchange differences on translation of foreign operations | 2,912 | 2,349 |
| Financial assets measured at fair value through other comprehensive income | 6,967 | 9,455 |
| Cash flow hedges | (1,393) | (388) |
| Total other components of equity | 8,486 | 11,416 |
| Total equity attributable to owners of the parent | 91,599 | 100,357 |
| Non-controlling interests | 29,107 | 29,506 |
| Total equity | 120,706 | 129,863 |
| Total liabilities and equity | 443,592 | 479,717 |

(2) Consolidated statements of income / consolidated statements of comprehensive income
(Consolidated statements of income)

(Million yen)

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|--|--|--|
| Revenue | 668,374 | 675,579 |
| Cost of sales | (582,135) | (575,440) |
| Gross profit | 86,238 | 100,139 |
| Selling, general and administrative expenses | (68,577) | (76,163) |
| Other income (expenses) | | |
| Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net | (311) | 384 |
| Impairment loss on property, plant and equipment and intangible assets | (94) | (866) |
| Other income | 2,596 | 1,400 |
| Other expenses | (1,078) | (2,261) |
| Total other income (expenses) | 1,111 | (1,343) |
| Operating profit | 18,772 | 22,633 |
| Finance income | | |
| Interest income | 478 | 421 |
| Dividend income | 927 | 1,116 |
| Total finance income | 1,405 | 1,537 |
| Finance costs | | |
| Interest expenses | (2,407) | (2,304) |
| Other finance costs | (323) | (2,000) |
| Total finance costs | (2,731) | (4,304) |
| Share of profit (loss) of investments accounted for using the equity method | 675 | (1,990) |
| Profit before tax | 18,122 | 17,875 |
| Income tax expense | (7,313) | (7,589) |
| Profit for the year | 10,808 | 10,286 |
| Profit for the year attributable to: | | |
| Owners of the parent | 8,959 | 8,049 |
| Non-controlling interests | 1,848 | 2,237 |
| Total | 10,808 | 10,286 |
| Earnings per share attributable to owners of the parent | | |
| Basic earnings per share (yen) | 21.29 | 19.13 |
| Diluted earnings per share (yen) | 21.29 | 19.13 |
| Net sales (Note) | 1,056,230 | 1,100,254 |

(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.

(Consolidated statements of comprehensive income)

(Million yen)

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|--|--|--|
| Profit for the year | 10,808 | 10,286 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit and loss | | |
| Financial assets measured at fair value through other comprehensive income | (1,580) | 2,671 |
| Remeasurement of retirement benefits liabilities defined benefit pension plans | (426) | (284) |
| Share of other comprehensive income of investments accounted for using the equity method | (14) | 24 |
| Total items that will not be reclassified to profit and loss | (2,021) | 2,412 |
| Items that may be reclassified to profit and loss | | |
| Exchange differences on translation of foreign operations | (2,894) | (829) |
| Cash flow hedges | (1,511) | 984 |
| Share of other comprehensive income of investments accounted for using the equity method | (127) | 109 |
| Total items that may be reclassified to profit and loss | (4,532) | 265 |
| Other comprehensive income for the year, net of tax | (6,554) | 2,678 |
| Total comprehensive income for the year | 4,253 | 12,965 |
| Total comprehensive income for the year attributable to: | | |
| Owners of the parent | 3,248 | 10,720 |
| Non-controlling interests | 1,005 | 2,244 |
| Total | 4,253 | 12,965 |
| | | |

(3) Consolidated statement of changes in equity

(Million yen)

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|--|--|--|
| Equity | | |
| Share capital | | |
| Balance at the beginning of the year | 27,781 | 27,781 |
| Balance at the end of the year | 27,781 | 27,781 |
| Capital surplus | | |
| Balance at the beginning of the year | 26,621 | 26,463 |
| Disposition of treasury stock | 0 | 3 |
| Equity transactions with non-controlling interests | (158) | 4 |
| Other changes | – | 326 |
| Balance at the end of the year | 26,463 | 26,797 |
| Retained earnings | | |
| Balance at the beginning of the year | 21,879 | 29,103 |
| Dividends | (1,683) | (2,314) |
| Profit for the year attributable to owners of the parent | 8,959 | 8,049 |
| Reclassification from other components of equity | (11) | (259) |
| Other changes | (40) | – |
| Balance at the end of the year | 29,103 | 34,579 |
| Other components of equity | | |
| Balance at the beginning of the year | 14,185 | 8,486 |
| Exchange differences on translation of foreign operations | (2,346) | (562) |
| Financial assets measured at fair value through other comprehensive income | (1,542) | 2,613 |
| Cash flow hedges | (1,535) | 1,004 |
| Remeasurement of defined benefit pension plans | (286) | (384) |
| Reclassification to retained earnings | 11 | 259 |
| Balance at the end of the year | 8,486 | 11,416 |
| Treasury stock | | |
| Balance at the beginning of the year | (222) | (235) |
| Acquisition of treasury stock | (12) | (5) |
| Disposition of treasury stock | 0 | 22 |
| Balance at the end of the year | (235) | (217) |
| Total equity attributable to owners of the parent | 91,599 | 100,357 |
| Non-controlling interests | | |
| Balance at the beginning of the year | 28,771 | 29,107 |
| Dividends to non-controlling interests | (891) | (1,324) |
| Equity transactions with non-controlling interests | 222 | (36) |
| Other changes | – | (484) |
| Profit for the year attributable to non-controlling interests | 1,848 | 2,237 |
| Other components of equity | (843) | 6 |
| Exchange differences on translation of foreign operations | (650) | (178) |
| Financial assets measured at fair value through other comprehensive income | (53) | 82 |
| Cash flow hedges | (0) | 1 |
| Remeasurement of defined benefit pension plans | (139) | 100 |
| Balance at the end of the year | 29,107 | 29,506 |
| Total Equity | 120,706 | 129,863 |
| Total comprehensive income for the year attributable to: | | |
| Owners of the parent | 3,248 | 10,720 |
| Non-controlling interests | 1,005 | 2,244 |
| Total comprehensive income for the year | 4,253 | 12,965 |

(4) Consolidated statements of cash flows

(Million yen)

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|--|--|--|
| Cash flows from operating activities: | | |
| Profit for the year | 10,808 | 10,286 |
| Depreciation and amortization | 3,082 | 2,885 |
| Impairment loss on property, plant and equipment and intangible assets | 94 | 866 |
| Finance income and costs | 1,326 | 2,767 |
| Share of (profit) loss of investments accounted for using the equity method | (675) | 1,990 |
| (Gain) loss on sale or disposal of property, plant and equipment and intangible assets | 311 | (384) |
| Income tax expense | 7,313 | 7,589 |
| (Increase) decrease in trade and other receivables | 19,262 | (10,613) |
| (Increase) decrease in inventories | 10,664 | 200 |
| Increase (decrease) in trade and other payables | (17,662) | 6,861 |
| Increase (decrease) in retirement benefit liabilities | 274 | (120) |
| Other | 3,812 | (1,437) |
| Sub total | 38,613 | 20,890 |
| Interest received | 491 | 436 |
| Dividends received | 1,193 | 1,503 |
| Interest paid | (2,414) | (2,291) |
| Income taxes paid | (4,860) | (8,686) |
| Net cash provided by (used in) operating activities | 33,024 | 11,852 |
| Cash flows from investing activities: | | |
| Payments for property, plant and equipment | (1,982) | (4,188) |
| Proceeds from sales of property, plant and equipment | 572 | 3,424 |
| Payments for intangible assets | (496) | (605) |
| Purchases of other investments | (5,054) | (986) |
| Proceeds from sale of other investments | 502 | 733 |
| Proceeds from (payments for) acquisition of subsidiaries | 1,178 | (12,786) |
| Proceeds from (payments for) sale of subsidiaries | (165) | (6) |
| Increase in loans receivable | (917) | (1,835) |
| Proceeds from collection of loans receivable | 1,005 | 1,952 |
| Other | 1,142 | (392) |
| Net cash provided by (used in) investing activities | (4,214) | (14,691) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings, net | (9,718) | 7,044 |
| Proceeds from long-term borrowings | 18,687 | 18,786 |
| Repayment of long-term borrowings | (22,231) | (28,857) |
| Proceeds from issuance of bonds | 9,923 | – |
| Dividends paid | (1,678) | (2,308) |
| Payments for acquisition of subsidiaries' interests from non-controlling interests | (328) | (30) |
| Dividends paid to non-controlling interests | (897) | (1,277) |
| Other | (485) | (262) |
| Net cash provided by (used in) financing activities | (6,729) | (6,904) |
| Increase (decrease) in cash and cash equivalents, net | 22,081 | (9,743) |
| Cash and cash equivalents at the beginning of the year | 66,485 | 87,466 |
| Effect of exchange rate changes on cash and cash equivalents | (1,100) | (156) |
| Cash and cash equivalents at the end of the year | 87,466 | 77,566 |

(5) Notes on the consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Significant items regarding the preparation of consolidated financial statements)

Disclosure is omitted as there were no major changes from those stated in the most recent securities report (submitted on June 24, 2016).

(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.

Fiscal 2016 (From April 1, 2015 to March 31, 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 | 235,028 | 222,577 | 135,269 | 63,792 | 656,667 | 11,706 | – | 668,374 |
| Inter-segment | 220 | 2 | 56 | 0 | 279 | 68 | (347) | – |
| Total revenues | 235,249 | 222,579 | 135,325 | 63,792 | 656,947 | 11,774 | (347) | 668,374 |
| Segment profit | 10,658 | 1,427 | 3,388 | 2,964 | 18,439 | 329 | 4 | 18,772 |
| Other profit or loss: | | | | | | | | |
| Depreciation and amortization | 1,036 | 621 | 929 | 364 | 2,951 | 141 | (10) | 3,082 |
| Share of profit (loss) of investments accounted for using the equity method | 278 | 77 | 13 | 34 | 403 | 271 | – | 675 |
| Segment assets | 152,348 | 110,116 | 102,204 | 25,172 | 389,842 | 9,907 | 43,842 | 443,592 |
| Other assets: | | | | | | | | |
| Investments accounted for using the equity method | 3,918 | 1,208 | 50 | 332 | 5,509 | 1,913 | (2) | 7,420 |
| Capital expenditure | 1,604 | 439 | 527 | 278 | 2,850 | 117 | 258 | 3,226 |

(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) Adjustments are as follows.

- (1) Adjustment of ¥4 million for segment profit includes the inter-segment elimination of ¥4 million.
- (2) Adjustment for segment assets amounting to ¥43,842 million includes inter-segment elimination of negative ¥11,964 million and Group assets of ¥55,807 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.
- (3) Adjustment for depreciation and amortization amounting to negative ¥10 million includes inter-segment elimination of negative ¥10 million.
- (4) Adjustment for investments accounted for using the equity method amounting to negative ¥2 million includes inter-segment elimination of negative ¥2 million.
- (5) Adjustment for capital expenditure amounting to ¥258 million includes inter-segment elimination of negative ¥71 million and Group assets of ¥329 million that have not been distributed to reportable segments. These Group assets consist mainly of software, etc. for systems of the Company.

Fiscal 2017 (From April 1, 2016 to March 31, 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 | 254,280 | 227,764 | 131,201 | 50,419 | 663,664 | 11,914 | – | 675,579 |
| Inter-segment | 359 | 4 | 54 | 0 | 419 | 62 | (481) | – |
| Total revenues | 254,640 | 227,769 | 131,256 | 50,419 | 664,084 | 11,977 | (481) | 675,579 |
| Segment profit | 14,348 | 2,489 | 2,820 | 2,223 | 21,881 | 756 | (5) | 22,633 |
| Other profit or loss: | | | | | | | | |
| Depreciation and amortization | 1,202 | 601 | 620 | 333 | 2,758 | 142 | (15) | 2,885 |
| Share of profit (loss) of investments accounted for using the equity method | (2,494) | 103 | 13 | 31 | (2,346) | 355 | – | (1,990) |
| Segment assets | 173,258 | 106,057 | 111,957 | 36,738 | 428,012 | 10,293 | 41,412 | 479,717 |
| Other assets: | | | | | | | | |
| Investments accounted for using the equity method | 531 | 1,354 | 71 | 308 | 2,266 | 2,233 | 385 | 4,885 |
| Capital expenditure | 1,548 | 376 | 164 | 2,537 | 4,627 | 129 | 213 | 4,970 |

(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) Adjustments are as follows.

- (1) Adjustment of negative ¥5 million for segment profit includes the inter-segment elimination of negative ¥5 million.
- (2) Adjustment for segment assets amounting to ¥41,412 million includes inter-segment elimination of negative ¥13,794 million and Group assets of ¥55,206 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.
- (3) Adjustment for depreciation and amortization amounting to negative ¥15 million includes inter-segment elimination of negative ¥15 million.
- (4) Adjustment for investments accounted for using the equity method amounting to ¥385 million includes inter-segment elimination of negative ¥2 million and Group assets of ¥387 million that have not been distributed to reportable segments.
- (5) Adjustment for capital expenditure amounting to ¥213 million includes inter-segment elimination of negative ¥22 million and Group assets of ¥235 million that have not been distributed to reportable segments. These Group assets consist mainly of leased equipment, etc. for systems of subsidiaries.

Adjustments from segment income to income before tax on the consolidated statements of income are as follows.

(Million yen)

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|---|--|--|
| Segment profit | 18,772 | 22,633 |
| Finance income and finance costs | (1,326) | (2,767) |
| Share of profit (loss) of investments accounted for using the equity method | 675 | (1,990) |
| Profit before tax | 18,122 | 17,875 |

(Matters related to business combinations, etc.)

No major business combinations took place in the previous fiscal year (from April 1, 2015 to March 31, 2016).

The major business combination that took place in the fiscal year under review (April 1, 2016 to March 31, 2017) 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 previous fiscal year.

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

| 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 consolidated financial statements

The operating results for the period between April 1, 2016 and March 31, 2017 are included.

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

Revenue: ¥27,800 million

Profit for the year: ¥161 million

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

(Per share information)

(i) Basic earnings per share (yen)

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|--------------------------------|--|--|
| Basic earnings per share (yen) | 21.29 | 19.13 |

Diluted earnings per share is not written because there are no potential shares.

(ii) Basis for the calculation of basic earnings per share

| | Fiscal 2016 (From April 1, 2015 to March 31, 2016) | Fiscal 2017 (From April 1, 2016 to March 31, 2017) |
|---|--|--|
| Profit attributable to owners of the parent (million yen) | 8,959 | 8,049 |
| Amount not attributable to owners of common shares in parent company (million yen) | – | – |
| Profit used to calculate basic earnings per share (million yen) | 8,959 | 8,049 |
| Weighted average number of common shares (thousand shares) | 420,803 | 420,821 |

(Significant subsequent events)

Not applicable.

5. Other

(1) Changes in directors

Changes in directors are as separately disclosed on a timely basis.

(2) Other

Not applicable.