

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

February 2, 2018

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*): February 9, 2018

Scheduled date for commencement of dividend payments: -

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

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

1. Consolidated business results for the first nine months of the fiscal year ending March 2018 (April 1, 2017 – December 31, 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 Nine Months to December 2017	520,914	5.5	18,781	23.5	18,308	30.6	14,304	61.5	12,214	68.0	19,884	55.7
First Nine Months to December 2016	493,744	(2.7)	15,213	10.8	14,016	(5.1)	8,855	(1.9)	7,272	(4.0)	12,772	47.7

	Basic earnings per share	
	Yen	
First Nine Months to December 2017	145.07	
First Nine Months to December 2016	86.41	

(Note) 1. The basic earnings per share is 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" is 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 December 31, 2017	515,901	145,774	115,275	22.3
As of March 31, 2017	479,717	129,863	100,357	20.9

2. Dividends

(Record date)	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)	-	-	-	27.50	-

(Note) 1. Revisions to dividend forecasts published most recently: Yes

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 ¥5.50, and the annual dividend per share will be ¥9.00 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	26,000	14.9	25,000	39.9	15,000	86.4	178.22

(Note) 1. Revisions to results forecasts published most recently: Yes

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 nine months (2017/12): | 84,500,202 shares | Fiscal year (2017/3): | 84,500,202 shares |
| 2. Number of treasury stock | | | |
| First nine months (2017/12): | 289,953 shares | Fiscal year (2017/3): | 322,593 shares |
| 3. Average number of shares during the period (First nine months) | | | |
| First nine months (2017/12): | 84,200,683 shares | First nine months (2016/12): | 84,161,104 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 Nine Months 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 (Note 1) Year end ¥5.50 (Note 2)
2. Forecasts for consolidated results for the fiscal year ending March 2018
Basic earnings per share Full year ¥35.64

- (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 ¥9.00

Accompanying Materials – Contents

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

(1) Details of consolidated results

During the first nine months under review (from April 1, 2017 to December 31, 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 strong consumer spending and the firm expansion of capital investment and exports. The European economy continued to grow solidly, despite concerns about Brexit. 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 nine months under review are as shown below.

Consolidated revenue rose ¥27,170 million (5.5%) year on year, to ¥520,914 million. Consolidated gross profit increased ¥4,915 million (6.9%) from a year earlier, to ¥76,297 million. Consolidated operating profit rose ¥3,568 million (23.5%) from a year earlier, to ¥18,781 million, due to an increase in gross profit. Profit before tax was up ¥4,292 million (30.6%) year on year, to ¥18,308 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 ¥4,942 million (68.0%) year on year, to ¥12,214 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions were solid, primarily with the manufacturing and the service industries. 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 ¥4,479 million year on year, to ¥185,771 million. Operating profit climbed ¥2,458 million to ¥11,570 million.

(ii) Foods & Grain

The food business turned in a solid performance. The meat products business maintained a strong performance, although it decelerated slightly. 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 ¥3,349 million year on year, to ¥174,717 million. Operating profit climbed ¥661 million, to ¥2,879 million.

(iii) Steel, Materials & Plant

The oilfield tubing business improved significantly in North America, given higher oil prices. The functional chemicals and the plant and infrastructure businesses also continued to grow.

As a result, revenue in the Steel, Materials & Plant segment rose ¥17,309 million year on year, to ¥109,996 million. Operating profit climbed ¥1,093 million, to ¥2,323 million.

(iv) Motor Vehicles & Aerospace

The motor vehicles and parts business turned in a solid performance. The aerospace business also maintained a strong performance, mainly due to the strong performance of transactions of aerospace-related products and aircraft parts.

As a result, revenue in the Motor Vehicles & Aerospace Division rose ¥1,367 million year on year, to ¥40,532 million. Operating profit climbed ¥285 million, to ¥2,173 million.

(v) Other

Revenue increased ¥664 million from a year earlier, to ¥9,895 million. Partly due to the impairment loss on fixed assets, an operating loss of ¥162 million was recorded, representing a year on year decline of ¥875 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first nine months of the fiscal year under review increased ¥36,184 million from the end of the previous fiscal year, to ¥515,901 million.

Interest-bearing debt increased ¥276 million from the end of the previous fiscal year, to ¥134,120 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, rose ¥5,097 million from the end of the previous fiscal year, to ¥60,526 million.

In terms of equity, equity attributable to owners of the parent rose ¥14,918 million from the end of the previous fiscal year, to ¥115,275 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 22.3%. The net debt-equity ratio (“net DER”) was 0.5 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first nine months under review fell ¥4,891 million from the end of the previous fiscal year, to ¥72,675 million.

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

(Cash flows from operating activities)

Net cash used in operating activities in the first nine months under review stood at ¥1,147 million (versus net cash provided of ¥2,734 million in the first nine months of the previous fiscal year). This was primarily due to increases in trade receivables, inventories and other operating fund, offsetting the accumulation of operating income.

(Cash flows from investing activities)

Net cash used in investing activities in the first nine months under review was ¥1 million (versus ¥14,216 million in the first nine months 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 nine months under review stood at ¥3,877 million (versus ¥6,251 million in the first nine months of the previous fiscal year). This was mainly due to factors such as dividends paid and the repayment of debt, offsetting proceeds from the issuance of bonds.

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

In light of the business performance in the first nine months of the fiscal year under review as well as the future outlook, we have revised the forecasts for consolidated results that we announced on May 10, 2017, as follows.

Revision of consolidated business performance for the fiscal year ending March 31, 2018

(April 1, 2017 – March 31, 2018)

	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
Previously announced forecast (A)	700,000	25,000	23,500	12,000	142.58
Revised forecast (B)	700,000	26,000	25,000	15,000	178.22
Difference (B-A)	-	1,000	1,500	3,000	-
Increase/decrease (%)	-	4.0	6.4	25.0	-
(for reference) Actual results of the previous fiscal year	675,579	22,633	17,875	8,049	95.64

(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. Basic earnings per share described in the actual results of the previous fiscal year above are calculated on the assumption that the consolidation of shares has been carried out at the beginning of the previous fiscal year.

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 December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	77,566	72,675
Trade and other receivables	191,193	213,116
Inventories	80,662	97,461
Other financial assets	3,705	3,223
Other current assets	18,200	19,815
Sub total	371,329	406,292
Assets held for sale	–	1,481
Total current assets	371,329	407,774
Non-current assets		
Property, plant and equipment	26,858	23,274
Goodwill	6,304	6,479
Intangible assets	20,935	20,649
Investments accounted for using the equity method	4,885	5,207
Trade and other receivables	1,169	1,746
Other investments	34,112	40,031
Other financial assets	5,295	4,594
Deferred tax assets	5,018	2,771
Other non-current assets	3,807	3,372
Total non-current assets	108,388	108,126
Total assets	479,717	515,901

(Million yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,011	192,776
Bonds and borrowings	64,643	59,959
Other financial liabilities	5,255	6,651
Income taxes payable	4,226	1,392
Provisions	28	95
Other current liabilities	26,291	19,142
Total current liabilities	265,455	280,017
Non-current liabilities		
Bonds and borrowings	69,201	74,160
Other financial liabilities	6,118	5,871
Retirement benefits liabilities	6,641	6,691
Provisions	1,397	1,543
Deferred tax liabilities	424	862
Other non-current liabilities	614	979
Total non-current liabilities	84,398	90,109
Total liabilities	349,854	370,127
Equity		
Share capital	27,781	27,781
Capital surplus	26,797	26,811
Retained earnings	34,579	44,241
Treasury stock	(217)	(193)
Other components of equity		
Exchange differences on translation of foreign operations	2,349	2,858
Financial assets measured at fair value through other comprehensive income	9,455	14,114
Cash flow hedges	(388)	(337)
Total other components of equity	11,416	16,635
Total equity attributable to owners of the parent	100,357	115,275
Non-controlling interests	29,506	30,498
Total equity	129,863	145,774
Total liabilities and equity	479,717	515,901

(2) Condensed consolidated statements of income / Condensed consolidated statements of comprehensive income
(Condensed consolidated statements of income)
(First nine months)

(Million yen)

	Previous first nine months (From April 1, 2016 to December 31, 2016)	First nine months under review (From April 1, 2017 to December 31, 2017)
Revenue	493,744	520,914
Cost of sales	(422,361)	(444,616)
Gross profit	71,382	76,297
Selling, general and administrative expenses	(55,958)	(57,402)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	489	(94)
Impairment loss on property, plant and equipment and intangible assets	(144)	(1,059)
Other income	950	1,496
Other expenses	(1,506)	(457)
Total other income (expenses)	(210)	(114)
Operating profit	15,213	18,781
Finance income		
Interest income	314	284
Dividend income	800	603
Other finance income	–	10
Total finance income	1,115	897
Finance costs		
Interest expenses	(1,716)	(1,813)
Other finance costs	(126)	(966)
Total finance costs	(1,842)	(2,780)
Share of profit (loss) of investments accounted for using the equity method	(469)	1,409
Profit before tax	14,016	18,308
Income tax expense	(5,160)	(4,004)
Profit for the period	8,855	14,304
Profit attributable to:		
Owners of the parent	7,272	12,214
Non-controlling interests	1,583	2,089
Total	8,855	14,304
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	86.41	145.07

(Condensed consolidated statements of comprehensive income)
(First nine months)

(Million yen)

	Previous first nine months (From April 1, 2016 to December 31, 2016)	First nine months under review (From April 1, 2017 to December 31, 2017)
Profit for the period	8,855	14,304
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Financial assets measured at fair value through other comprehensive income	2,749	4,832
Remeasurement of retirement benefits liabilities defined benefit pension plans	(233)	76
Share of other comprehensive income of investments accounted for using the equity method	20	7
Total items that will not be reclassified to profit and loss	2,536	4,915
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	108	652
Cash flow hedges	1,360	50
Share of other comprehensive income of investments accounted for using the equity method	(89)	(38)
Total items that may be reclassified to profit and loss	1,380	664
Other comprehensive income for the period, net of tax	3,917	5,580
Total comprehensive income for the period	12,772	19,884
Total comprehensive income for the period attributable to:		
Owners of the parent	10,968	17,616
Non-controlling interests	1,804	2,268
Total	12,772	19,884

(3) Condensed consolidated statement of changes in equity

(Million yen)

	Previous first nine months (From April 1, 2016 to December 31, 2016)	First nine months under review (From April 1, 2017 to December 31, 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	3	13
Equity transactions with non-controlling interests	4	0
Other changes	326	–
Balance at the end of the period	26,797	26,811
Retained earnings		
Balance at the beginning of the period	29,103	34,579
Dividends	(2,314)	(2,736)
Profit attributable to owners of the parent	7,272	12,214
Reclassification from other components of equity	(269)	183
Balance at the end of the period	33,791	44,241
Other components of equity		
Balance at the beginning of the period	8,486	11,416
Exchange differences on translation of foreign operations	(109)	508
Financial assets measured at fair value through other comprehensive income	2,719	4,766
Cash flow hedges	1,399	51
Remeasurement of defined benefit pension plans	(313)	76
Reclassification to retained earnings	269	(183)
Balance at the end of the period	12,451	16,635
Treasury stock		
Balance at the beginning of the period	(235)	(217)
Acquisition of treasury stock	(3)	(6)
Disposition of treasury stock	22	30
Balance at the end of the period	(216)	(193)
Total equity attributable to owners of the parent	100,606	115,275
Non-controlling interests		
Balance at the beginning of the period	29,107	29,506
Dividends to non-controlling interests	(1,281)	(1,274)
Equity transactions with non-controlling interests	(62)	(1)
Other changes	(457)	–
Profit attributable to non-controlling interests	1,583	2,089
Other components of equity	221	178
Exchange differences on translation of foreign operations	89	103
Financial assets measured at fair value through other comprehensive income	50	73
Cash flow hedges	1	0
Remeasurement of defined benefit pension plans	80	–
Balance at the end of the period	29,109	30,498
Total equity	129,716	145,774
Total comprehensive income for the period attributable to:		
Owners of the parent	10,968	17,616
Non-controlling interests	1,804	2,268
Total comprehensive income for the period	12,772	19,884

(4) Condensed consolidated statements of cash flows

(Million yen)

	Previous first nine months (From April 1, 2016 to December 31, 2016)	First nine months under review (From April 1, 2017 to December 31, 2017)
Cash flows from operating activities:		
Profit for the period	8,855	14,304
Depreciation and amortization	2,099	2,383
Impairment loss on property, plant and equipment and intangible assets	144	1,059
Finance income and costs	727	1,882
Share of (profit) loss of investments accounted for using the equity method	469	(1,409)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	(489)	94
Income tax expense	5,160	4,004
(Increase) decrease in trade and other receivables	(4,259)	(25,516)
(Increase) decrease in inventories	(4,703)	(16,265)
Increase (decrease) in trade and other payables	8,579	27,175
Increase (decrease) in retirement benefit liabilities	69	19
Other	(5,431)	(3,530)
Sub total	11,223	4,201
Interest received	316	281
Dividends received	1,401	1,866
Interest paid	(1,528)	(1,647)
Income taxes paid	(8,677)	(5,850)
Net cash provided by (used in) operating activities	2,734	(1,147)
Cash flows from investing activities:		
Payments for property, plant and equipment	(3,497)	(1,516)
Proceeds from sales of property, plant and equipment	2,486	1,278
Payments for intangible assets	(398)	(208)
Purchases of other investments	(220)	(91)
Proceeds from sale of other investments	255	242
Proceeds from sale of other financial assets	–	1,010
Proceeds from (payments for) acquisition of subsidiaries	(12,786)	(362)
Proceeds from (payments for) sale of subsidiaries	(6)	–
Increase in loans receivable	(547)	(1,412)
Proceeds from collection of loans receivable	915	1,216
Other	(416)	(157)
Net cash provided by (used in) investing activities	(14,216)	(1)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	2,959	(577)
Proceeds from long-term borrowings	2,101	2,093
Repayment of long-term borrowings	(7,636)	(11,214)
Proceeds from issuance of bonds	–	9,928
Dividends paid	(2,198)	(2,636)
Payments for the acquisition of ownership interests in subsidiaries from non-controlling interest shareholders	(30)	–
Dividend payments to non-controlling interest shareholders	(1,253)	(1,257)
Other	(193)	(212)
Net cash provided by (used in) financing activities	(6,251)	(3,877)
Increase (decrease) in cash and cash equivalents, net	(17,733)	(5,026)
Cash and cash equivalents at the beginning of the period	87,466	77,566
Effect of exchange rate changes on cash and cash equivalents	(121)	135
Cash and cash equivalents at end of the period	69,611	72,675

(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 nine months (From April 1, 2016 to December 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	181,292	171,368	92,687	39,165	484,513	9,231	–	493,744
Inter-segment	218	5	40	–	264	47	(312)	–
Total revenues	181,510	171,374	92,727	39,165	484,777	9,278	(312)	493,744
Segment profit (loss)	9,112	2,218	1,230	1,888	14,449	713	50	15,213

(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 ¥50 million for segment profit (loss) includes an inter-segment elimination of ¥50 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 nine months under review (From April 1, 2017 to December 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	185,771	174,717	109,996	40,532	511,018	9,895	–	520,914
Inter-segment	178	4	53	11	248	47	(295)	–
Total revenues	185,950	174,722	110,050	40,543	511,266	9,943	(295)	520,914
Segment profit (loss)	11,570	2,879	2,323	2,173	18,947	(162)	(3)	18,781

(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 -¥3 million for segment profit (loss) includes an inter-segment elimination of -¥3 million.

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

(Million yen)

	Previous first nine months (From April 1, 2016 to December 31, 2016)	First nine months under review (From April 1, 2017 to December 31, 2017)
Segment profit	15,213	18,781
Finance income and finance costs	(727)	(1,882)
Share of profit (loss) of investments accounted for using the equity method	(469)	1,409
Profit before tax	14,016	18,308

(Matters related to business combinations, etc.)

The major business combination that took place in the first nine months of the previous fiscal year (from April 1, 2016 to December 31, 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 on the acquisition date:	4,613 million
Payments for acquisition of subsidiaries shares:	-¥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 December 31, 2016 are included.

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

Revenue: ¥20,176 million

Profit for the period: -¥40 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 nine months under review (from April 1, 2017 to December 31, 2017).

(Significant subsequent events)

Not applicable.