GENERATING NEW VALUE

ANNUAL REPORT 2017

To Our Stakeholders

Accelerating Business Creation to Spur Growth

At Kanematsu, we have codified the entrepreneurial spirit of the Company's founder, Fusajiro Kanematsu, in our Corporate Principle. Toward our corporate aspiration of "being a 'Value Creator' by continuing to build new businesses," we are implementing VISION-130, our medium-term vision. While maintaining financial soundness and working to expand revenue through cooperation and mutual development based on trading with our business partners, we are more deeply developing business domains where we have strength and aggressively making new investments to spur business creation from a long-term perspective.

I believe that the true role of a trading company is to create new businesses and approaches to value, and by doing so, contribute to international society. To fulfill this role, we will continue working to ensure that we reach the goals of our medium-term vision while reinforcing our management base, including corporate governance, and developing the human resources that are the driving force by which the future is built.

Going forward, we will redouble our efforts to increase our enterprise value by pursuing functions and generating value unique to the Kanematsu Group.

July 2017

Kaoru Tanigawa
President

Corporate Principle

"Let us sow and nurture the seeds of global prosperity"

"Sow a seed now," and take action to benefit people around the globe, bade our founder, Fusajiro Kanematsu, setting a standard of public duty that we at Kanematsu continue to uphold through a commitment to ethical business principles and corporate responsibility.

The beliefs and philosophies that inspired Fusajiro Kanematsu in the late nineteenth century Meiji period, a time when Japan was striving to build a national economy, were encapsulated in the document *Our Beliefs: Kanematsu's Guiding Principles* in 1967, on the occasion of our merger with The Gosho Company.

Our Beliefs: Kanematsu's Guiding Principles

1. Reflecting the pioneering spirit of our predecessors, we believe that fairness and justice should guide our business dealings and the wise use of creative imagination and ingenuity will bring prosperity
2. Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all.
3. As members of a corporation, we act not as individuals but as representatives of that organization and as such we are bound by Company rules and attendant loyalties and must work together with a spirit of cooperation while cultivating mutual understanding and respect for fellow members.

Editorial Policy

The content of the Kanematsu Group annual reports is based on an integrated reporting approach with reference to the International Integrated Reporting Council's International Integrated Reporting Framework, the G4 Sustainability Reporting Guidelines, a set of international standards created by the Global Reporting Initiative, and ISO 26000. We hope that the report will help readers deepen their understanding of the Kanematsu Group.

Forward-Looking Statements

This annual report contains statements regarding the Kanematsu Group's plans, strategies, and expectations for future performance. Such statements are inherently subject to risk and uncertainty. Actual results could diverge materially from the Group's projections due to changes in the economic and market environment surrounding the Group's business areas, such as exchange rate fluctuation.

Kanematsu's Progress and Strengths

Special Features

Review of Operations

CSR and Corporate Governance

Financial Section and Company Information

The Kanematsu Group's Value Creation Process

We have laid out the ways that the Kanematsu Group creates value in the short, medium and long terms from an integrated perspective. The Kanematsu Group's Corporate Principle was created as a codification of the entrepreneurial spirit passed down from the Group's founder, Fusajiro Kanematsu. Based on this principle and in light of social issues and other external factors, we utilize various forms of capital amassed through our corporate activities over the years to build the future. The chart below explains this process.

Social Issues

Market changes, market relocation, evolution in the needs of customers and business partners

Organizational Capital

- Five divisions, organized by business field, each with specific expertise
- Organizational functions that support business activities from specialized perspectives
- Locations around the world
- Highly specialized Group companies

Human and Intellectual Capital

- Wide range of business fields
- Expertise and technical capabilities regarding industries and products
- Accumulated know-how
- Global professionals/Diverse professionals
- Business creation and proposal abilities

Financial Capital

- Sound financial position (Net D/E ratio of less than 1.0)
- Stable earnings base
- Average annual cash flows of approximately ¥20 billion

Social and Relationship Capital

- High quality and quantity of business partners
- Contribution to local communities
- Trust built over our 128-year history

Natural Capital

- Biodiversity (animals, plants, fungi, etc.)
- Sunlight, air, forests, and soil
- Geothermal, wind, and other forms of renewable energy

"Let us sow and nurture the seeds of global prosperity"

"Being a 'Value Creator' and continuing to build new businesses"

Businesses in the areas where we have strength and expertise (our four segments)

- Electronics & Devices
- Foods, Grain, Oilseeds & Feedstuff (Foods/ Grain, Oilseeds & Feedstuff)
- Steel, Materials & Plant
- Motor Vehicles & Aerospace

Building on existing trading operations through cooperation and mutual development with our business partners

- Providing products that meet customer needs
- Providing safe, reliable products
- Providing products and services with added value
- Building global value chains
- Developing new products and technologies
- Business investment and M&A that create synergy
- Business activities that contribute to the global environment

Bolstering the management base

- Increasing sophistication of investment risk management
- Strengthen governance
- Develop global professionals

Under the VISION-130 medium-term vision we aim for "being a 'Value Creator' by continuing to build new businesses." Accordingly, we are striving to embody the Kanematsu Group's traditional entrepreneurial spirit and further increase enterprise value.

VISION-130

Kanematsu takes on new challenges for further growth

April 2014 – March 2019

Being a "Value Creator" by continuing to build new businesses

Timeline following major business selection and concentration

- April 2004 – March 2007 Medium-Term Business Plan: "New KG200"
- April 2007 – March 2010 Medium-Term Business Plan: "team KG120"

Building strong business foundations

- April 2010 – March 2013 Medium-Term Business Plan: *"S-Project"*
- April 2013 – March 2016 Medium-Term Business Plan —Jump to the next stage—
- As a result of restructuring, we enhanced our business foundations and achieved a net D/E ratio of 0.9 times, improved the equity ratio to 16.7%, and paid dividends for the first time in 15 years in fiscal 2014
- We further strengthened our financial position in fiscal 2015

Shifting to an aggressive management stance

- VISION-130 medium-term vision unveiled in April 2014
- Aiming for further growth leading up to fiscal 2019, the Company's 130th anniversary
- Establishment of a clear edge in highly specialized fields Reinforcing market competitiveness in six focus areas
- New investment in business expansion and M&As Investment capacity of up to ¥100 billion over five years

Business Areas

Motor Vehicles & Aerospace

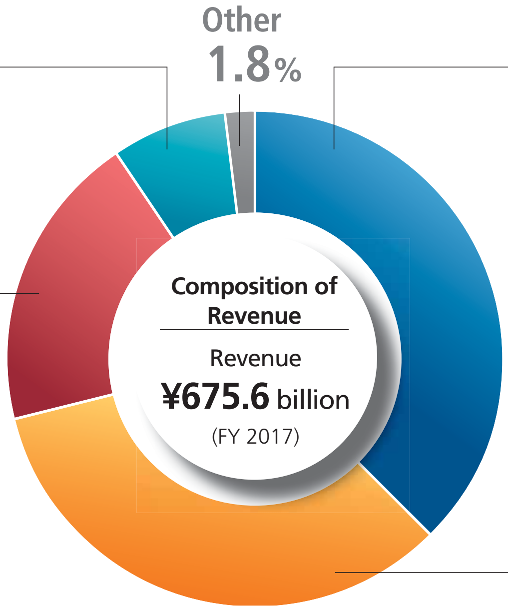
7.5%

- Motor Vehicles and Parts
- Aerospace

Steel, Materials & Plant

19.4%

- Steel
- Materials (Functional Chemicals and Energy)
- Plant and Ships



Electronics & Devices

37.6%

- Semiconductors
- Electronic Components and Materials
- Industrial Electronics
- Semiconductor Equipment
- ICT Solutions
- Mobile

Foods, Grain, Oilseeds & Feedstuff

33.7%

- Foods
- Meat and Marine Products
- Grain, Food Soybeans, Oilseeds
- Feedstuffs
- Processed Agricultural Products
- Pet Products and Groceries

*Beginning with reporting for fiscal 2016, Kanematsu prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

Progress Under the Medium-Term Business Plan

	FY2017	FY2019 Targets
Consolidated net income*	8.0 billion yen	15.0 billion yen
ROE	8.4%	12%
Shareholders' Equity**	100.4 billion yen	Over 120.0 billion yen
Net D/E ratio	0.55	Less than 1.0
Consolidated payout ratio	31.4%	Stable and sustained payments targeting a consolidated payout ratio of 25%

* Profit for the year attributable to owners of the Parent ** Total equity attributable to owners of the Parent

Growth-Oriented Investment Strategies

New investments using funds provided by operating activities

Improve financial stability through diversification of funding vehicles

Build a system to ensure the flexibility needed to fund future growth

▶ Shelf registration of ¥30 billion in straight corporate bonds

Investment standards

Establish Companywide investment standards

▶ Formulate standards for market entry and exit

Standards for entry

- **Qualitative standards:**
  Invest in the areas where the Company excels based on knowledge and experience; Do not invest in resource development or the real estate sector.
- **Quantitative standards:**
  Companywide minimum standards:
  - IRR: 10% (including peripheral transactions on a consolidated basis)
  - Payback period: Within seven years, as a rule

Standards for exit

- **Formulate Companywide minimum standards**
- **In addition, as before, specific standards will be established for each individual case**

At the same time, establish a system of following up on cases

▶ Investments shall be monitored at the management level

▶ Established the Business Development & Investment Innovation Office as an organ to support M&A

Six Key Strategic Business Areas & Innovation

Six key strategic business areas

- ICT solutions
- Mobile
- Asian food markets
- North American shale oil and gas markets
- Global motorization
- Overseas expansion by Japanese companies

Special Feature p.18

Innovation

- Technological support
  Technological support in the in-car product and EMS areas; Camera –related business
- TPP Response
  Strengthen functions in the foods and grains areas ahead of the TPP

Management Objective

Both maintain financial soundness and expand the earnings base

The Kanematsu Group is implementing its medium-term vision for the period leading up to fiscal 2019—VISION-130: Kanematsu takes on new challenges for further growth—the end of which coincides with the 130th anniversary of the Group's founding. Our key aspiration under the medium-term vision is "being a 'Value Creator' and continuing to build new businesses." In line with this vision, we are striving to both ensure business stability by prioritizing the maintenance of financial soundness and expand the earnings base by steadily capturing business opportunities. By more deeply developing business domains where we are already strong and making new investments, we aim to raise corporate value to new levels.

Six key strategic business areas

1 ICT solutions

2 Mobile

3 Asian food markets

4 North American shale oil and gas markets

5 Global motorization

6 Overseas expansion by Japanese companies

Innovation

Technological Support

TPP Response

Main points: **Leverage Kanematsu's competitive advantage as a provider of multi-vendor solutions to reinforce the Group's overall strength by bolstering sales capabilities and management efficiency**

Key Regions: Japan, Asia (China, Southeast Asia)

Key Business Companies: Kanematsu Electronics Ltd., Nippon Office Systems Ltd.

Strengths: **Providing IT Infrastructure with One-Stop Services**
- Strengthening system integration functions through M&As
- Strengths in infrastructure development and virtualization businesses
- Competitive advantage as a vendor of multifaceted solutions

Main points: **Realize scale expansion and synergies through M&A**

Key Region: Japan

Key Business Company: Kanematsu Communications Ltd.

Strengths: **Capturing Domestic Market Share and Pursuing New Growth**
- Developing a comprehensive mobile & communications business based on mobile devices
- Nationwide sales locations
- Providing ASP services for corporations

Main points: **Develop business as a one-stop shop for concept development, manufacturing, and supplies, and build value-chain infrastructure**

Key Region: Asia

Key Business Companies: Kanematsu Corporation, PT. Kanemory Food Service, PT. Aeternit Prima Mandiri

Strengths: **Building Value Chain Infrastructure**
- Entering animal feedstuff/feedstuffs materials and other upstream areas
- One-stop proposal, manufacturing, and supply
- Rigorous traceability management
- Know-how in Japan and Group strengths

Main points: **Expand oilfield tubing value chains**

Key Region: North America

Key Business Companies: Kanematsu Corporation, Benoit Premium Threading, LLC, Steel Service Oilfield Tubular, Inc.

Strengths: **Steady Investment Targeting Demand**
- Constructing a value chain in North America
- Medium- and long-term expansion of the oilfield tubing market
- Preparing a framework in anticipation of recovery in oil prices

Main points: **Sourcing, technology development, and improved logistics in the global auto market**

Key Regions: The Americas, Europe, Asia

Key Business Companies: Kanematsu Corporation, Aries Motor Ltd., Aries Power Equipment Ltd., Kanematsu Advanced Materials Corp.

Strengths: **Making New Proposals to Meet Partners' Needs**
- Technological support and quality management capabilities for OEM automobile component trading
- Global sales and sourcing capabilities and logistics network
- Identifying/suggesting high-value-added performance materials and products

Main points: **Support and collaborate with Japanese makers moving into overseas markets**

Key Regions: North America, emerging countries

Key Business Company: Kanematsu Corporation

Strengths: **Support Based on Know-How in Main Fields**
- Further expanding overseas network from around 40 cities currently and bolstering overseas staff
- Providing backup in the areas of machine tools and industrial machinery for Japanese manufacturers expanding into emerging countries
- Supporting customers that seek growth opportunities in Asia through the new fund

Main points: **Technological support in the in-car product and EMS areas; Camera-related businesses**

Key Regions: Japan, Asia

Key Business Companies: Kanematsu Sustech Corporation, Kantatsu Co., Ltd., Kanematsu Advanced Materials Corp.

Strengths: **Providing High-Level Technological Capabilities and Products**
- Kanematsu Advanced Materials Corp. Established
- Capital and business alliance with Nippon Manufacturing Service Corporation
- Kanematsu Sustech Corporation became a consolidated subsidiary
- Micro-lens unit business (Kantatsu Co., Ltd.) expanded

Main points: **Strengthen functions in the foods and grain areas ahead of the TPP**

Key Regions: Japan, Asia

Key Business Companies: Kanematsu Corporation, Kanematsu Agritec Co., Ltd.

Strengths: **Support for Stronger Farms and Expanding Sales of Imported Animal Products**
- Reinforce animal feedstuff and meat product business and respond to industry reorganization
- Entering the smart agriculture field
- Participating in businesses aimed at making livestock a "sixth industry"

Financial and ESG Highlights

(As of March 31, 2017)

	JGAAP				
	2007	2008	2009	2010	2011
For the year:					
Net sales[3]	¥1,281,331	¥1,244,020	¥1,138,755	¥861,277	¥936,891
Revenue	—	—	—	—	—
Gross profit	103,711	90,327	86,292	74,104	76,905
Operating income/Operating profit	21,713	22,605	19,027	12,186	18,029
Income (loss) before income taxes and minority interests/Profit before tax	14,615	28,975	77	8,407	13,030
Net income (loss)/Profit for the year attributable to owners of the Parent[4]	7,507	19,016	(12,787)	3,528	9,175
Cash flows from operating activities	20,874	14,308	17,177	26,441	7,827
Cash flows from investing activities	23,149	38,799	(370)	(19,149)	17,322
Free cash flow	44,023	53,107	16,807	7,292	25,149
At year-end:					
Total assets	563,176	503,456	414,928	398,629	388,676
Net assets/Total equity	48,767	62,239	42,035	45,804	49,576
Shareholders' equity/Total equity attributable to owners of the Parent	32,959	45,587	24,936	28,916	33,101
Net interest-bearing debt	204,900	148,944	134,582	109,350	104,612
Per share (yen):					
Net income/Basic earnings per share attributable to owners of the Parent[4]	¥17.94	¥ 45.44	¥(30.56)	¥ 8.44	¥21.93
Net assets/Total equity	78.75	108.95	59.61	69.15	79.07
Cash dividends	—	—	—	—	—
Financial indicators:					
Return on equity (ROE) (%)	25.46	48.42	(36.26)	13.10	29.59
Equity ratio (%)	5.9	9.1	6.0	7.3	8.5
Net D/E ratio (times)	6.2	3.3	5.4	3.8	3.2
ESG* (Non-Financial) Data: *ESG: Short for environmental, social, and corporate governance.					
Employees—consolidated	4,545	4,543	4,874	4,871	4,770
Employees—non-consolidated (Women)	859 (234)	872 (251)	890 (262)	850 (264)	832 (250)
Percentage of women among employees—non-consolidated	27%	29%	29%	31%	30%
CO_2 emissions (t-CO_2)	823.59	577.95	450.29	368.25	482.36
Directors (Outside directors)[5]	11 (0)	11 (0)	10 (0)	10 (0)	10 (0)
Audit & Supervisory Board Members[5] (Outside Audit & Supervisory Board Members)	5 (3)	4 (3)	4 (3)	4 (3)	4 (3)

Notes For the above items with two titles, the first applies to figures under JGAAP and the second to figures under IFRS.

1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.
2. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥112.19 to U.S.$1.00, the exchange rate prevailing on March 31, 2017.
3. Net sales shown here for fiscal 2015 and after are based on accounting principles generally accepted in Japan, calculated as the sum of transactions in which the Group acted as a party to the contract and transactions in which the Group acted as agent.
4. JGAAP: Net income attributable to owners of the Parent / IFRS: Profit for the year attributable to owners of the Parent.
5. The number following the General Meeting of Shareholders, after the year-end.

			IFRS			
					Millions of yen[1]	Thousands of U.S. dollars[2]
2012	2013	2014	2015	2016	**2017**	**2017**
¥1,006,365	¥1,019,232	¥1,114,539	¥1,108,230	¥1,056,230	**¥1,100,254**	**$9,807,059**
—	—	—	704,211	668,374	**675,579**	**6,021,748**
80,900	80,021	86,402	87,880	86,238	**100,139**	**892,589**
21,426	18,262	19,776	23,547	18,772	**22,633**	**201,739**
13,529	16,781	19,075	22,373	18,122	**17,875**	**159,334**
6,110	9,564	11,799	10,546	8,959	**8,049**	**71,748**
15,822	1,355	22,384	6,758	33,024	**11,852**	**105,647**
1,291	1,466	(1,111)	(6,649)	(4,214)	**(14,691)**	**(130,951)**
17,113	2,821	21,273	109	28,810	**(2,839)**	**(25,304)**
399,753	399,186	428,459	466,314	443,592	**479,717**	**4,275,941**
55,992	75,912	96,204	119,015	120,706	**129,863**	**1,157,530**
39,008	54,519	71,657	90,244	91,599	**100,357**	**894,527**
90,012	86,439	68,038	72,155	48,813	**55,429**	**494,063**
¥14.60	¥ 22.80	¥ 28.09	¥ 25.10	¥ 21.29	**¥ 19.13**	**$0.17**
93.16	129.82	170.54	214.76	217.68	**238.44**	**2.13**
—	—	3.00	4.00	5.00	**6.00**	**0.05**
16.95	20.45	18.70	12.99	9.85	**8.39**	
9.8	13.7	16.7	19.4	20.6	**20.9**	
2.3	1.6	0.9	0.8	0.5	**0.6**	
4,770	5,522	5,747	6,002	5,832	**6,727**	
795 (238)	782 (242)	800 (246)	813 (253)	816 (259)	**835 (273)**	
30%	31%	31%	31%	32%	**33%**	
376.92	365.37	414.58	387.80	408.02	**426.33**	
10 (0)	10 (0)	6 (1)	7 (2)	7 (2)	**8 (3)**	
4 (3)	4 (3)	4 (2)	4 (3)	4 (3)	**4 (3)**	

Interview with the President

It was my honor to assume the position of president in June 2017.

Under the VISION-130 medium-term vision for the period leading up to 2019, the 130th anniversary of Kanematsu's founding, our management objectives are to both maintain financial soundness and expand the earnings base. By doing so, we are working toward our key aspiration of "being a 'Value Creator' by continuing to build new businesses." We regard the achievement of the objectives of VISION-130 as just a waypoint on our forward trajectory. By taking a long-term perspective to ensure we stay ahead of the curve, we are working to achieve steady growth and increase Kanematsu's enterprise value.

President

Kaoru Tanigawa

Q1 Please tell us about your goals and intentions as president.

I want to make sure that all our employees and their families can take pride in Kanematsu, and to increase Kanematsu's enterprise value so that it can better contribute to society. To that end, my mission is to make the Group's path forward to growth clearer and to build new business models. The realization of VISION-130, which we are implementing now, will be just a point along that path, and I am aiming for growth far beyond its end. In this way, I hope to raise the Group's enterprise value so that it will continue to contribute to Japan's economy.

Drawing on the Kanematsu Group's capabilities, we will create international supply chains, connecting Japan to other countries and other countries to one another. I also aim to advance cutting-edge initiatives ahead of the curve. Furthermore, I hope to develop human resources with the skills to manage businesses and to nurture greater expertise throughout the Group.

After a number of years working in the electronic devices business in both Japan and the United States, I became involved in corporate management and planning. Most recently, I've been involved in several M&As, accumulating know-how for business expansion going forward. In addition, I've worked with some of our younger employees to build interdivisional teams around such themes as cutting-edge technologies, thereby advancing information gathering and research. As president I will foster communication, such as that promoted by these teams, while taking the helm in making even larger decisions.

Q2 How do you see Kanematsu's current position and the hurdles and risks it faces?

Through business selection and concentration, the Kanematsu Group has been reinforcing its management base. Under the VISION-130 medium-term vision, launched in April 2014, we have focused on our areas of strength, seeking to both broaden and deepen our businesses. In such areas across our four segments, we are developing business models centered on trading—our basic function as a trading company—that utilize supply chains in and outside Japan, working to expand profit through cooperation and mutual development with our business partners. The true role of a trading company, of course, is to create new approaches to value and new businesses. For quite some time now, the Kanematsu Group has been focusing on rebuilding its management base, a situation that has, frankly, negatively affected our speed of new business creation.

In terms of management hurdles, urgent medium-term tasks include creating mechanisms for steadily generating profit, improving profitability, and cultivating new businesses as well as revising our business portfolio. Over the long term, I believe that our traditional trading operations are headed for a major turning point as a result of sweeping changes in demand and lifestyles accompanying the evolution of artificial intelligence (AI) and the Internet of Things (IoT) as well as, in Japan, the shrinking population and market.

In light of such management hurdles and risks, to turn changes in society into business opportunities, we must breathe new life into the business creation aspects of our corporate culture. Since its founding, entrepreneurial spirit, creative imagination, and ingenuity have been basic tenets of the Kanematsu Group. As the inheritors of this tradition, all of us in the Group must work together to foster a strong drive toward business creation.

To secure and expand new businesses, we will actively utilize M&A. For example, in fiscal 2017, the year ended March 31, 2017, we acquired a mobile phone sales company and took over a card printer business. By establishing clear policies and goals for the companies we invest in and integrating our businesses based on mutual respect for each company's corporate culture and personnel, we will strive to quickly realize synergies. We will build businesses that offer new added value while quickly establishing business models that incorporate sophisticated functions, such as for managing the parts of various supply chains. To make this happen, we must reinforce human resource development aimed at raising the quality of our employees and work to shift mindsets within the Group.

Q3 Please tell us about Kanematsu's fiscal 2017 results.

In fiscal 2017, the U.S. economy expanded steadily, supported by firm domestic demand, while the economies of China and other emerging economies, especially those of Asia, showed signs of slowing even as they continued to grow. In Japan, personal consumption remained weak, but the economy improved, albeit gradually, supported by governmental economic measures and the Bank of Japan's monetary measures. However, in light of political risk in European countries, policy trends in the United States, and other causes for concern overseas, the outlook going forward remained unclear.

Fiscal 2017 revenue came to ¥675.6 billion, up 1.1% year on year. Operating profit rose 20.6% to ¥22.6 billion. We saw firm business performance, particularly in the ICT solutions business and mobile business as well as in the meat product business, which saw improved profit due to market recovery. However, Kanematsu also incurred financial costs due to changes in the market values of investment securities and a loss on investments accounted for using the equity method. As a result, profit for the year attributable to owners of the Parent decreased 10.2% year on year to ¥8.0 billion.

Pursuing Active Investments Centered on The Six Key Strategic Business Areas & Innovation

(Billions of yen)

	VISION-130		
	FY2015	FY2016	FY2017
Electronics & Devices	4.8	2.4	13.4
Foods, Grain, Oilseeds & Feedstuff	0.4	2.0	0.2
Steel, Materials & Plant	0.0	0.0	0.0
Motor Vehicles & Aerospace	0.5	0.0	1.8
Others	0.0	0.3	0.1
Fixed assets etc.	3.2	(0.5)	(0.8)
Cash flow from investing activities	8.9	4.2	14.7

Electronics & Devices

ICT Solutions

- FY2015: Nippon Office Systems Ltd. (which became a consolidated subsidiary in FY2013) became a wholly owned subsidiary (total ¥2.7 billion)

Mobile

- FY2016: Invested in Alfa Group Inc. (¥0.4 billion).
- FY2017: Acquired Diamondtelecom, Inc. (¥17.4 billion).

Technological support (camera-related business)

- FY2015: Kanematsu-NNK Corporation (now Kanematsu Sustech Corporation) became a subsidiary (¥1.5 billion).
- Underwrote convertible bonds and preferred shares of Kantatsu (total ¥2.5 billion).

Printer business

- FY2017: Acquired shares of G-Printec, Inc. jointly with AZ-Star Co., Ltd. (¥0.6 billion)

Foods, Grain, Oilseeds & Feedstuff

Asian food markets

- Developed the franchise business for restaurant chains in Japan and for Indonesia.
- Strengthened cooperation with stable suppliers to increase sales of feedstuff to Asia.

TPP response (advance into overseas food markets)

- Participated in the Be Smile Project, a sixth sector business.

Others

Overseas expansion by Japanese companies

- FY2016: Participated in a fund that supports business expansion in Asia (AZ-Star).

These results were somewhat less than satisfactory. One issue was our limited control over equity-method affiliates. Going forward, we will place greater emphasis on carefully evaluating the influence that the performance of companies in which we invest will have on Kanematsu in order to minimize the risk presented by loss on investments accounted for by the equity method.

Looking at our consolidated financial status, total equity attributable to owners of the Parent rose to ¥100.4 billion, reflecting retained earnings and an increase in the fair value of financial assets due to stock price increases recorded under other comprehensive income. As a result, Kanematsu's financial position remained sound, with the equity ratio up 0.3 of a percentage point to 20.9% and the net D/E ratio at 0.6.

Q4 Please tell us about the progress of VISION-130 and your determination to achieve its goals.

As I said earlier, the realization of VISION-130 will be but a waypoint along the path to further growth, and the achievement of its goals is essential.

Markets are changing, and demand for greater specialization is rising. The companies that are able to meet that demand are profiting. That is, there is a clear reward for filling that role. Given these circumstances, we aim to leverage the Kanematsu Group's areas of strength and its expertise in each of these to further expand the earnings base.

We are working to ensure that we achieve the management objective of ¥15.0 billion in consolidated net income[1] in fiscal 2019, the final year of the vision. At the same time, however, we are also looking toward growth beyond fiscal 2019, considering expansion not just through the growth of existing businesses but through effective investment and M&A as well. Our current four segments are the result of a process of business selection and concentration. They encompass a variety of businesses, but there are some areas in which our operations have shrunk or consolidated a little too much. I believe that we need to reexamine such areas and work to expand businesses that show unrealized growth potential. We will seize opportunities and accelerate investment and business expansion rooted in business areas where we have strength.

We are steadily approaching our target for shareholders' equity[2] of over ¥120.0 billion. Going forward, if investment and M&A aimed at growth expand, we will need to further increase shareholders' equity. Accordingly, we will steadily build up shareholder's equity by increasing profit. As we do so, we will strive to maintain a healthy balance of investment and internal reserves.

1. Profit for the year attributable to owners of the Parent under IFRS.
2. Total equity attributable to owners of the Parent under IFRS.

Q5 Please tell us about the strengths of Kanematsu's four segments and their efforts toward growth.

The strengths of the Electronics & Devices Segment lie in its high level of expertise and consolidated management. In the ICT solutions business of Kanematsu Electronics Ltd., we are working to increase profitability by providing expert knowledge, know-how, and value-added service. In the mobile business, we acquired Diamondtelecom, Inc. in 2016 and merged it with Kanematsu Communications Ltd. in April 2017. Through these and other measures, we continue to expand the business. Going forward, we will consider business initiatives aimed at offering new forms of value, such as those related to AI and data businesses.

The Foods & Grain segment is a key part of the Group. Boasting the top market share in Japan by import volume for certain products, our businesses are important to Japan's food market and wield considerable influence. To respond to changes in customer needs and market shifts, we strive to secure reliable product sources and differentiate our products through greater added value. At the same time,

we are reinforcing supply chains that leverage our long-standing networks and proposing new business models.

Within the Steel, Materials & Plant Segment, the strength of our iron and steel business lies in its relationships of trust with business partners; that of the plant business is in its market formation approach, primarily in remote overseas locations; that of the energy business in its consolidated operations; and that of the chemicals business in its pharmaceuticals, pharmaceutical and agrichemical intermediates, and other highly specialized businesses. The scale of each of these businesses is relatively small, but their consolidated management, with highly specialized affiliates, is a source of strength. Furthermore, we are seeking synergies in businesses that transcend the boundaries between the fields of steel, materials (energy and chemicals) and plant. From within this unique and distinctive group of businesses, we must quickly determine which areas will be future business pillars and expand them.

The Motor Vehicles & Aerospace Segment's strength lies in its wealth of information and capacity to make proposals and solve problems, thanks to its relationships with industry-leading business partners, long track record and worldwide network. This segment offers business opportunities in next-generation automobile markets, such as those related to network connectivity (so-called connected cars) and self-driving vehicles. At the same time, in the aerospace field, we are focusing on new business creation. This segment is one of the keys to the future of the Kanematsu Group.

Q6 Please tell us about your investment policy.

We will give equal consideration to investment in each of our four segments while also looking into new fields as needed. When considering an investment opportunity, it is important to carefully examine such input as market analyses along with such factors as future business potential, personnel makeup and corporate culture, and whether there are truly synergies that can be realized. Our decisions will be based on the comprehensive examination of a variety of opinions and insights from inside and outside the Company. In principle, we will make new investments using funds provided by operating activities while diversifying our funding vehicles. Furthermore, we have been building a system to ensure the flexibility needed to fund future growth through such means as the shelf registration of ¥30 billion in straight corporate bonds.

Q7 How are you reinforcing the management base?

We are taking gradual steps to strengthen corporate governance. The June 2017 General Meeting of Shareholders elected a new outside director, bringing the number of outside directors up to three. The two incumbent outside directors offer academic expertise and managerial experience in another industry; to these, the new director brings managerial experience at another trading company. We also appointed separate chairs of the Board of Directors and Management Committee, which is composed of executive officers, as part of efforts to clarify management and business execution functions and thus further strengthen our system of corporate governance.

Human resources are a trading company's most important management resource. Going forward, we hope to focus on personnel development aimed at strengthening management capabilities, which we believe will be indispensable to growth as a highly expert corporate group. We must work to make sure that our business partners feel that they can entrust Kanematsu with their business management. We are also working to expand the global training program for local staff at overseas affiliates and are considering selecting management-class employees from said staff.

Furthermore, I believe that diversity is woven into the very fabric of the Kanematsu Group. Diversity of values is essential for a trading company. Such differences spark dialog and thought, and, through mutual respect, these are what sustain our corporate activities. Going forward, we will further strengthen awareness and implement diversity management. In particular, in terms of opportunities for women, while we have a track record of appointing women to managerial positions in Japan and as presidents of overseas affiliates, I have even greater expectations for our younger employees and hope to create even greater opportunities going forward.

Turning to the Kanematsu Group's CSR initiatives, one of Kanematsu's Corporate Principles is fulfilling our corporate social responsibilities by building a sound, flourishing business. We have established a CSR Committee with a Companywide mandate to formulate and execute policy on Groupwide CSR initiatives as necessary. To address CSR issues related to supply and procurement operations with our business partners' supply chains, we have created a practical framework that includes the CSR Action Guidelines for Supply Chains. Furthermore, we are engaged in business that contributes to environmental preservation through activities that aim to conserve forests, support local communities, and preserve biodiversity.

The Group's social contribution activities include locally based initiatives, such as volunteering in disaster-affected areas, as well as initiatives conducted through educational institutions, such as those of the Kanematsu Foundation for the Research of Foreign Trade, which is jointly operated with the Research Institute for Economics and Business Administration of Kobe University. (For more details on Kanematsu's CSR initiatives, please refer to page 37.)

We will continue to increase our enterprise value and make social contributions that only Kanematsu can.

Q8 Please tell us about dividends and any message you have for stakeholders.

In fiscal 2018, we are planning for revenues of ¥700.0 billion, up 3.6% year on year, operating profit of ¥25.0 billion, up 10.5%, and profit for the year attributable to owners of the Parent of ¥12.0 billion, up 49.1%.

The Kanematsu Group regards providing returns to shareholders as one of its most important tasks. Since resuming the payment of dividends in fiscal 2014, we have increased dividend payments each year. In fiscal 2018, we once again plan to increase the per-share dividend by ¥1 to ¥7. We will continue to strive to pay stable, ongoing dividends, seeking to balance investments in growth with shareholder returns as we aim for a consolidated payout ratio of 25%.

Going forward, we will continue to work to increase enterprise value in order to live up to the expectations of our stakeholders.

Message from the CFO

Raising Kanematsu's Enterprise Value

Tetsuro Tsutano
Director, Executive Officer, CFO

Progress of the VISION-130 Medium-Term Vision

The Kanematsu Group is now more than three years into VISION-130, its medium-term vision for the five years leading up to fiscal 2019, the Company's 130th anniversary. In the vision's second year, fiscal 2016, ended March 31, 2016, major changes in the external environment, including the deceleration of Chinese economic expansion and plummeting crude oil prices, hurt the Group's operating profit. Fiscal 2017, the vision's third year, saw a significant increase in operating profit, but because of such factors as temporary valuation losses, profit for the year attributable to owners of the Parent decreased year on year. In fiscal 2018, operating profit is improving, and we are moving steadily forward toward achieving the targets set for fiscal 2019, the final year of the vision.

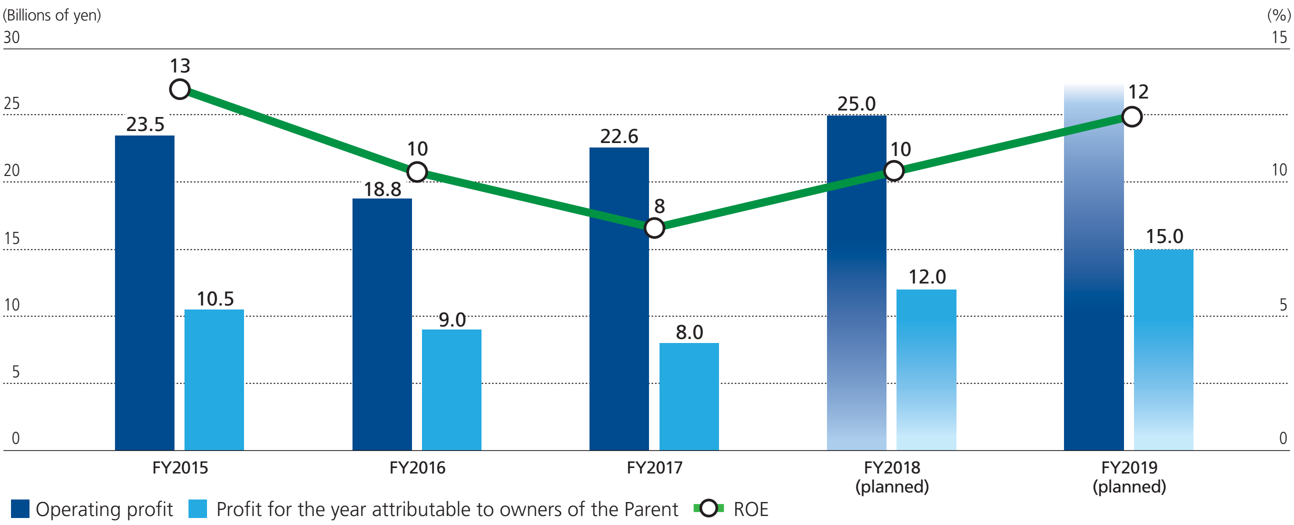
Going forward, the Electronics & Devices Segment, which includes such outstanding Group companies as Kanematsu Electronics Ltd. and Kanematsu Communications Ltd., will drive the Group's consolidated revenue. However, we also expect revenue in the vision's final year to be supported by growth in the Foods, Grain, Oilseeds & Feedstuff Segment due to recovery in the meat product market as well as by improvement in the iron and steel business due to growth in oilfield tubing demand.

Kanematsu's Unique Characteristics

Our policy is to actively invest, focusing mainly on areas of strength in which we have insight and experience in order to achieve business expansion and growth and increase corporate value. We do not invest in natural resource development or real estate, engage in speculative investment solely for the purpose of securing dividends or capital gains, or make equity-method investments solely for the purpose of securing a share of profit of investments accounted for using the equity method.

We avoid holding assets that tend to fluctuate greatly in value, such as resource development rights and real estate, and make business investments aimed at maximizing trading

Operating Profit/Profit for the Year Attributable to Owners of the Parent/ROE



revenue. Through such investment, we aim to either grow consolidated operating profit by incorporating the resulting revenue into our consolidated results, or to expand the scale of trading operations through minority investments. As a result, the share of profit or loss of investments accounted for using the equity method and dividend income subject to significant year-on-year change accounts for only a small part of Kanematsu's overall revenue. A consequence of this is that Kanematsu's operating profit and profit before tax are almost the same. This is one unique characteristic of Kanematsu.

Another of Kanematsu's unique characteristics is that its increase in retained earnings, on both a non-consolidated and consolidated basis, is roughly the same each fiscal year. We target a consolidated payout ratio of 25%, aiming to implement stable and sustained shareholder returns. The Company secures funds from which to pay dividends by increasing unconsolidated capital reserves using consolidated revenue, as it receives dividends from consolidated subsidiaries that maintain high payout ratios. As a result, unconsolidated retained earnings are more than 10 times the amount of annual dividends paid, allowing a healthy amount of flexibility.

In April 2016, we acquired mobile phone sales company Diamondtelecom, Inc. for ¥17.4 billion, and in April 2017, we completely merged it with existing Group company Kanematsu Communications Ltd. We expect to see the full-scale effects of this merger beginning in fiscal 2018. Going forward, we will continue to aggressively make business investments to increase consolidated operating profit by expanding our logistics business base.

Shareholder-Focused Management

In the 1980s and first half of the 1990s, Kanematsu expanded its investments in fields where it lacked expertise and in real estate. As a result, after the Asian financial crisis hit in the latter half of the 1990s, we were forced to implement a major program of business selection and concentration in 1999, making reducing interest-bearing debt our foremost priority as we reshuffled our assets and businesses, working for some time to get the Group back on track. This improved our financial position significantly, and we were able to pay an interim dividend in September 2013, our first dividend in 15 years. Until then, we had been forced to put the rehabilitation of the Company's financial position before shareholder returns.

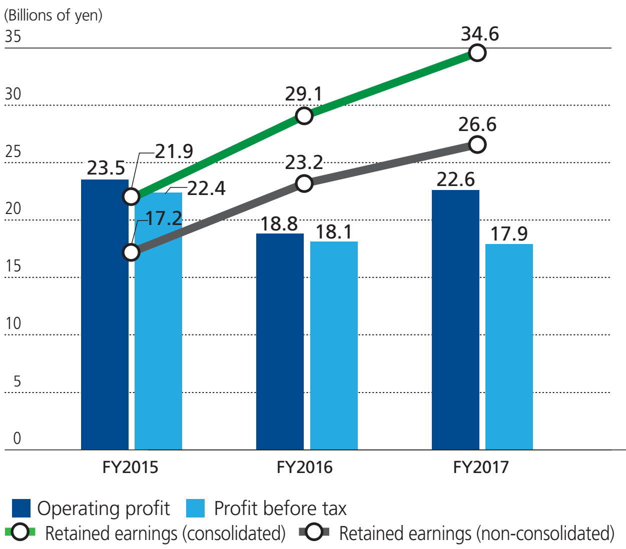
Under VISION-130, launched in 2014, we have shifted to more shareholder-focused management, aiming to expand our earnings base by increasing operating profit and to enhance ROE and shareholders' equity. Our policy is to raise enterprise value by making new investments that are limited, in principle, to the amount of cash provided by operating activities, which averages about ¥20 billion per fiscal year. If annual investments fall short of this level, we consider multifaceted ways of returning cash to shareholders while taking into account the level of shareholders' equity.

Kanematsu has been included in the JPX-Nikkei Index 400, which is regarded as an important market benchmark, since fiscal 2014. We are also one of the 200 companies included in the JPX-Nikkei Mid and Small Cap Index, which applies the same indicator concept as the Index 400, with a focus on companies that offer capital efficiency and investor-oriented management.

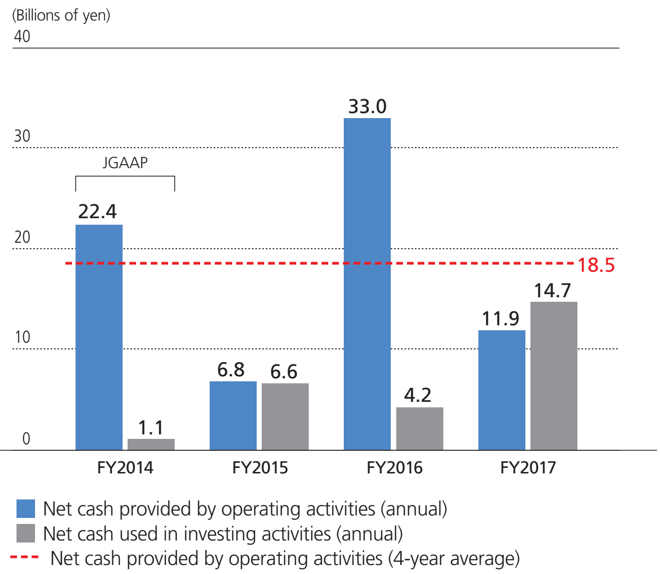
Going forward, we will continue to actively engage with shareholders and investors, giving careful consideration to their views as we seek to ensure that Kanematsu remains highly attractive to investors.

Lastly, I will continue working to both maintain financial soundness and expand the earnings base. I intend to provide support in terms of financial management to help the Group achieve further growth, particularly by providing guidance related to the scale of the balance sheet, aiming to increase Kanematsu's enterprise value.

Consolidated Operating Profit/Profit before Tax/ Consolidated and Non-Consolidated Retained Earnings



Net Cash Provided by Operating Activities



1 Growth in ICT Solutions

Timeline of Kanematsu Electronics Ltd.

July 1968 Established Kanematsu Electronic Service Co., Ltd. for the installment, adjustment and maintenance of electronic devices sold by Kanematsu-Gosho, Ltd. (now Kanematsu Corporation)

October 2013 Founded the IT distribution company Growth D Ltd. as a joint venture with Toppan M&I Ltd. (now NDI Solutions Ltd.) and Tokyo Nissan Computer System Co., Ltd.

April 2014 Established an overseas affiliate in Thailand.

July 2015 Made Nippon Office Systems Ltd. a wholly owned consolidated subsidiary.

Market Environment

- IT investment is expanding in areas related to business growth strategies generated by customers' front offices and increasing work efficiency
- IT investment is shifting from conventional patterns led by information system departments toward business departments
- Understanding of customers' sectors, industries, and businesses and the ability to suggest usage options (such as on-premises or cloud-based systems) tailored to each IT system's purpose are now essential skills for IT vendors

Because Kanematsu Electronics Ltd. is not overly dependent on any one manufacturer, it handles a wide range of IT products and is thus positioned to always offer the ideal IT infrastructure solution for each customer.

In addition to our sales locations throughout Japan and nationwide maintenance service network, we offer IT infrastructure solutions through overseas locations in China, the ASEAN region, and India.

Building on our infrastructure development business, which is in turn backed by our accumulated technological and development prowess, we are focusing on solutions in areas with strong growth, such as virtualization, security, and work style innovation. We offer one-stop service encompassing the design, construction, installation, operation, and maintenance of system environments optimized for customer needs.

Kanematsu Electronics Ltd.

Mineo Sakai
Chairman & CEO

Yasuhiro Kikukawa
President & COO

The Strengths of Kanematsu Electronics Ltd.

We serve as a provider of multi-vendor solutions, taking the customer's perspective and not relying overly on any specific product or manufacturer

Building IT infrastructure systems that can flexibly meet customer needs

We offer comprehensive group strength that encompasses subsidiaries that handle mostly operations and maintenance, such as Nippon Office Systems Ltd. and KEL Technical Service Ltd.

Comprehensive one-stop service that covers a wide range of customers IT investment needs, from design and construction to operation and maintenance

Service as a Provider of Multi-Vendor Solutions Built on Strong Ties to Vendors and Manufacturers

Kanematsu Electronics Ltd. is a system integrator with the functionality of a trading company. Not limited to any one manufacturer, our ability to offer service as an industry-leading provider of multi-vendor solutions is one of our great strengths. Based on knowledge and understanding of each product, technological know-how, and comprehensive group strengths, we provide IT infrastructure systems optimized for each customer.

In recognition of its technological ability and sales performance, Kanematsu Electronics receives numerous manufacturer awards every year.

■ Key Vendors

NetApp, Hewlett Packard Enterprise, DELL EMC, IBM, vmware

■ Main Awards Received in 2016/2017

NetApp: Partner of the Year 2016
Hewlett-Packard Japan: 2016 Best Performer Award, Datacenter Care Best Seller Award
Dell EMC: 2016 Data Protection Solution Award
IBM: Global Award, Large Growth Leadership 2016
VMware: APJ Regional Award, Marketing Partner of the Year 2016
Cisco Systems: Reseller of the Year 2016, Data Center Architecture of the Year 2016
Red Hat: Best Ready Business Partner 2016

NetApp Partner of the Year 2016

Cisco Reseller of the Year 2016

VMware APJ Regional Award

2 The Potential of the Space Business

Reinforcing the Space Business for the Future

Timeline

1985 Established Kanematsu Aerospace Corp., a company specializing in aerospace and defense trading
2002 Acquired contract for imager (camera) on the Multifunctional Transport Satellite 2 (Himawari 7)
2005 Acquired a contract for the Lockheed Martin BSAT-3a communications satellite
Acquired additional contracts for BSAT-3b and BSAT-3c in 2008
Also delivered satellite tracking and control software for said satellites
2008 Began sales activities as an agency for micro satellite manufacturer SSTL
2015 Received contract for rocket downrange operations for JAXA
2017 Entered the small launch vehicle field

Market Environment

- The space equipment industry's market is expected to grow worldwide
- The global space industry's market is now about 70% government and 30% commercial, with the commercial portion growing
- In 2015, the Japanese Cabinet Office's Strategic Headquarters for Space Development established a Basic Plan for Space Policy

The 2016 passage of the Space Activities Act and Satellite Remote Sensing Act has made it easier for private entities to enter the space business in Japan. Taking a global perspective, in the United States and elsewhere, private companies continue to enter the industry, and the market is expected to expand worldwide. Since 2002, Kanematsu has provided support for the launch of satellites in Japan as a sales agency for communications satellites and micro satellites. In 2015, we began rocket downrange operations for rockets launched by the Japan Aerospace Exploration Agency (JAXA). In January 2017, we made a strategic investment in Vector Space Systems, a U.S.-based small launch vehicle start-up. Going forward, we will provide support for micro satellite launching using Vector's rockets and build supply chains for rocket components being handled increasingly by private industry. Also, in the future we plan to build businesses using satellite data, and our aim is to establish a whole value chain in the space business.

Yoshiya Miyabe
Managing Executive Officer,
Chief Officer, Motor Vehicles & Aerospace Division

Business Model and Strategy

Comprehensive space business, encompassing ground-based facilities, launch vehicles, and satellites

- **Engaging in sales support for communications satellites and the sale of satellite subsystems, telemetry, tracking and command systems, and satellite imagery**
- **Recently entered the fields of rocket downrange operations and small launch vehicle services, developing and reinforcing the comprehensive space business**

Equipment and Related Facilities

Sales Support

Broadcast satellites

Sales

Satellite subsystems; telemetry, tracking and command systems; satellite imagery

Services

Rocket launching

Rocket downrange operations
Launching and related services for rockets for micro satellites

Strengths and Defining Characteristics

In the space field, the Kanematsu Group has long focused on expanding sales of such products as micro satellites and peripheral equipment as an agency for European and U.S. companies, including satellite manufacturer Lockheed Martin. In January 2015, the Japanese Cabinet Office's Strategic Headquarters for Space Development established a Basic Plan for Space Policy, laying out an operating plan for launching up to 45 satellites and other equipment over the following 10 years. Kanematsu regards the various government measures related to space development based on the Basic Plan for Space Policy as an excellent opportunity to develop its space business. We are developing a comprehensive business encompassing satellite subsystem sales, small to large satellites, telemetry, tracking and command systems, small launch vehicle launching, and rocket downrange operations.

In 2015, Kanematsu entered into a domestic distribution agreement with the U.S.-based TeleCommunication Systems, Inc. and received a contract for rocket downrange operations from JAXA. In January 2017, we entered the small launch vehicle service business. We made a strategic investment in U.S.-based Vector Space Systems (Vector), forming a business tie-up. Under this tie-up, we are developing rockets for micro satellites and plan to commence launching and related services in 2018. Vector has received orders from several countries, including NASA in the United States, and is attracting significant attention. Demand for micro satellite launching has been rising. Currently, however, micro satellites are launched using spare space on the large rockets used to launch medium-sized and large satellites. Because of this, there are significant limitations in terms of launch timing and the orbits that the satellites can enter. By offering a launch service utilizing small launch vehicles specialized for micro satellites, Vector's business will make it possible to affordably launch micro satellites at the desired timing and into the desired orbit. In addition, utilizing virtual machines, Vector offers Galactic Sky, a satellite simulation platform.

The Kanematsu Group aims to expand its customer base in space-related businesses and bring micro satellites launching and Galactic Sky service to the Japanese market.

Key Business Company

Kanematsu Aerospace Corp

- A specialized trading company selling aerospace and defense-related products
- Handles a wide range of excellent products from overseas manufacturers, including electronic devices, communications equipment, structural components, and materials used in aircraft, ships, automobiles, satellites, and rockets as well as ground-based equipment, virtual reality and simulation products, 3D laser scanners, and security-related products.
- Focusing on offering new product lines to the automotive, plant, and other industries by leveraging experience accumulated in aerospace

Electronics & Devices

Main Business		Products
Semiconductors	**Semiconductors**	Semiconductor devices; Sensor devices; LCD panels; Components for smartphones and tablets; Control modules for lithium ion batteries
Electronic Components and Materials	**Electronic Components**	Amusement related products; Vehicle equipment; AV related products; Camera modules; Micro-lenses; System boards; Printed circuit boards and materials; RFID components and materials; Image sensors; Image sensor back-end processing
	Semiconductors/ LCD Materials	LED components; OLED materials; Solar cell components; Battery components; Metal materials for electronic and functional components; Surface treatment agents; Functional films; Board assembly; Finished EMS products; IoT solutions
	Optical Device Materials	Components for display devices and optical devices
Industrial Electronics	**Industrial Printers**	Industrial printers and related consumables
	Livingwares	Batteries; Household supplies
Semiconductor Equipment	**Semiconductor/ LCD Manufacturing Equipment**	Semiconductor manufacturing and testing equipment; LCD manufacturing and testing equipment; OLED production equipment
ICT Solutions		ICT and communications equipment and devices; ICT and communication services; System integration
Mobile		Mobile communication terminals; Mobile internet system and services

Foods, Grain, Oilseeds & Feedstuff

Main Business	Products
Foods	Processed fruits (frozen/canned); Concentrated fruit/vegetable juices; Confectionery ingredients (couverture chocolate, cocoa powder, nuts, dry fruits, dairy products, etc.); Coffee; Teas; Alcoholic beverages (wine, etc.); Sugar; Honey; Sesame seeds; Peanuts; Pulses and peas; Nuts and seeds; Cooked foods; Others
Meat and Marine Products	Meat products: Beef; Pork; Chicken; Mutton/Lamb; Special poultry such as turkey and duck; Horse meat; Others
	Marine products: Cephalopods (octopus, squid, etc.); Crustaceans (shrimp, etc.); Frozen fish; Seafood ingredients for sushi; Others
Grain, Food Soybeans, Oilseeds	Rice; Wheat; Barley; Corn; Soybeans (for food, for oil); Defatted soya-flake for soy sauce production; Buckwheat; Corn grits; Corn starch; High-fructose corn syrup; Rapeseed; Cottonseed; Others
Feedstuff	Feed grain (corn, milo, soybeans, etc.); Plant protein meal (soybean meal, rapeseed meal, etc.); Animal protein meal (Fish meal, etc.); Other by-products; Dairy products for feed (skim milk, whey powder); Roughage (baled hay, beet pulp pellets, etc.); Fish oil; Prebiotics (Laxel Force); Fertilizer; Others
Processed Agricultural Products	Processed wheat (wheat flour, pasta, frozen bread dough, etc.); Cereal ingredients; Vegetable oil; Olive oil; Others
Pet Products and Groceries	Pet food and snacks; Pet products; Tropical fish; Raw ingredients for pet food and snacks; Products wholesaled to DIY stores (home improvement retailers)

Steel, Materials & Plant

Main Business		Products
Steel	**Overseas Trading of Iron and Steel**	Export of various kinds of steel sheets, plates, bar products, and pipe and tubing products; Export of porcelain enamel steel sheets
	Overseas Trading of Specialty Steel	Export of stainless steel sheets and plates; Export of alloy steel wire and bar products
	Domestic and Overseas Trading of Full Range of Steel Products	Import and third-country trade of ferrous raw materials; Export and import of steel materials and sub-materials
Materials	**Functional Chemicals**	Incense materials; Lubricant-related materials; Fertilizer materials; Papermaking chemicals; Synthetic rubber; Petrochemical products
	Healthcare	Functional food materials; Health supplements
	Life Science	Pharmaceuticals and pharmaceutical and agrichemical intermediates; Pharmaceutical ingredients
	Crude Oil, Petroleum Products	Crude oil; Jet fuel oil; Gasoline; Kerosene; Diesel oil; Fuel oil (bunker A and C); Lubricant oil and additives for industrial and automobile use
	LPG	LPG (propane, butane, autogas)
	Development of Environment-Related Materials and New Technologies	Heat reflective paint; Carbon credit trading; Biomass fuel
Plant & Ships	**Plants, Environmental Business**	Chemical and petrochemical plants; Industrial plants (papermaking plants, auto-manufacturing plants and other plants); Utility and process systems for oil and gas plants; Infrastructure facilities; Scrap-processing facilities; Environmental facilities
	Cargo Vessels	Shipbuilding; Used ships; Equipment package deals for new ships (including ship design, engineering)
	Machine Tools and Industrial Machinery	Machine tools; Industrial machinery and peripheral equipment
	Electric Power Cable Projects	Electric power and communication cable projects; Power generation plants (including design, engineering, installation)
	ODA	ODA projects (educational, medical/ pharmaceutical, water supply-related, agricultural, environmental)

Motor Vehicles & Aerospace

Main Business	Products
Motor Vehicles and Parts	Motorcycle and automobile parts; Complete Built Up (CBU) vehicles; Construction & industrial machinery; Power products
Aerospace	Fixed-wing aircraft; Helicopters; Equipment and Components/Parts for aircraft & helicopters; Aircraft rotable parts; Small satellites; Space-related products, Small launch vehicles Night vision goggles

Electronics & Devices

Our operations include the ICT solutions and the mobile businesses as well as value chains ranging from electronics-related materials to components and equipment. Using our wealth of electronics technology and know-how, we are advancing new initiatives in the IoT and AI fields and offering new value to contribute to society.

Masahiro Harada

Executive Officer,
Chief Officer, Electronics & Devices Division

Division Composition

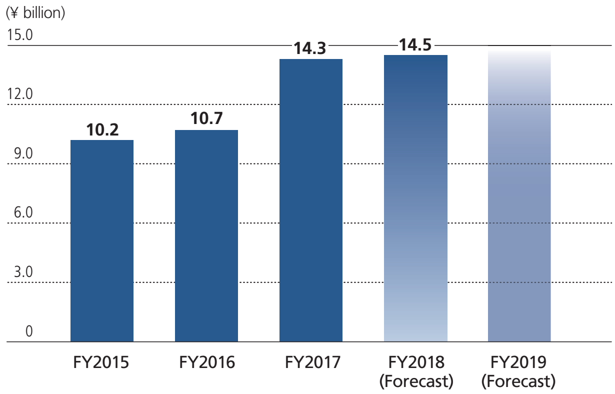
The Electronics & Devices Division comprises four business areas: 1. electronic devices and materials, 2. semiconductor components and equipment, 3. ICT solutions, and 4. the mobile business. We are building supply chains and sales networks for these business areas in and outside Japan. In addition to our longstanding businesses in electronic devices, mainly for consumer and automotive use, and hardware component and material value chains, we offer services to meet a wide range of customer needs, including in the network solutions and mobile communications businesses, which have been growing in recent years, as well as areas related to the Internet of Things (IoT).

- Semiconductors
- Electronic Components and Materials
- Industrial Electronics
- Semiconductor Equipment
- ICT Solutions
- Mobile

Business Results and Forecasts

	FY2017	FY2018 (Forecast)
Revenue–External	**254.3** billion yen	**260.0** billion yen
Segment profit	**14.3** billion yen	**14.5** billion yen

Segment Profit



External Environment and Strategies to Achieve VISION-130

In recent years, the ICT solutions business, mobile business and electronics industry have seen accelerating technological advancement and increasing price transparency. As customers and suppliers further globalize and develop their overseas businesses, there is greater demand for fine-tuned services located near customer operations. Furthermore, with developments in Internet, Wi-Fi, sensing, and computing technologies, new applications and combinations of technologies, including those related to the IoT, are advancing across all fields, creating demand for business model innovation.

In this environment, Kanematsu is working to achieve differentiation. We are evolving from conventional sales of individual components and materials to supply modules and other such products through electronics manufacturing services (EMS) and offer package solutions. We are adding value through just-in-time supply using advanced warehouse functions and reinforcing our one-stop ICT solutions to achieve greater differentiation. Overseas, the Electronics & Devices Division is strengthening operations in China, Southeast Asia, North and Central America, and elsewhere, creating support structures near our customers as we aim to establish global value chains. By incorporating such innovations as IoT technologies, we will offer business models with even higher added value. Furthermore, in each of our current businesses, we are advancing business tie-ups and M&As with business partners with which we can generate synergies in order to accelerate the achievement of our VISION-130 goals.

Division Medium- and Long Term Vision

The Electronics & Devices Division has assumed a policy aimed at 1. securing added value, 2. scale expansion, and 3. improving quality. By pursuing business tie-ups, capital alliances, business acquisitions, and R&D investment, we will further develop and strengthen our current mainstay businesses to increase added value and aim for scale expansion. In the ICT business, we will further expand the systems business and streamline the service and support business while pursuing overseas development. In the mobile business, we will continue to seek to improve service and expand our business scale. Furthermore, by combining our current businesses with IoT, M2M, AI, cloud service, fintech, blockchain and other cutting-edge technologies, we aim to create new business models, raise customer satisfaction, and achieve ongoing business development.

Strengths and Tasks to Address

Our ICT solutions and mobile businesses boast solid foundations within the industry and are generating stable profits. In the semiconductor components and equipment as well as the electronic devices and materials fields, we maintain expansive supply chains, handling items ranging from large LCD-related equipment to components and materials, as well as a robust customer base, allowing us to offer unique proposals and solutions. In our electronic devices business, we are working to develop globally in such areas as commercial printers, a niche market, and national ID system projects. While these two business areas are small, they are growing steadily. We also offer such unique added value as industrial CMOS image sensors as well as component and module supply chains for the amusement market. Furthermore, in electronic materials, by providing just-in-time services, we are playing a crucial role in helping customers build their supply chains.

At the same time, we are facing a variety of challenges, such as rapid changes in Japan's major electronics companies, changes in markets and their major players due to technological innovation, the saturation of PC markets, and the slowdown of smartphone markets.

Going forward, I believe that we can achieve further expansion by rallying overall Group strengths to advance new initiatives and create new businesses.

GROUP COMPANY'S COMMENT Kanematsu Sustech Corporation

Minoru Takasaki
President & CEO
Kanematsu Sustech Corporation

In October 2016, Kanematsu-NNK Corp. changed its name to Kanematsu Sustech Corporation. The name "Sustech" has its roots deep in our corporate mission, "Support our Society with Technology."

Our core business is the following three businesses with our proprietary technology, such as Ground survey & reinforcement, Wood preservation treatment and Distribution of video surveillance system.

Although the Distribution of video surveillance system, launched in 2006, is the newest of the among three, demand for video surveillance field, which we are good at, is increasing its market growth of more than 10% a year is expected in the future from the viewpoint of each company, public security guard and internal control.

In recent years, the technology relating to surveillance cameras continues to evolve, and various kinds of products such as those capable of notifying a specific person by face recognition, those capable of storing videos in the cloud storage system, those supporting videos for 4K resolution, etc. have released. From now on, the trend for IoT that helps improve the services using the analysis of big data generated by sensors is also expected to incorporate video data of network cameras, which are currently the main stream in the market.

In addition to grasping the trends of network cameras in the future, we have expanded this business from the sale of equipment to technical services including system integration, customers required. In the near future, we will further evolve into a security integrator business that can make system proposals based on the above technology trends.

Foods, Grain, Oilseeds & Feedstuff

Committed to safe, secure food, this segment works to ensure stable supplies of a wide range of foods, including grains, raw oil and fat materials, animal feedstuff, marine products, and other high-value-added items, through an integrated supply system spanning raw material procurement to finished product processing.

Hiroyasu Hirasawa
Executive Officer,
Chief Officer, Foods Division

Masayuki Hamasaki
Executive Officer,
Chief Officer, Grain, Oilseeds & Feedstuff Division

Division Composition

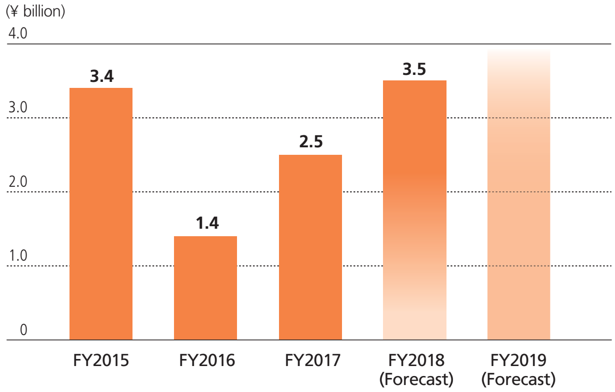
As of April 1, 2016, to increase specialization, more effectively implement strategies, and strengthen customer relationships while reinforcing business development, the former Foods & Grain Division was split into the Grain, Oilseeds & Feedstuff Division, which handles such products as grain and animal feedstuff, and the Foods Division, which handles such products as processed foods and animal products. These two divisions provide a wide range of goods and services related to food for people and their pets, spanning everything from grain, agricultural products, meat and marine products, ingredients for desserts, alcoholic and non-alcoholic beverages, frozen foods, and processed foods to animal feedstuff and fertilizer.

- Foods
- Meat and Marine Products
- Grain, Food Soybeans, Oilseeds
- Feedstuff
- Processed Agricultural Products
- Pet Products and Groceries

Business Results and Forecasts

	FY2017	FY2018 (Forecast)
Revenue–External	227.8 billion yen	230.0 billion yen
Segment profit	2.5 billion yen	3.5 billion yen

Segment Profit



External Environment and Strategies to Achieve VISION-130

Foods Division In Japan, the food market faces long-term contraction, reflecting the low birth rate and a graying and declining population. Expanding Southeast Asian food markets, meanwhile, present the merits of growing populations and peak demographic windows. To capture demand in these markets, major food companies are aggressively expanding overseas. In this market environment, the Foods Division is working to reinforce the earnings base through selection and concentration in the domestic market while strengthening Group company functions. In the meat product business, especially, Kanematsu is strengthening coordination with Group company Kanematsu Shintoa Foods Corporation to improve logistics, processing, and development functions in order to increase profit. Overseas, we are creating new businesses by applying know-how and business models cultivated in Japanese markets to expand horizontally into emerging markets, mainly in Southeast Asia. Notably, we are operating a restaurant management business in Indonesia centered on a cooked foods factory that began operations in 2015. In such ways, we are building value chains that extend both upstream and downstream, thereby advancing horizontal expansion into China, Vietnam, Myanmar, and elsewhere as we seek further business growth.

Grain, Oilseeds & Feedstuff Division As the global population increases, competition to secure food resources is intensifying. At the same time, uncertainty in world affairs is increasing. In the domestic agricultural sector, industry reorganization triggered by agricultural cooperative reform is picking up steam. In this environment, to secure a stable supply of safe, high-quality food resources, the Grain, Oilseeds & Feedstuff Division is going back to the basics, honing its roles and functions in order to advance the following businesses in up-, mid- and downstream areas. Upstream, we are establishing logistics bases in raw material producing regions to secure a stable supply of grain and feedstuff materials and promote sales in both domestic and overseas markets. Midstream, we are reinforcing the sales functions of Group companies to create frameworks to more quickly and precisely meet customer needs. Downstream, we are actively developing restaurant and other businesses, mainly focused on Be Smile Project, a"sixth industry" business entity that Kanematsu has taken part in since 2016. Furthermore, Kanematsu is leveraging its strengths in business development that crosses industry boundaries to accelerate expansion in the smart agriculture field, most notably in its business with the dairy farming IT start-up Farmnote.

Division Medium- and Long Term Vision

Foods Division We aim to evolve from mere trading operations by building "glocal" value chains. Moreover, by improving the functions of the Kanematsu Group in up-, mid- and downstream roles, we are radically strengthening our earnings power. We are actively implementing business investments and M&As as ways of realizing such functional improvement. At the same time, we are steadily implementing growth strategies, astutely allocating management resources to focus areas and targeted overseas markets. In addition, we are working to actively develop the human resources who will make this implementation possible.

Grain, Oilseeds & Feedstuff Division We provide a steady supply of safe, high-quality products through our globe-spanning value chains. To produce safe, high-quality products, we are reinforcing ties with farmers and actively investing in production regions and suppliers. We are working to further improve the functions of the Kanematsu Group in mid-stream areas and, in downstream areas, striving to discover and develop raw food materials in order to offer richer, more enjoyable food options.

Strengths and Tasks to Address

Foods Division Kanematsu's strengths lie in the firm relationships with business partners and customers that it has cultivated over the years as well as in the steady revenue generated by its handling of a differentiated product lineup unique to its Foods Division. At present, we face the urgent task of leveraging these strengths to horizontally expand and create new businesses. By revising the allocation of management resources, improving the responsiveness of sales divisions, and effectively using assessment systems, we will improve the new business acceleration framework and achieve robust growth.

Grain, Oilseeds & Feedstuff Division From grain, food soybeans, oilseeds, feedstuff materials, fertilizer, and processed agricultural products to pet-related businesses, all of the Grain, Oilseeds & Feedstuff Division's businesses boast differentiated products and provide added value, a Kanematsu hallmark. These are the division's strengths. In terms of scale, however, these businesses have considerable room for growth. Through collaboration and alliances with our partner companies, we will improve the functions of the Kanematsu Group at every stage of the value chain to expand business scale and provide useful products and services to even more customers.

TOPICS

SAKE NETWORK

While the domestic market for sake has been contracting, the export market has been steadily expanding year after year and is expected to continue growing as Japanese cuisine gains popularity around the globe. At the same time, the Japanese government has helped improve the export market environment by adopting new policies aimed at increasing sake exports. While the number of Japanese restaurants is increasing worldwide, sake prices remain high, with availability largely limited to major urban centers. As such, sake has yet to reach its full market potential. Now, in collaboration with web and video production company MONSTER DIVE, Inc., Kanematsu has established SAKE NETWORK, a cross-border e-commerce site, and launched a sake export business.

SAKE NETWORK serves as a platform connecting overseas buyers with breweries that cannot easily ship overseas themselves or that hope to expand their overseas sales. Sake sold through SAKE NETWORK is shipped via Kanematsu's logistics and overseas distribution channels. Kanematsu has begun shipping to European markets and plans to expand service to the United States, Asia, and other markets. Building on the momentum of this business, Kanematsu will further accelerate the overseas expansion of its Foods Division going forward.

Steel, Materials & Plant

This segment engages in operations covering the full range of iron and steel products, energy solutions, functional chemicals, and industrial plant and infrastructure facilities. While this segment handles a wide variety of operations, in each business area we boast highly specialized staff who uphold our commitment to supplying and developing high-value-added products.

Takashi Gunji
Director, Senior Managing Executive Officer,
Chief Officer, Steel, Materials & Plant Division

Division Composition

The Steel, Materials & Plant Division was launched in April 2013, integrating three divisions that, until then, had operated independently. By gathering experts in the fields of steel, materials (centered mainly on functional chemicals and energy), and plant to share information and insights, we believe that we can generate substantial synergies.

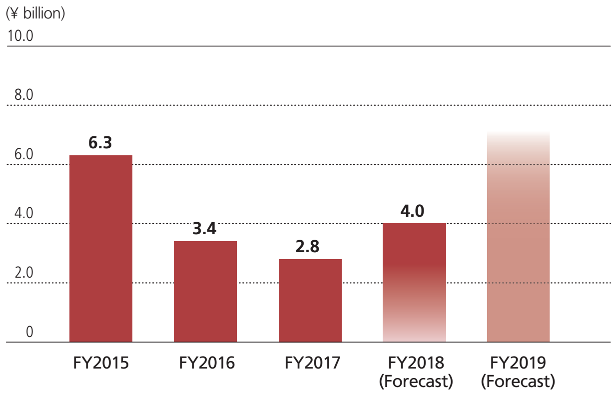
Businesses that span the fields of steel, materials and plant are already beginning to grow into pillars of profit. Such businesses include the oilfield tubing business and the specialty steel business for petrochemical plants, which supplies chimney desulfurization equipment and other products. At the same time, we are actively working to develop a new generation of businesses for the future.

- Steel
- Materials
  (Functional Chemicals and Energy)
- Plant and Ships

Business Results and Forecasts

	FY2017	FY2018 (Forecast)
Revenue–External	**131.2** billion yen	**150.0** billion yen
Segment profit	**2.8** billion yen	**4.0** billion yen

Segment Profit



External Environment and Strategies to Achieve VISION-130

In the iron and steel business, crude oil prices, which had long been stagnant, have begun to stabilize, and the North American oilfield tubing business, one of our mainstay businesses, has begun to show signs of improvement.

Until fiscal 2016, we were streamlining operations, mainly by improving inventories, while preparing our businesses for market recovery. Now, markets are steadily beginning to improve, especially in shale gas. Going forward, we will make our logistics more efficient and expand our product lineup as we work to further bolster our business.

In the chemicals business, we have been advancing a growth strategy centered on pharmaceuticals and pharmaceutical and agrichemical intermediates. Going forward, however, we will also focus on developing new products, such as those in the sports nutrition market, which is growing, especially in the area of health promotion products for elderly consumers. In the energy business, domestic demand is expected to continue shrinking, so we aim to expand trading of bunker oil mainly in Southeast Asia.

In the plant and ships business, we continue to work to create projects to meet growing infrastructure demand, mainly in emerging economies.

Division Medium- and Long Term Vision

Going forward, we will continue to position automobiles, the environment, and energy as our three key business areas as we aim for further growth in the Steel, Materials & Plant Division. However, as the Japanese market is expected to hit a ceiling going forward, reflecting continued low birth rates and demographic graying, the entire Group will accelerate measures to expand profits centered on overseas markets.

Furthermore, in environment-related efforts, we will continue to pursue business models that are both profitable and environmentally friendly, such as efforts to expand the biofuel business.

At the same time, rather than restricting ourselves to simple trading, we will actively look for opportunities to provide additional added value through business investment, M&A, and business alliances. One example of such an approach is reinforcing our after-sales service business through tie-ups with business partners. In such ways, we will work to expand the Group's range of business areas and further enhance customer satisfaction. In addition, we will work to optimize our portfolio in and outside Japan while maximizing synergies across the Group to make the Division highly resilient to changes in outside factors.

Strengths and Tasks to Address

The Steel, Materials & Plant Division is composed of businesses in multiple sectors. Our greatest strengths are the wide range of products we handle and our relationships with diverse customers.

By taking a flexible approach, I believe that we can further develop this strength and create even stronger business models while improving existing businesses. Going forward, accurately assessing the potential of emerging new businesses and allocating management resources appropriately will be the key to future growth.

As we seek to maximize synergies within the division, maintaining healthy Group management is a task that will remain vital well into the future. By giving young employees experience overseas and at affiliated companies early in their careers, we are focusing on developing the next generation of capable human resources.

PARTNER'S COMMENT Benoit Premium Threading, LLC

Mr. Ronald L. Pederson
CEO

Our durability was tested these past few years amidst a global downturn in the oil and gas industry. However, despite the difficult market conditions, our partnership with Kanematsu continues to grow. Today, the oil and gas industry is trying to move past the difficulties of the past few years. The durability of our partnership with KG was proven by how our two companies persevered despite the industry decline. Our partnership with KG helped us emerge stronger than before from the challenging market of the last few years. We will always remain one of the leading players in our market because of the strong foundation Kanematsu has helped us build and because of their continued support. We are committed to this relationship and the growth and stability of both the companies.

Motor Vehicles & Aerospace

This division comprises the motor vehicles and parts business, which handles motorcycle and automobile parts as well as completed built up vehicles, and the aerospace business, which handles aircraft and parts as well as space-related products. Leveraging its superb expertise and extensive information resources, the division operates these businesses on a global scale.

Yoshiya Miyabe
Managing Executive Officer,
Chief Officer, Motor Vehicles & Aerospace Division

Division Composition

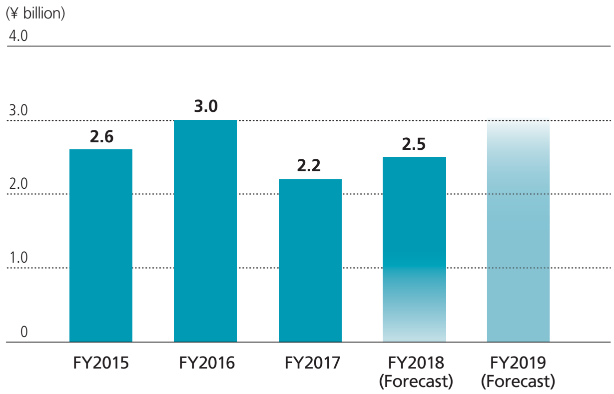
The Motor Vehicles & Aerospace Division was formed in April 2013 as an integration and concentration of the highly competitive automobile- and aerospace-related business units that previously existed as part of the Electronics & IT, Iron & Steel, and Machinery & Plant divisions. By integrating and concentrating our motor vehicles businesses, for which global demand is expected to grow, we aim to connect the supply chains and customer bases of our motorcycle and automobile businesses and thereby strengthen our sales and sourcing capabilities. Also, bringing the aerospace-related business units into this division has facilitated the sharing of information about cutting-edge aerospace technologies that can be used in the motor vehicles and parts field, and we expect synergies between the aerospace and automotive units to create new businesses. Since the launch of this division, we have been improving our global frameworks in line with the advance of global motorization to reinforce our roles and functions and better serve our customers and business partners.

- Motor Vehicles and Parts
- Aerospace

Business Results and Forecasts

	FY2017	FY2018 (Forecast)
Revenue–External	**50.4** billion yen	**50.0** billion yen
Segment profit	**2.2** billion yen	**2.5** billion yen

Segment Profit



External Environment and Strategies to Achieve VISION-130

The worldwide motorcycle and automobile market is growing ever more globalized and multipolar. In this market, we are striving to strengthen the earnings base by enhancing our global framework, reinforcing logistics, and building quality management and testing functions to bolster our roles and functions. Our businesses are expanding through the deepening coordination between branches established in Chongqing, China and Mexico in 2014, a branch established in Detroit in 2015, as well as other existing branches. We also plan to expand the automobiles and parts business in Middle Eastern markets.

In the aircraft business, we are promoting sales to the Japanese government of the Cessna Citation series. In the commercial aircraft market, which is forecast to see major growth in demand, we are promoting the sale of Bombardier Aerospace's new C Series airliners. We will expand our aircraft rotable parts business, which currently operates mainly in Europe and North America, by moving into new regions and increasing the range of parts we handle. Along with the aircraft business, we will focus on the space business, in which major market growth is expected, to expand our earnings base.

Division Medium- and Long Term Vision

We continue to pursue the four basic policies laid out under the VISION-130 medium-term plan: 1. maximize synergies resulting from reorganization, 2. improve and strengthen our global business structure, 3. maximize the role of logistics transactions, and 4. build new businesses besides the trading business.

The automobile market is on the verge of major innovation and change, with increasing networking giving rise to so-called connected cars and advances in AI technology leading toward self-driving cars. In this environment, we will continue gathering information about and conducting research into cutting edge technologies, at the same time investigating new business creation and cross-sector business partnerships. To achieve this, we will keep seeking out new technologies and promising start-ups in and outside Japan.

In the aircraft business, we will expand sales of aircraft and parts in the growing defense-related and commercial aircraft markets. At the same time, more efforts will be made in the space business to advance new business development. As one example of these efforts, in January 2017 we made a strategic investment in Vector Space Systems, a small launch vehicle start-up in the United States. Through these and other efforts, we will build the foundation of our space business.

Strengths and Tasks to Address

Our greatest strength is the customer base and roster of business partners we have built up over decades by doing business together. We receive high marks for our excellent product and solution proposals, which leverage our expertise and extensive informational resources gained through our dealings with industry-leading customers and partners. Taking a step beyond our existing trading business, we will deepen ties with customers and business partners around the world. Furthermore, we will aggressively make necessary investments and focus on developing entrepreneurial human resources. By concentrating business resources in specialized fields, we aim to lead the industry and achieve further growth.

US-2 amphibious aircraft
Photo: Maritime Self-Defense Force, Ministry of Defense

GROUP COMPANY'S COMMENT Shintoa Corporation

Hitoshi Kubota
Director,
Chief Officer,
Aerospace and Marine Department

Due to expanding geopolitical risk, awareness of national defense in Japan has been growing steadily. Accordingly, the country's defense budget has been steadily rising as new equipment is adopted. This includes plans in the coming fiscal year for new deployments of V-22 Osprey vertical takeoff and landing aircraft, E-2D airborne early warning aircraft, and Global Hawk high-altitude unmanned aircraft.

For more than 50 years, Shintoa Corporation has served as the sales agency in Japan for such leading overseas manufacturers as Rolls-Royce in the United Kingdom and Honeywell in the United States, supplying aircraft and ship engines and instruments to Japanese government agencies, including the Ministry of Defense and Ministry of Land, Infrastructure, Transport and Tourism. All three new types of aircraft mentioned above, including the V-22 Ospreys, use Rolls-Royce engines.

We also sell around half of all the components required to maintain the engines of the escort ships of Japan's Maritime Self-Defense Force. In addition, we are currently focusing on sales of cutting-edge engines for more than 20 new 3,000-ton-class escort vessels that the Maritime Self-Defense Force plans to build.

Furthermore, as a sales agency for the Canadian company CAE, which is one of the world's leading simulator manufacturers, we provide education and training so that newly adopted aircraft and other equipment can be operated with safety and assurance.

Currently, we have two branches located in the United States and one branch in the United Kingdom. Keeping close contact with our overseas manufacturers, we are expanding our sales activities to satisfy our nation's demand.

In the future, based on the achievements and trust we have built with our customers, we will keep working to support Japan's use of the aircraft and maritime vessels that play an important role in Japan's defense, disaster recovery assistance, and contribution to international society. These efforts will ultimately contribute to the Kanematsu Group's ongoing development.

CSR (Corporate Social Responsibility)

Kanematsu's Approach to CSR

The Kanematsu Group defines the pioneering spirit as fostered by our predecessors along with the wisest use of our creative imagination and ingenuity, conduct abiding by the rules of the organization, and fulfilling our corporate social responsibilities by engaging in sound, flourishing businesses as its Corporate Principles. The Group conducts its business in accordance with these principles and the Company's Code of Conduct. Based on the Company's Corporate Principles, Kanematsu's Code of Conduct serves as a set of standards for all of Kanematsu's corporate activities.

The Kanematsu Group offers a wide range of products and services in Japan and around the world. The Group thus regards creating shared value while meeting the needs and expectations of its many stakeholders, including shareholders, investors, business partners, local communities, and employees, as its corporate social responsibility.

Kanematsu's Code of Conduct

1. Origin of corporate activities	We became involved in corporate activities to serve our various stakeholders by providing socially valuable goods and services in accordance with the aim of our founder to realize a sustainable society.
2. Fair transactions	Our corporate activities are conducted in compliance with laws and ordinances in Japan and abroad, international rules and practices, and internal rules as well as with social common sense.
3. Information management & disclosure	Information is properly managed to protect personal information, customer information, and intellectual property and is disclosed in a timely and proper manner to establish mutual trust between Kanematsu and the community and maintain a high level of transparency.
4. Respect for human rights	We respect human rights and do not discriminate. Employee career development and capability development are actively supported. Diversity, personality, and character are respected so as to create a dynamic corporate culture.
5. Consideration of the global environment	We exercise sufficient consideration in our corporate activities to maintain a sound global environment for sustainable growth.
6. Social contribution	We are aware of the importance of our social responsibility as good corporate citizens, and proactively undertake social contribution activities. Employee activities to contribute to community development and to comfortable and safe living are supported.

CSR Framework

Kanematsu has established a CSR Promotion Office within its Personnel & General Affairs Department as well as a Companywide CSR Committee. These bodies formulate policies and reinforce initiatives for the Group as necessary to address various CSR-related issues, including social contribution and environmental preservation.

CSR through Our Business Activities

The Kanematsu Group engages in CSR initiatives in the course of its ordinary business activities. In and outside Japan, we focus on expanding businesses that make best use of our capabilities as a trading company to sustain and improve the environment. We also strive to conduct business with due consideration given to biodiversity.

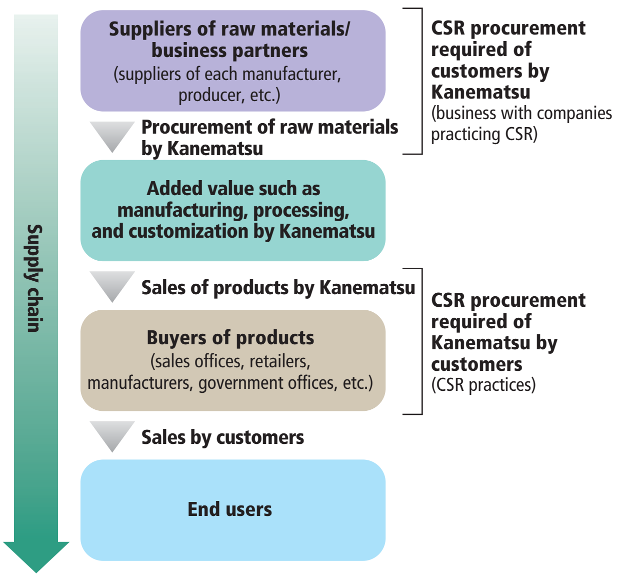
CSR Procurement

CSR procurement refers to the practice of a company requiring its suppliers of materials, parts, and products to implement CSR initiatives in addition to meeting such everyday requirements as consistently high quality and speed. CSR procurement is growing in importance year by year as awareness of CSR increases among companies and the general public.

We have established systems to promote CSR activities, including CSR Action Guidelines for Supply Chains, to meet the CSR procurement requirements of our business partners. The requests made by business partners as part of CSR procurement activities touch on a wide variety of concerns, including employee relations, health and safety, environmental activities, CSR management, and corporate ethics. Areas of concern include the following.

- Does the supplier conduct its business activities with due consideration given to the environment?
- Does it conduct its business activities with due consideration given to human rights? (Respecting bans on child labor and forced labor, etc.)
- What is its compliance record like?
- Does it meet the latest quality standards? (Usage restrictions on harmful substances that go beyond legal requirements)

Flow of CSR Procurement



Environmental Businesses

Environmentally Friendly Ground Improvement Using Lumber

Kanematsu Sustech Corporation, a Group subsidiary, is receiving increasing orders for its Eco Wood Pile, a method of ground improvement that uses wooden piles. Conventional construction methods use cement and iron-based materials for foundation stabilization when building houses and other small structures. Unfortunately, the production of such materials generates large amounts of CO_2. Eco Wood Pile instead employs wood, which absorbs CO_2 during its growth process, greatly reducing the resulting environment burden. A number of major housing construction companies that value environmental performance have adopted the Eco Wood Pile method, which has been evaluated favorably, and, in 2016, the cumulative total number of houses built using the method surpassed 10,000. In the past, ground stabilization technologies based on wood piles were at greater risk of rot and insect damage. Kanematsu Sustech's proprietary lumber preservation treatment technology, which combines anti-rot and anti-termite treatments, minimizes these risks. And, by using large volumes of domestically produced timber, we are contributing to the revitalization of forestry (specifically, environmentally friendly forest management) in Japan.

In addition, we offer LP-LiC, a method of ground improvement aimed at preventing liquefaction that also uses wood piles. This method has been used in liquefaction prevention following the Great East Japan Earthquake. Jointly developed with another company, LP-LiC involves driving wood piles into the ground in high concentration. Moreover, the technology is attracting attention because it both supports environmentally friendly forestry and helps mitigate global warming by acting as a carbon sink.

Going forward, Kanematsu Sustech will continue to find effective, long-term uses of wood, a source of comfort and warmth, with an eye toward environmental friendliness.

Promoting the Use of Electric Vehicles

In cooperation with Nissan Motor Co., Ltd., Kanematsu was selected by NEDO[1] to implement a demonstration project aimed at expanding the effective range of electric vehicles (EVs) on inter-city routes in northern California, in the United States, and has begun operations at the demonstration sites.

This demonstration project is being implemented in cooperation with the government of California, where consumer EV sales are currently the highest in the country, as well as EVgo,[2] a U.S. EV charging infrastructure operator. Under the project, more than 50 new chargers have been installed at 20-plus locations in the northern part of the state, and real time information services are being provided to EV drivers while various data about EV usage patterns is collected, analyzed and studied. The results of this demonstration project are expected to help improve the usability of EVs and promote their adoption in the United States and around the world. Through this project, Kanematsu is helping to reduce CO_2 emissions and improve energy efficiency.

1. New Energy Industrial Technology and Development Organization.
2. The biggest EV charging infrastructure operator in United States, established in 2010.

Environmental Initiatives

Kanematsu is engaged in environmental businesses in Japan and overseas that help protect and improve the global environment. The global Group also continuously works to improve its ISO 14001-based environmental management system. By effectively operating this system, the Group is reducing electricity and paper consumption, promoting comprehensive waste sorting and reduction, and helping to reduce CO_2 emissions. Through these efforts, the Group strives to contribute to the creation of a low-carbon, recycling-oriented society.

For more details, please refer to Kanematsu's Environmental Report. **http://www.kanematsu.co.jp/en/csr/environment/environmental_report.html**

Human Resource Initiatives

Human resources are a vital asset for Kanematsu, and retaining and training human resources is important for the Company's growth. Kanematsu maintains systems to promote work-life balance, including child care support and family care support systems, seeking to create workplaces that are comfortable and rewarding for employees. Furthermore, we focus considerable effort on human resource development, an indispensable part of Kanematsu's growth.

Comment from the General Manager of the Human Resources & General Affairs Department

Fumiko Miyakado
General Manager,
Human Resources & General Affairs Department

It goes without saying that Kanematsu's greatest asset is its people.

Indeed, the VISION-130 medium-term vision includes "develop global professionals" as one of its initiatives aimed at "being a 'Value Creator' and continuing to build new businesses."

Our off-the-job training, in which employees are temporarily taken out of their normal work environments for education and training, includes the following.

- Level-specific training, starting with introductory training for new hires
- Practical lessons on the basics and key points of business operations
- Foreign language training

In addition, we conduct training in business plan formulation to foster the skills needed to create new businesses. In terms of on-the-job training, we also have an overseas dispatch training system for younger employees.

Going forward, we will focus on training for local staff overseas and training aimed at reinforcing management capabilities.

In addition to these, we are implementing a number of other personnel systems, such as personnel rotation and evaluation. I believe that the effective use of these systems will help us develop truly global professionals. As such, we will endeavor to further enhance our personnel development framework.

Training in Business Plan Formulation

Kanematsu aims to improve corporate value by further developing areas of strength, making new investments for business creation, and taking on other new challenges. To this end, we have created training courses covering business plan formulation to impart the skills necessary for drafting roadmaps to the creation and successful launch of new businesses.

Business Plan Formulation Trainee's Perspective

Ayako Ishiguro
Credit Control Department,
Credit Control Section No. 4

This training provided me with valuable experience in the process of formulating a business plan, from discussing and debating with team members to drafting and presenting the plan. My team was composed of participants with varying levels of experience working in various roles in different parts of the Group. The combination of insights and experiences from these diverse backgrounds led to ways of thinking and perspectives that felt new and fresh. I'm thankful to have had the opportunity to discuss and share ways of thinking with them outside of normal work.

The plan we put together through the training did not lead to a great deal of revenue, but all of us on the team worked on it together, thinking about what we could each contribute, to overcome the difficulty of creating something new. As a result, when we presented it, there was a real sense of accomplishment.

Working in a corporate division, I became more involved in the project after most of the initial difficulty on the part of the sales division was over. Going forward, I will do my utmost to support our sales divisions as a member of the larger team that is Kanematsu as we work to create new businesses.

Overseas Dispatch Training System

Kanematsu operates an overseas training system for employees in their first five years with the Company. Participants are dispatched to overseas subsidiaries, representative offices, and business corporations to experience local work- and lifestyles for around six months. This system exposes employees to diverse values and provides the experiences, insights, and knowledge that members of a globally operating trading company need.

Overseas Dispatch Training System Trainee's Perspective

Daisuke Hori
Food Department No. 2,
Cooked Foods Section

I embarked on my training in Shanghai, China, with the mission of building experience in overseas cooked foods sales and the ultimate aim of helping expand sales of cooked foods in Japan, across Asia, and around the world going forward. While there, I learned through experience about finance, accounting, and credit management in China, and made new proposals for cooked foods to restaurants and convenience stores. Through this training, I learned firsthand how difficult it can be to work overseas. Besides obvious differences in the language and culture, ways of thinking are also different, and things that are a matter of course in Japan are not always understood. There were times when I came up against this wall and faced real setbacks, but I think that having had this experience early on in my career will prove an asset for me. I also got to meet and work with other dispatched employees and senior colleagues, including those in other sections, as well as and local staff who I would not have had the chance to meet in Japan. I feel that this broadened my perspective and taught me a lot about how I should conduct myself and how to work with and learn from local staff to increase sales when stationed abroad in the future.

Diversity

Helping Women Succeed

Action Plan to Help Women Excel

In line with its efforts to raise its enterprise value, Kanematsu aims to utilize diverse human resources, allocating them where they can be most effective and allowing individuals to make the most of their abilities. To help women excel in the Company, we have formulated the action plan outlined below.

Action Plan for Helping Women Excel (Outline) Plan duration: April 1, 2016 to March 31, 2019	
Issues the Company Faces	1. Although Kanematsu hires a certain number of women every year, the proportion of women in core operations and management positions is low. 2. The Company's retention rate for female employees is lower than that for male employees.
Targets	1. Increase the number of women working in core operations. Within job class II, which comprises the main part of employees working in core operations, as of March 31, 2016 increase the number of employees in assistant section manager-level positions by about 1.5 times from the present 17 to 25. 2. Create an employment environment that makes it easier for women to continue working to improve the retention rate.

	FY2013	FY2014	FY2015	FY2016	FY2017
Female career-track employees[1]	49	51	55	54	56
Responsibility band 3[2]	11	12	18	17	20

1. Work location is determined according to the Company's needs and not restricted to any specific area. These employees eventually move into core operations.
2. Equivalent in level to assistant section manager.

Perspective of a Female Employee Stationed Overseas

Finding the Seeds of New Business

Mariko Arai
President, Kanematsu G.m.b.H., Kanematsu Europe PLC

I've worked in iron and steel product trading since I joined Kanematsu, and I'm currently stationed as president of Kanematsu Europe PLC and Kanematsu G.m.b.H. in Germany. As president, it's my job to manage both companies. In addition, from Dusseldorf, where I'm stationed, I conduct business related to iron and steel across Europe, including Spain, Eastern Europe, and the Baltic States. At first glance, "iron" and "women" may seem rather far removed from each other, but in reality, iron products are all around us, an integral part of everyone's everyday life. New iron and steel products and applications are created every day.

As president, I have the opportunity to step outside iron and steel products, the area that I've spent most of my career in, and come into contact with businesses I've never before been involved with, such as foods, chemicals, machinery, IT, automobile parts, and finance. Every product and market has its own trading practices, so it's not easy, but I seek to bring a new perspective as I enthusiastically search for new ideas. By doing so, I hope to help expand Kanematsu's business outward from Europe.

Utilizing Global Professionals

Global Staff Comment

Brian Barnett
Kanematsu USA Inc., Houston Branch

I have been working for Kanematsu USA in our steel department since 1992. I have spent almost all of that time working in our Houston office, but I also had an excellent experience of one year of training in Kanematsu's Headquarters in Tokyo in 2000. Most of my business in the steel department is buying steel from Japan and supplying it to customers in the USA, so my one year of experience in Japan has helped me immensely ever since as I learned much better how Japanese steel mills do business.

I attended high school in Switzerland at an International School with students from over 40 different countries. So, after that I wanted to have some career in international business dealing with people from all around the world. Fortunately, I've been able to do that at Kanematsu, and it has been a great pleasure for me. In addition to doing business and spending time in Japan, I have had the opportunity to do business in more than a dozen other countries around the world.

My work has always been challenging and ever-changing as the market and world trade dynamics are always in flux. So, it has been impossible to be bored, and I have always been given the opportunity to pursue new, creative business ideas. Some ideas have failed and some have succeeded, but in order to create something truly significant we have to be willing to try and take the chance. I have always admired Kanematsu's entrepreneurial spirit and like to encourage other coworkers to have this attitude.

I would also like to add that over the years I have met and worked with many different people at Kanematsu, and I have found them to be some of the kindest, friendliest and most decent people I know. I truly appreciate all of my years at Kanematsu.

Work-Life Balance

Kanematsu is proactively committed to ensuring a good work-life balance, and discourages long working hours to foster a healthy workforce. We have been improving the working environment so that employees can treasure the time they spend with their families as well as the time spent on hobbies and participating in social activities.

Child Care Support

In addition to comprehensive maternity and childcare leave arrangements, we allow mothers to work short hours and flexi-time after taking leave for pregnancy or care reasons, so they can continue to care for growing children after rejoining the workforce.

Many mothers take childcare leave, and when they return to work, they generally go to the same divisions in which they worked before. These measures have been taken to create a pleasant working environment.

Number of Employees Taking Childcare Leave

FY2010	FY2011	FY2012	FY2013
10	9	3	4
FY2014	FY2015	FY2016	FY2017
14	10	7*	9

* Includes two male employees

Family Care Support

In addition to the conventional family care leave system, Kanematsu has recently enabled special paid holidays for family care. We also have in place a child-raising and care consultation office for one-to-one consultation on these matters.

Refreshment Day

By urging employees across Kanematsu to do no overtime on Wednesdays, we aim to improve working efficiency and encourage a better work-life balance. We have also set aside one day every month as a special "Refreshment Day" during which we monitor hours worked, to bring down overtime.

General Employer Action Plan

In December 2010, Kanematsu was awarded the "Kurumin" certification of support for the nurturing of the next generation by the Ministry of Health, Labour and Welfare's Tokyo Labor Bureau. In January 2017, we received the "Kurumin" certification a second time.

In October 2016, we formulated our fourth General Employer Action Plan. Based on this plan, we are continuing measures to fully harness employee potential by encouraging a better balance between work and childcare duties and by creating a more pleasant workplace for all.

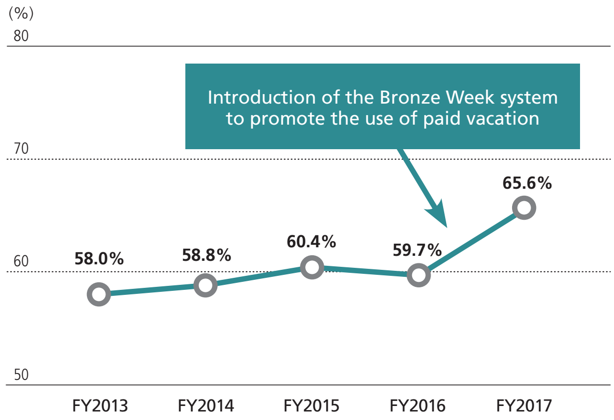
Bronze Week

On April 1, 2016, Kanematsu introduced a new "Bronze Week" system for systematically encouraging the use of annual paid vacation days. This is intended to make it easier for employees to take off the time they are entitled to, improve work-life balance, and create workplaces that are comfortable and rewarding. In its first year, the system raised the rate of annual vacation days used from around 60% to 65.6%.

Bronze Week System Outline

- Makes it easier to take off a bridge day between two ordinary days off or the day before or after a three-day weekend, effectively extending the number of consecutive days off for the individual to four or more.
- The system is designed to allow employees to choose their own days off. At the start of the fiscal year, each section designates at least four days in the year as candidate days for paid vacation, and each individual then chooses at least two of these to take off.
- Applies to all employees in principle, excluding those on dispatch within Japan, stationed overseas, or on leave.
- The system, which encourages the use of paid annual vacation, especially multiple consecutive days off, is named "Bronze Week" in reference to the yearly clusters of public holidays in Japan popularly known as "Golden Week" and "Silver Week."

Annual Vacation Usage Rate



Social Contribution

The Kanematsu Foundation for the Research of Foreign Trade

The Kanematsu Foundation for the Research of Foreign Trade was established in 1940 with the purpose of contributing to economic development through support and funding for research into trade and international economics. The Foundation is jointly operated by the Research Institute for Economics and Business Administration of Kobe University and Kanematsu. In the more than 70 years since its founding, the Foundation has earned an international reputation as a top level research institute focusing on international economics and management and has won high acclaim in Japan and overseas for its long list of research achievements.

In 1993, the Kanematsu Fellowship—a Kanematsu post-graduate research scholarship—was jointly established by the Research Institute for Economics and Business Administration of Kobe University, the Kanematsu Foundation for the Research of Foreign Trade, and Kanematsu Corporation. Every year, graduate students are invited to submit their dissertations to apply for the fellowship. The Kanematsu Fellowship thus provides graduate students in the fields of economics, management, and accounting across Japan with opportunities to win a research fellowship and to present their research.

In fiscal 2016, of 11 dissertations submitted, one was selected for the fellowship. In addition to a financial stipend, the author was awarded the title of junior research fellow at the Research Institute for Economics and Business Administration of Kobe University for the coming five years. Kanematsu will continue to support research in the fields of economics, management, and accounting and contribute socially through the Kanematsu Fellowship.

Reconstruction Support Activities

After the March 2011 Great East Japan Earthquake, the Kanematsu Group donated money and supplies to affected areas. Since September of the same year, the Group has provided ongoing support for Rikuzentakata city in Iwate, through its own volunteer program. In addition to the Company's volunteer leave system, Kanematsu has a system to support employees volunteering in disaster-affected areas that includes reimbursement of transportation and accommodation expenses for employees participating in the Company's volunteer program. In November 2016, we marked the 15th occasion of engaging in such support activities, which included hearing from Rikuzentakata's Mayor Toba about the city's latest community building initiatives, visiting temporary housing, and talking with residents directly to help participants better understand the community's current needs as they sought to help with recovery. In addition, the program included a business proposal meeting, where a local NPO and other groups made presentations.

Kanematsu will continue to provide support in line with the needs of the area and local residents in order to assist in the city's development.

Kanematsu Invitational Kids' Soccer Tournament

Since 2011, Kanematsu has held kids' soccer tournaments at its athletic field in Chiba Prefecture, seeking to provide a venue for enjoying soccer to children who have limited opportunities to play outside due to the nuclear accidents following the Great East Japan Earthquake. The 2016 Kanematsu Invitational Kids' Soccer Tournament invited six teams from Fukushima, Chiba, and Kanagawa prefectures. A total of 93 fifth and sixth grade boys and girls competed for the title. The tournament used fair trade-certified soccer balls in support of decent working environments, education and welfare in the places where such balls are made. Kanematsu will continue to host this tournament as part of its social contribution efforts.

Corporate Governance

Our Basic Stance on Corporate Governance

Kanematsu's founder himself put down the words "Let us sow and nurture the seeds of global prosperity." Based on this, The Kanematsu Group recognizes the pioneering spirit fostered by our predecessors along with the wise use of our creative imagination and ingenuity, fulfilling our corporate social responsibilities through sound, flourishing businesses, and adherence to Company rules as key parts of its Corporate Principle. We operate in accordance with this principle and our Code of Conduct, striving to carry out corporate activities to serve our various stakeholders and help realize a sustainable society by providing socially valuable goods and services.

To this end, Kanematsu endeavors to strengthen corporate governance to increase the transparency of management and create a more equitable, efficient, and sound company. We work to improve corporate governance with the aim of increasing our enterprise value and winning the support of all our stakeholders, including shareholders, customers, business partners, and employees.

System of Corporate Governance

Board of Directors

The Board of Directors is made up of eight directors. The Board decides on matters required of it as set out in law and Kanematsu's Articles of Incorporation as well as business policies and other important matters, and oversees business execution by directors. Three of the eight directors are outside directors to ensure that the Board conducts appropriate decision making and to further reinforce the supervision of business execution. In principle, the Board of Directors meets once a month, with additional meetings held as necessary.

Directors are appointed to the Board for one-year terms to allow the Board to respond appropriately to changes in the business environment.

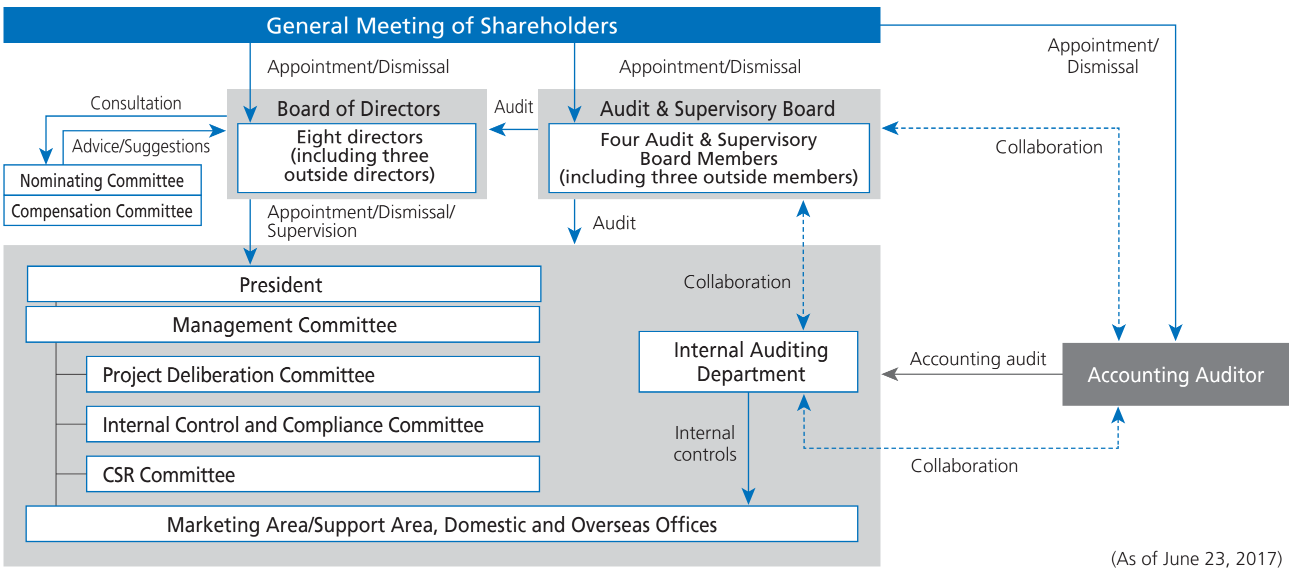
Kanematsu has adopted an executive officer system to improve the flexibility of business execution, speed up management decision making, and further clarify roles and responsibilities through the separation of supervisory and executive functions.

Advisory Bodies

To reinforce the objectivity, independence, and accountability of the Board of Directors, Kanematsu has established a Nominating Committee and Compensation Committee as advisory bodies under the Board of Directors.

- **Nominating Committee:** Comprises the president as committee chair and the three outside directors. The committee provides advice and recommendations to the Board of Directors based on deliberations regarding such matters as proposals for the General Meeting of Shareholders related to the appointment and dismissal of directors and the necessary policy, rules, and procedures for reaching related resolutions.
- **Compensation Committee:** Comprises the president as committee chair and the three outside directors. The committee provides advice and recommendations to the Board of Directors based on deliberations regarding such matters as policy regarding the setting of compensation levels and types for individual directors and executive officers as well as the necessary policy, rules, and procedures for reaching related resolutions.

Corporate Governance Structure



(As of June 23, 2017)

Management Committee

To facilitate rapid decision making and flexible management, Kanematsu has set up a Management Committee composed of executive officers, including the President. In principle, the Committee meets at least twice a month. The Committee establishes basic policies for Companywide general business execution in accordance with basic policies determined by the Board of Directors and provides instruction and guidance on the execution of business. The Management Committee is also attended by the outside directors and outside Audit & Supervisory Board members.

Project Deliberation Committee

The Project Deliberation Committee was established to enhance debate and speed up decision making on important projects. The Committee considers and discusses matters from a Companywide perspective and submits recommendations to the designated decision makers for each item before the decision must be made. In principle, the Committee meets at least twice a month.

Audit & Supervisory Board

The Audit & Supervisory Board acts as an independent organ to audit directors' performance of their duties. Specifically, the four Audit & Supervisory Board members, including three outside members, receive reports from directors and employees on the performance of their duties as required, and attend meetings of the Board of Directors, Management Committee, Project Deliberation Committee, Internal Control and Compliance Committee, and other important meetings.

Reasons for Selection of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for selection	Fiscal 2016 Attendance
Outside Directors	Yutaka Hirai	So that he can utilize his wide-ranging insight and many years of business experience, including that as representative director and executive vice president of Daifuku Co., Ltd., and wide-ranging insight in Kanematsu's management and provide management oversight.	18 of 18 Board of Directors meetings
	Seiichi Katayama	So that he can utilize the wide-ranging knowledge and insight regarding corporate management as well as expertise amassed as a professor of economics—albeit with no direct experience in management other than as an outside director—in Kanematsu's management and provide management oversight.	17 of 18 Board of Directors meetings
	Tsutomu Yajima	So that he will provide advice to management and appropriate oversight of business execution based on his sophisticated insight and wealth of experience in corporate management, including as a managing executive officer of JFE Steel Corporation and president and CEO of JFE Shoji Trade Corporation.	—*
Outside Audit & Supervisory Board members	Sohei Ogawa	So that he can audit Kanematsu based on his abundant experience in the internal management of financial institutions and wide-ranging insight.	18 of 18 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings
	Yonosuke Yamada	So that he can audit Kanematsu based on his expert insight and experience as a lawyer	18 of 17 Board of Directors meetings 15 of 14 Audit & Supervisory Board meetings
	Tsukasa Miyachi	So that he can audit Kanematsu based on his expert knowledge and experience as a certified public accountant.	18 of 18 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings

* Appointed on June 23, 2017.

Internal Auditing

To ensure that proper accounting records are kept and to monitor appropriate business execution, Kanematsu has established auditing rules, in accordance with which the Internal Auditing Department conducts internal audits of all divisions and consolidated subsidiaries.

Internal Control System and Risk Management System

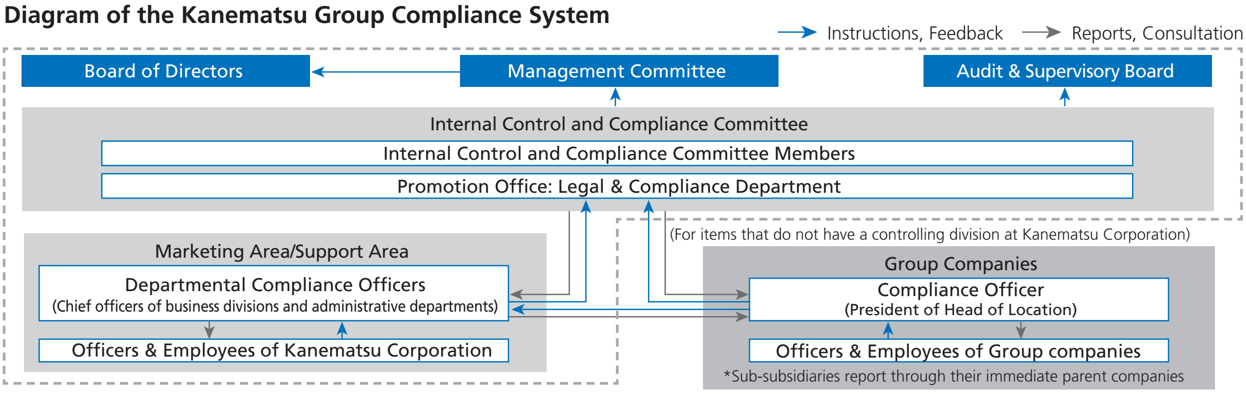
Maintaining the Internal Control System

To comprehensively assess risks facing the Kanematsu Group, to comply with laws and regulations relating to operational effectiveness and efficiency and business activities, to protect its assets, and to ensure the reliability of its financial reporting, the Kanematsu Group has built an internal control system. To operate this system effectively and efficiently, we have also established the Internal Control and Compliance Committee. We develop, operate, assess, and improve internal controls related to financial reporting to ensure the correctness of the Group's reporting in line with the internal control reporting systems defined in the Financial Instruments and Exchange Law.

Compliance

In light of the importance of corporate legal compliance, we have set up internal control systems for the Company and the Group as well as an Internal Control and Compliance Committee to implement said systems, seeking to strengthen our internal compliance system. In addition to preparing a Compliance Handbook that covers all Group companies, we work to enhance awareness of and training on sensible behavioral ethics. The Group also maintains a hotline system that allows employees to directly report to or consult with the Internal Control and Compliance Committee or an outside lawyer.

Diagram of the Kanematsu Group Compliance System



(As of June 23, 2017)

Elimination of Antisocial Forces

One of Kanematsu's compliance commitments is to take a firm stand against and eschew all relationships with antisocial forces. To promote the elimination of antisocial forces, Kanematsu belongs to the Tokyo Metropolitan Police Department's Special Violence Prevention Countermeasures Association, cooperating closely on a regular basis by sharing information. The Personnel & General Affairs Department is designated to coordinate Companywide response and information gathering to address any unreasonable demands from antisocial forces, and the Company maintains a framework for responding in coordination with outside organizations, including the police and attorneys.

Information Management System

With regard to information management, we have established standards for the custody, retention, and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of Kanematsu, certificates related to properties, and other similar documents. As information is a valuable corporate asset, we have also formulated, and work to reinforce, rules on information security management with the aim of protecting and managing personal data and other information in line with compliance requirements.

With regard to the security of information systems, the Group has established information security management rules aimed at preventing leaks and losses of important information and established standardized rules covering the use of PCs, networks, and e-mail to protect corporate and personal information. Furthermore, the Group continually reviews its systems framework aimed at enhancing security and operates and maintains said framework to ensure that security is maintained at necessary and appropriate levels.

Risk Management

With respect to business risks that may affect our operations, such as market risk, credit risk, investment risk, or country risk, Kanematsu has designated departments responsible for each type of risk, established internal regulations and detailed enforcement regulations, and prepared operational guidelines. We furthermore use training and other means to ensure thorough awareness of risk management. The Company also sets up cross-departmental committees as necessary to control risks.

To comprehensively assess risks facing the Kanematsu Group, promote operational effectiveness and efficiency, and ensure the reliability of financial reporting, we have established the Internal Control and Compliance Committee as a Groupwide organization. We have established an approval request system based on designated levels of authority to minimize business risks. The Project Deliberation Committee considers important investments and loans by comprehensively examining relevant risks.

To address the risk of crises related to the occurrence of major events, such as natural disasters, we have put in place a system, including specific rules and policies of action, to ensure the appropriate management of the Group at such extraordinary times.

Groupwide Activities

Group company presidents meet twice a year and at other times as necessary to share information on Groupwide business activities. These meetings are aimed at ensuring mutual understanding and awareness with regard to corporate governance issues.

Disclosure

We promote proper and transparent management by promptly and accurately disclosing important corporate information about management to shareholders and all other stakeholders, institutional investors, analysts, and the media. In addition to timely disclosure to financial instruments exchanges, we disclose information through our website and engage actively in IR activities, including regular briefings for institutional investors and analysts and meetings.

Corporate Officers

(As of June 23, 2017)

Directors and Audit & Supervisory Board Members

Masayuki Shimojima
Chairman

Kaoru Tanigawa
President

Masao Hasegawa
Executive Vice President

Takashi Gunji
Director

Tetsuro Tsutano
Director

Yutaka Hirai
Director

Seiichi Katayama
Director

Tsutomu Yajima
Director

Fumihiko Nashimoto
Audit & Supervisory Board Member (full-time)

Sohei Ogawa
Audit & Supervisory Board Member (full-time)

Yonosuke Yamada
Audit & Supervisory Board Member

Tsukasa Miyachi
Audit & Supervisory Board Member

1. Mr. Yutaka Hirai and Mr. Seiichi Katayama, and Mr. Tsutomu Yajima are Outside Directors.
2. Mr. Sohei Ogawa, Mr. Yonosuke Yamada and Mr. Tsukasa Miyachi are Outside Audit & Supervisory Board Members.
3. Mr. Yutaka Hirai, Mr. Seiichi Katayama, Mr. Tsutomu Yajima, Mr. Yonosuke Yamada and Mr. Tsukasa Miyachi are Independent Officers, as defined in the Securities Listing Regulations.

Executive Officers

President	Kaoru Tanigawa	
Executive Vice President	Masao Hasegawa	Chief Officer, Supporting Area; Chief Officer, Internal Auditing
Senior Managing Executive Officer	Takashi Gunji	Chief Officer, Steel, Materials & Plant Division, General Manager, Osaka Branch; General Manager, Nagoya Branch
Managing Executive Officers	Tetsuya Kaneko	Chief Officer, IT Planning, Traffic & Insurance
	Yoshiya Miyabe	Chief Officer, Motor Vehicles & Aerospace Division
	Kazuo Shibata	Chief Officer, Credit Control, Legal & Compliance; General Manager of Credit Control Dept.
Executive Officers	Eiji Kan	Deputy Chief Officer, Steel, Materials & Plant Division
	Katsumi Morita	President, Kanematsu USA Inc.
	Masayuki Hamasaki	Chief Officer, Grain, Oilseeds & Feedstuff Division
	Hiroyasu Hirasawa	Chief Officer, Foods Division
	Masahiro Harada	Chief Officer, Electronics & Devices Division
	Kazuo Tanaka	Chief Officer, Human Resources & General Affairs, Corporate Planning
	Tetsuro Tsutano	Chief Officer, Finance, Accounting, Business Accounting; General Manager of Finance Dept.

Roundtable Discussion with the Executive Vice President and Outside Directors

Supporting the Kanematsu Group's Sustainable Growth

Masao Hasegawa
Executive Vice President

Yutaka Hirai
Outside Director

Seiichi Katayama
Outside Director

A Highly Transparent System of Corporate Governance

Hasegawa Today, I and our two outside directors will discuss Kanematsu's system of corporate governance and the management challenges the Company faces with regard to sustainable growth going forward.

In addition to the Board of Directors, Kanematsu has a Management Committee, made up largely of executive officers, which functions as an executive body. The two of you sit on both. To begin, please tell me your impressions regarding the ways these two bodies function.

Hirai I think an important feature of the Management Committee is its open, uninhibited discussions. Kanematsu's 2014 adoption of the executive officer system increased the number of participants in the Management Committee from each business division. This has caused greater inclusion of views straight from the front lines in discussions, which has enlivened the committee's activities. I expect to see more highly capable executive officers emerge going forward. I think such officers will help Kanematsu achieve its aspiration under VISION-130 of "being a 'Value Creator' by continuing to build new businesses."

Katayama Being able to take part in the Management Committee as an outside director is very valuable. As Kanematsu shifts toward a more growth-oriented approach, the number of projects taken up by the Management Committee will likely increase. My impression is that Kanematsu's internal monitoring functions operate effectively, thanks, perhaps, to the Company's experience in implementing a major program of business selection and concentration in 1999. Thorough information disclosure within the Company ensures that the topics up for discussion by the Project Deliberation Committee are well understood ahead of time. The Company also maintains a good balance in terms of risk evaluation, and I think that, overall, Kanematsu's corporate governance initiatives are quite advanced.

Hasegawa Effective corporate governance depends on an open corporate culture that accepts diverse values along with management transparency maintained by providing accurate, timely information, whether within the Company or to outside parties. Kanematsu's outside directors participate in Management Committee meetings as well as internal meetings where important matters are deliberated. As a result, you have full access to discussions, including the details of matters handled, and are able to provide us with your views. I think that, in these ways, we maintain a high level of diversity and transparency in management.

Management Challenges Related to Risk Management and Sustainable Growth

Hasegawa Regarding the Project Deliberation Committee, in principle, all projects that have more than a certain amount of risk are subject to evaluation and discussion by this committee, which considers numerous perspectives, including risk, profitability, and business sustainability. The results of these deliberations are reported to those authorized to make final decisions, and the committee regularly follows up on matters of particular concern. Thus, the Project Deliberation Committee provides fundamental risk management for individual projects. How effective do you think the committee is? And, do you think it provides adequate information for the Board of Directors to use as the basis to make decisions?

Hirai I don't personally take part in the Project Deliberation Committee, but I receive information about its deliberations and discussions indirectly. That said, I think the committee properly examines projects and raises sensible concerns, adequately fulfilling its intended function. For more than a decade, Kanematsu has been focused on reducing interest-bearing debt rather than aggressively investing. As a result, when items related to new investment or new businesses are suddenly on the table, if might run into a shortage of relevant experience and knowledge. Even so, I hope that the committee will not hesitate to consider high-quality projects. To help with this, I think that Kanematsu must continue to reinforce its planning and concept-building capabilities. Furthermore, I think that, going forward, post-launch monitoring for new projects will be important. With each project, Kanematsu must carefully examine it against the exit rules, considering real and human capital efficiency as it keeps watch over the Group as a whole. Failure to do so may weaken the Group structurally.

Katayama Capital efficiency can get tricky when you start to consider the efficiency of both real and human capital. I think that, going forward, the Board of Directors should spend more time discussing medium- and long-term issues, beyond the VISION-130 period, including questions of efficiency. To that end, the board should gather and consider a wide range of information, including the opinions of institutional investors, industry analysts, and shareholders.

Hasegawa Medium- and long-term vision and management policy are important topics for discussion by the Board of Directors. I think that efficiency is also a management issue that the board should consider. In shifting from a focus on reinforcing the Company's financial position to strengthening growth strategies, I think that it will be important to dig deeper into discussions of efficiency, including labor productivity and capital efficiency.

Kanematsu's Role as a Trading Company and the Challenges it Faces

Hasegawa Kanematsu's management philosophy, Our *Beliefs: Kanematsu's Guiding Principles,* states that "fairness and justice should guide our business dealings." Similarly, the management objective of VISION-130 includes "building on existing trading operations to expand the earnings base through cooperation and mutual development with our business partners." I feel that these are perhaps the clearest expressions of our Corporate Principle and

corporate culture. It is crucial that we effectively use the experience and lessons of Kanematsu's 128-year history to pursue sound, sustainable growth.

Director Katayama, as a professor emeritus at the Research Institute for Economics and Business Administration of Kobe University, where the Kanematsu Memorial Hall is located, what do you see as Kanematsu's role as a trading company, given the Company's history and management philosophy?

Katayama Large-scale general trading companies cover everything from the upstream to downstream areas of supply chains. Kanematsu has traditionally focused on downstream areas, nearer to customers. Recently, the Company has been moving into areas that are more upstream. The further upstream you go, the more technical know-how is needed in such areas as production; I think that this will be a challenge for Kanematsu going forward.

Hasegawa Could you share any insights based on your experience at a manufacturing company and your thoughts on how trading companies should function going forward?

Hirai The Kanematsu Group currently has a number of upstream manufacturing functions, in a number of forms, but managing and controlling all of these is not always easy. The Company has specified technological support as a key strategic area under VISION-130, which I think is an interesting and very Kanematsu kind of choice. The important thing is to speed up the monitoring cycle so that when losses occur, they can be minimized as effectively as possible. And, of course, Kanematsu will not survive if it does not firmly maintain forms of business that benefit its customers and business partners.

Katayama Kanematsu has a tradition of targeting niche areas. No matter how far information technologies develop, there will always be flaws, and there will never be a perfect information-based world. As long as there are needs left to meet, they will continue to be a source of business opportunity. It's important that Kanematsu understand its own strength in niche businesses. And, because niche areas require high levels of specialization, Kanematsu must secure and develop human resources with sophisticated knowledge.

Hasegawa Yes, accurately recognizing the needs of markets where we're strong and investing resources there is key. Business niches, industry distortions, trading rights

structures, and customer needs all change constantly, so figuring out what those needs are is not something that can be done from behind a desk. Only by frequently visiting business partners can the answers be found. This is what makes the work of a trading company hard, but also what makes it rewarding.

The Roles of Outside Directors

Hasegawa Lastly, please tell me what you see as your role as outside directors.

Katayama According to the Ministry of Economy, Trade and Industry's Practical Guidelines for Corporate Governance Systems, the role of an outside director is to contribute to management strategy and appoint members of top management. I feel that the formulation of medium- to long-term management strategies is an especially pressing issue, and I hope to discuss such strategies thoroughly going forward.

Hirai Kanematsu has improved its system of internal control over the past few years, and I think that it now operates in a way that fits its management. When it comes to management strategy, I try my best to participate in discussions as much as possible and offer my opinions as an outside officer. I also think that it is my role to point out, from an outside perspective, such internal issues as problems with morale and communication that could lead to significant losses. Last year, I went with Audit & Supervisory Board members on some of their on-site audits, which allowed me to talk directly with the personnel of Group companies. I found this an excellent chance to learn about each company's culture and atmosphere. As an outside director, I will continue to watch Kanematsu from many angles.

Hasegawa I look forward to your continued support of Kanematsu's sustainable growth through your participation in the Board of Directors, internal bodies, and visits to Group companies, where you provide us with opinions based on your unique sense of values and experiences. Thank you for taking time to talk today.

Management's Discussion and Analysis

Business Results

For the fiscal year ended March 31, 2017, revenue rose ¥7,205 million (1.1%) from the previous fiscal year to ¥675,579 million. Gross profit increased ¥13,901 million (16.1%) from the previous fiscal year to ¥100,139 million. Operating profit rose ¥3,861 million (20.6%) from the previous fiscal year to ¥22,633 million, reflecting the increase in gross profit, despite an increase in selling, general and administrative expenses and worsening of other income and expenses. Profit before tax decreased ¥247 million (1.4%) from the previous fiscal year to ¥17,875 million, reflecting an increase in finance costs and a deterioration in the share of loss of investments accounted for using the equity method. Profit for the year attributable to owners of the Parent decreased ¥910 million (10.2%) from the previous fiscal year to ¥8,049 million.

Segment Information

Results for each business segment are described below.

Electronics & Devices

Performance in the ICT solutions business was favorable, particularly in transactions in manufacturing industries. Performance in the mobile business was firm, reflecting market recovery in the latter half of the fiscal year. However, the semiconductor parts business faced difficult conditions.

As a result, revenue in the Electronics & Devices segment rose ¥19,252 million year on year to ¥254,280 million, and operating profit increased ¥3,690 million to ¥14,348 million.

Foods, Grain, Oilseeds & Feedstuff

Performance in the food business was firm. In addition, performance in the meat product business improved from the previous year's weak showing, due in part to market recovery. However, the foodstuff business faced challenging conditions as a result of falling sales prices in Japan.

As a result, in the Foods & Grain segment, revenue increased ¥5,187 million year on year to ¥227,764 million, and operating profit rose ¥1,062 million to ¥2,489 million.

Steel, Materials & Plant

Performance in the energy business was favorable, due to steady demand for kerosene and heavy oil over the winter. In the plant business, transactions related to machine tools and industrial machinery were firm. However, in the iron and steel business, the mainstay oilfield tubing business faced difficult conditions as a result of low crude oil prices.

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

Motor Vehicles & Aerospace

Performance in the motor vehicles and parts business was solid. However, in the aerospace business, aircraft part trading was in an off year, and performance was weak.

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

Other

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

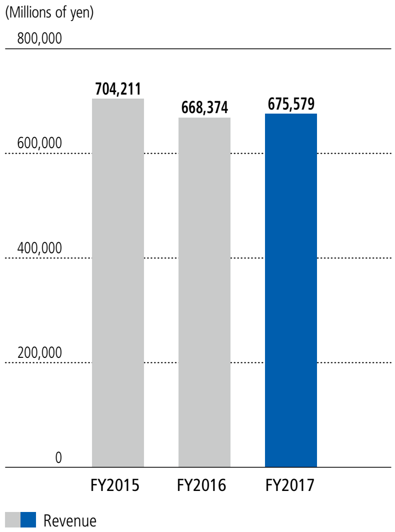
Analysis of Financial Status

Assets, Liabilities and Net Assets

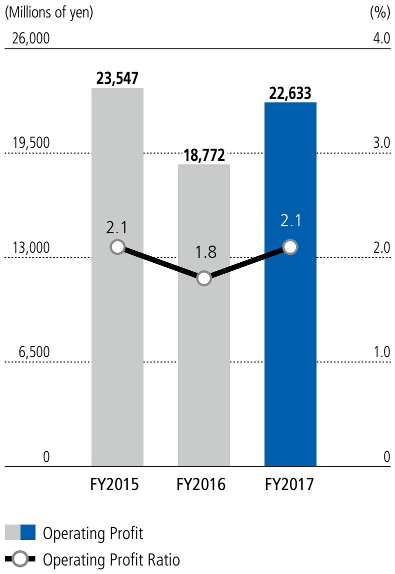
Total assets at the end of the fiscal year under review increased ¥36,125 million from the end of the previous fiscal year to ¥479,717 million. This was due largely to increases in current trade and other receivables and intangible assets.

Interest-bearing debt declined ¥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

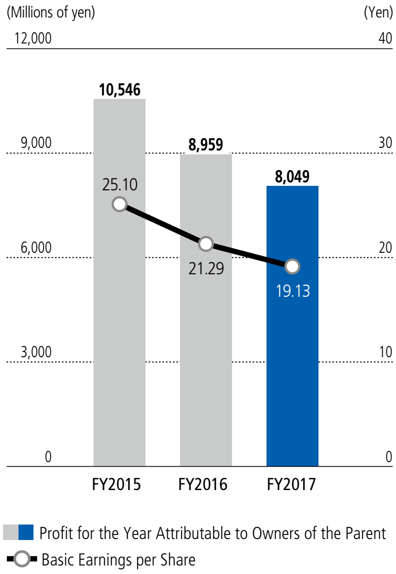
Revenue



Operating Profit / Operating Profit Ratio



Profit for the Year Attributable to Owners of the Parent / Basic Earnings per Share



cash and bank deposits, increased ¥6,616 million from the end of the previous fiscal year to ¥55,429 million.

Total equity attributable to owners of the Parent increased ¥8,758 million to ¥100,357 million, reflecting the recording of retained earnings as a result of the profit for the year attributable to owners of the Parent and an increase in financial assets measured at fair value through other comprehensive income as a result of stock price increases.

As a result, the equity ratio improved 0.3 of a percentage point from the end of the previous fiscal year to 20.9%. The net D/E ratio stood at 0.6.

Cash Flows

In the year under review, net cash provided by operating activities totaled ¥11,852 million, reflecting the recording of operating profit. Net cash used in investing activities amounted to ¥14,691 million, due in part to cash paid for the absorption-type merger of Kanematsu Telecom Investment Co., Ltd. and Diamondtelecom, Inc. Net cash used in financing activities amounted to ¥6,904 million, due in part to dividends paid and the repayment of borrowings. As a result, after the effect of exchange rate changes on cash and cash equivalents, 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.

Fundraising

The management objective of the Kanematsu Group's five-year medium-term vision, VISION-130, is to both maintain financial soundness and expand the earnings base. Toward this end, the Group's basic policy is to stably procure funds at low cost.

The Group raises funds primarily through indirect financing based on good relations with its main banks, regional banks, life and non-life insurers, and other financial institutions. Kanematsu also raises funds directly from the market by issuing straight corporate bonds as a means of long-term capital procurement. To secure liquidity on hand, the Group maintains an ample balance of cash and cash equivalents and has established commitment lines with major financial institutions. Surplus funds are flexibly managed in highly secure short-term financial products as appropriate in response to the Company's funding needs and financial circumstances.

To facilitate capital procurement, the Company receives ratings from Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I). The Company's long-term ratings as of the end of the fiscal year under review are BBB+ (stable) from JCR and BBB (stable) from R&I.

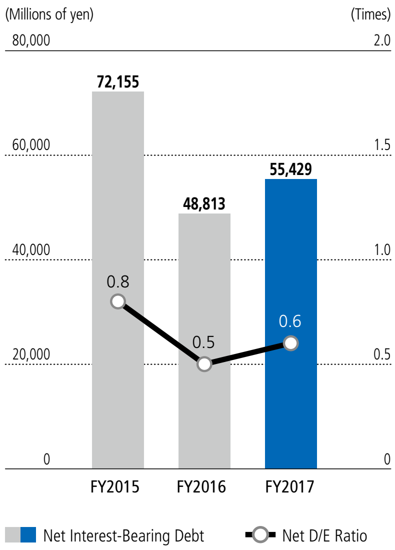
Although Kanematsu did not do so during the fiscal period under review, it will continue to consider fundraising directly from the market by issuing straight corporate bonds as appropriate in terms of time and cost.

With regard to consolidated capital management, the Group has adopted a cash management system under which, in principle, fundraising for domestic subsidiaries and affiliates is concentrated at the Company and proceeds are then allocated in response to capital requirements. At the end of the fiscal period under review, the Company's interest-bearing debt accounted for 70% of the consolidated Group's interest-bearing debt.

As a result of the above fundraising activities, at the end of the fiscal period under review, the balance of interest-bearing debt stood at ¥133,844 million, a decrease of ¥3,023 million from the end of the previous fiscal year. Nevertheless, because cash and bank deposits decreased from the end of the previous fiscal year, net interest-bearing debt at the end of the fiscal year under review stood at ¥55,429, an increase of ¥6,616 from the end of the previous fiscal year.

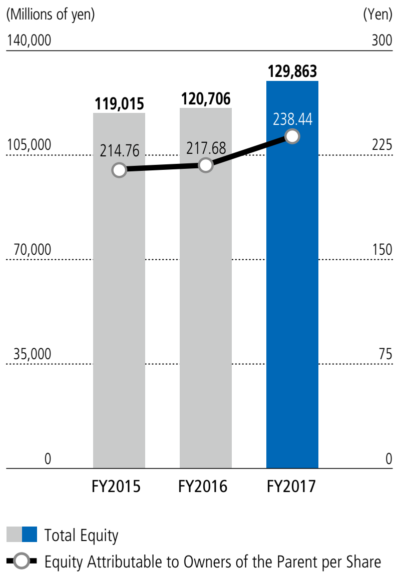
Corporate bonds and long-term borrowings (including the current portion of long-term borrowings) accounted for 70% of the balance of interest-bearing debt at the end of the fiscal year under review (or 93% on a non-consolidated basis). As such, Kanematsu's fundraising was highly stable.

Net Interest-Bearing Debt / Net D/E Ratio

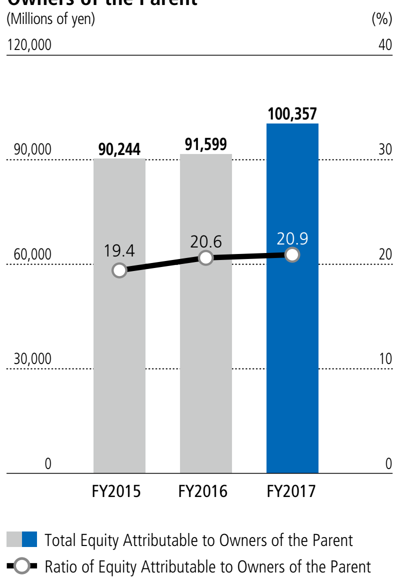


* Net interest-bearing debt = Interest-bearing debt –Cash and cash equivalents
* Net D/E ratio = Net interest-bearing debt / Total equity attributable to owners of the Parent

Total Equity / Equity Attributable to Owners of the Parent per Share



Total Equity Attributable to Owners of the Parent / Ratio of Equity Attributable to Owners of the Parent



Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 23, 2017.

The Group takes all risk that it faces on a daily basis in the course of its business very seriously. Risk control is undertaken through management mechanisms and methods tailored to the nature of each category of risk.

Market Risk Related to Supply and Demand and Prices of Goods Traded

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by the market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. An unexpected loss may result from causes such as rapid movements in commodities prices or a decline in demand, when our positions in these commodities increase.

Foreign Currency Risk

The Group is engaged in foreign currency transactions in a number of currencies and terms incidental to its export and import trading. The Group participates in derivatives transactions such as forward contracts to reduce the risk of currency fluctuations.

The Group also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing, for the purposes of preparing consolidated financial statements. For this reason, capital levels may change as a result of translation adjustments related to overseas operations.

Interest Rate Risk

The Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest paid by the Group may increase with a rise in interest rates.

The Company and certain consolidated subsidiaries use interest rate swaps to avoid interest rate risk related to borrowings.

Price Fluctuation Risk of Marketable Securities, etc.

The Group may hold shares in trade partners as means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group due to changes in financial assets measured at fair value through other comprehensive income.

Default Risk and Credit Risk

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans and guarantees in diverse business transactions with its trading partners in Japan and abroad. For this reason, late repayments and defaults may occur with developments such as a deterioration in the financial strength of its trading partners. The Group could also be forced to honor obligations that could be accompanied by a monetary loss in association with the conclusion and performance of a commodity supply agreement, a contract agreement, subcontract agreement, or other agreement, irrespective of reasons, if the trade partner defaults on its obligation or contract.

Although the Group has set aside an allowance for these losses in our accounting procedures using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance.

Business Investment Risk

The Group makes business investments to achieve objectives, including deep mining of existing businesses and expansion of business areas. The Group decides whether to make such investments through procedures established according to their details and amounts. When making investment decisions, the Group evaluates and analyzes risk factors and the profitability of the business based on cash flows, taking the criteria for business withdrawal into account. After making an investment, the Group regularly reevaluates and reviews business potential and investment value to minimize any potential loss. The value of the business investments may fluctuate according to the financial conditions of investment targets and their business success or failure.

The range of market changes tends to be particularly wide in overseas businesses. Local laws and relationships with partners may also prevent the Group from executing its policy for operating or withdrawing from a business.

Country Risk

The Group engages in transactions, loans, and investments in other countries. The collection of receivables may be delayed or impossible as a result of political or economic developments in each of these countries. To minimize losses that could arise should these country risks become reality, the Group regularly sets a limit based on ratings given to each country and region according to the scale of their respective country risk, and operates its businesses in such a way that prevents overexposure to certain countries and regions. The Group takes steps such as enrolling in trade insurance programs, according to the ratings and project details, in an attempt to minimize recovery risks. However, continuing transactions may become difficult if these risks actualize in certain countries and regions, and this development may affect the future business results of the Group.

Legal Risk Related to Changes in Laws

The business activities undertaken by the Group in Japan and overseas are subject to a wide range of legal regulations in Japan and other countries. The Group may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including a punitive tariff that could be introduced unilaterally following changes in the international political environment, and changes in regulations such as permits and licenses related to the sales and handling of products. An unexpected expense for the Group may also arise from a lawsuit or from an order issued by authorities. This risk also includes the risk that a tax rate or tax arrangements imposed by authorities or between countries under international taxation arrangements may change. Changes in these legal systems could influence the financial position and operating results of the Group.

Legal Risk Related to Lawsuits and Disputes

Business operations by the Group, and its assets and liabilities associated with the business operations may become subject to legal proceedings, including lawsuits, and other disputes, in various ways through the course of the business activities undertaken by the Group in Japan and overseas. Such lawsuits and other disputes are generally unpredictable, and resolving them is often very time-consuming when they occur. Any prediction of the results therefore involves uncertainties. Any occurrence of such lawsuits or other disputes and unexpected outcomes may affect the Group's financial position and operating results.

Security Risk Related to Information Systems and Information Security

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules, and is taking steps to ensure that all members of the Group are familiar with crisis control responses, to meet the safety requirements for operating its information systems. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of business sensitive information or personal information through unauthorized access, computer viruses and other means, as well as inoperability due to factors such as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line troubles. Inoperability may reduce the efficiency of operations that depend on the systems, and seriously affect the future business results of the Group, depending on the scale of damages.

Product and Facility Deterioration Risk due to Natural Disasters and Accidents

The Group owns facilities and equipment, including business offices, warehouses and manufacturing plants, in Japan and overseas. It also owns cargo being stored or transported in and outside Japan for business transactions. Such assets may be damaged or deteriorate as a result of natural disasters, accidents and other developments, and the businesses of the Group may be suspended due to developments such as earthquakes, fires, floods, and riots. Such incidents may seriously affect the future financial position and operating results of the Group, depending on the extent of the damage.

Compliance and Fraud Risk

The Group operates businesses to buy, sell, and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to exports and imports, that are established and enforced for these products and services in Japan and other countries. However, it is difficult to execute all procedures at all times across all of the trading operations we conduct with the involvement of multiple parties. Although we take a number of actions to prevent violations, there is a risk that we may overlook a violation of a law or an instance of fraud. If the violation or fraud is material, the financial position and operating results of the Group could be affected.

Consolidated Financial Statements

Consolidated Statement of Financial Position

March 31, 2017 and 2016

	JPY		USD (Note 2)
	2017	2016	**2017**
(Assets)			
I. Current assets			
1. Cash and cash equivalents (Note 27)	**77,566**	87,466	**691,387**
2. Trade and other receivables (Note 7)	**191,193**	163,540	**1,704,195**
3. Inventories (Note 8)	**80,662**	80,195	**718,977**
4. Other financial assets (Note 30)	**3,705**	2,596	**33,033**
5. Other current assets (Note 13)	**18,200**	12,776	**162,232**
Total current assets	**371,329**	346,574	**3,309,824**
II. Non-current assets			
1. Property, plant and equipment (Note 9)	**26,858**	26,883	**239,400**
2. Goodwill (Note 10)	**6,304**	4,631	**56,197**
3. Intangible assets (Note 10)	**20,935**	8,083	**186,611**
4. Investments accounted for using the equity method(Note 11)	**4,885**	7,420	**43,546**
5. Trade and other receivables (Note 7)	**1,169**	460	**10,425**
6. Other investments (Note 12)	**34,112**	31,535	**304,057**
7. Other financial assets (Note 30)	**5,295**	5,441	**47,202**
8. Deferred tax assets (Note 29)	**5,018**	9,084	**44,737**
9. Other non-current assets (Note 13)	**3,807**	3,477	**33,941**
Total non-current assets	**108,388**	97,017	**966,117**
Total assets	**479,717**	443,592	**4,275,941**

(Notes)Presentation of fiscal year and amounts (Japanese Yen and U.S. dollars)
1. “2017” refers to the Company’s consolidated fiscal year ended March 31, 2017 and the other fiscal year is referred to in the corresponding manner.
2. “JPY” means millions of Japanese Yen and “USD” means thousands of U.S. dollars.

	JPY		USD (Note 2)
	2017	2016	**2017**
(Liabilities)			
I. Current liabilities			
1. Trade and other payables (Note 14)	**165,011**	142,143	**1,470,822**
2. Bonds and borrowings (Note 15)	**64,643**	61,989	**576,197**
3. Other financial liabilities (Note 30)	**5,255**	7,129	**46,841**
4. Income taxes payable	**4,226**	2,274	**37,670**
5. Provisions (Note 16)	**28**	31	**251**
6. Other current liabilities (Note 17)	**26,291**	19,465	**234,348**
Total current liabilities	**265,455**	233,034	**2,366,128**
II. Non-current liabilities			
1. Bonds and borrowings (Note 15)	**69,201**	74,877	**616,824**
2. Other financial liabilities (Note 30)	**6,118**	6,679	**54,541**
3. Retirement benefit liabilities (Note 28)	**6,641**	6,024	**59,198**
4. Provisions (Note 16)	**1,397**	1,272	**12,460**
5. Deferred tax liabilities (Note 29)	**424**	297	**3,786**
6. Other non-current liabilities (Note 17)	**614**	699	**5,475**
Total non-current liabilities	**84,398**	89,851	**752,283**
Total liabilities	**349,854**	322,885	**3,118,411**
(Equity)			
1. Share capital (Note 18)	**27,781**	27,781	**247,626**
2. Capital surplus (Note 18)	**26,797**	26,463	**238,857**
3. Retained earnings (Note 18)	**34,579**	29,103	**308,225**
4. Treasury stock (Note 18)	**(217)**	(235)	**(1,942)**
5. Other components of equity (Note 26)			
1) Exchange differences on translation of foreign operations	**2,349**	2,912	**20,943**
2) Financial assets measured at fair value through other comprehensive income	**9,455**	6,967	**84,285**
3) Cash flow hedges	**(388)**	(1,393)	**(3,465)**
Total other components of equity	**11,416**	8,486	**101,762**
Total equity attributable to owners of the Parent	**100,357**	91,599	**894,527**
6. Non-controlling interests	**29,506**	29,107	**263,003**
Total equity	**129,863**	120,706	**1,157,530**
Total liabilities and equity	**479,717**	443,592	**4,275,941**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income: (a) Consolidated Statement of Income

For the fiscal years ended March 31, 2017 and 2016

	JPY		USD (Note 2)
	2017	2016	**2017**
I. Revenue (Notes 6 & 19)	**675,579**	668,374	**6,021,748**
II. Cost of sales	**(575,440)**	(582,135)	**(5,129,159)**
Gross profit	**100,139**	86,238	**892,589**
III. Selling, general and administrative expenses (Note 20)	**(76,163)**	(68,577)	**(678,876)**
IV. Other income (expenses)			
1. Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net (Note 21)	**384**	(311)	**3,430**
2. Impairment loss on property, plant and equipment and intangible assets (Note 22)	**(866)**	(94)	**(7,724)**
3. Other income	**1,400**	2,596	**12,481**
4. Other expenses	**(2,261)**	(1,078)	**(20,161)**
Total other income (expenses)	**(1,343)**	1,111	**(11,975)**
Operating profit (Note 6)	**22,633**	18,772	**201,739**
V. Finance income			
1. Interest income (Note 24)	**421**	478	**3,759**
2. Dividend income (Note 24)	**1,116**	927	**9,948**
Total finance income	**1,537**	1,405	**13,707**
VI. Finance costs			
1. Interest expenses (Note 24)	**(2,304)**	(2,407)	**(20,538)**
2. Other finance costs (Notes 24 & 30)	**(2,000)**	(323)	**(17,832)**
Total finance costs	**(4,304)**	(2,731)	**(38,371)**
VII. Share of profit (loss) of investments accounted for using the equity method (Note 11)	**(1,990)**	675	**(17,740)**
Profit before tax	**17,875**	18,122	**159,334**
Income tax expense (Note 29)	**(7,589)**	(7,313)	**(67,645)**
Profit for the year	**10,286**	10,808	**91,690**
Profit for the year attributable to:			
Owners of the Parent	**8,049**	8,959	**71,748**
Non-controlling interests	**2,237**	1,848	**19,942**
Total	**10,286**	10,808	**91,690**
	Yen		U.S. dollars
Earnings per share attributable to owners of the Parent:			
Basic earnings per share (Note 25)	**19.13**	21.29	**0.17**
Diluted earnings per share (Note 25)	**19.13**	21.29	**0.17**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income: (b) Consolidated Statement of Comprehensive Income

For the fiscal years ended March 31, 2017 and 2016

	JPY		USD (Note 2)
	2017	2016	**2017**
I. Profit for the year	**10,286**	10,808	**91,690**
II. Other comprehensive income			
Items that will not be reclassified to profit or loss:			
1. Financial assets measured at fair value through other comprehensive income (Note 26)	**2,671**	(1,580)	**23,815**
2. Remeasurement of defined benefit pension plans (Note 26)	**(284)**	(426)	**(2,532)**
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	**24**	(14)	**222**
Total items that will not be reclassified to profit or loss	**2,412**	(2,021)	**21,505**
Items that may be reclassified to profit or loss:			
1. Exchange differences on translation of foreign operations (Note 26)	**(829)**	(2,894)	**(7,391)**
2. Cash flow hedges (Notes 26 & 30)	**984**	(1,511)	**8,779**
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	**109**	(127)	**980**
Total items that may be reclassified to profit or loss	**265**	(4,532)	**2,368**
Other comprehensive income for the year, net of tax	**2,678**	(6,554)	**23,873**
Total comprehensive income for the year	**12,965**	4,253	**115,563**
Total comprehensive income for the year attributable to:			
Owners of the Parent	**10,720**	3,248	**95,559**
Non-controlling interests	**2,244**	1,005	**20,004**
Total	**12,965**	4,253	**115,563**

Consolidated Statement of Changes in Equity

For the fiscal years ended March 31, 2017 and 2016

	JPY		USD (Note 2)
	2017	2016	**2017**
Equity			
I . Share capital (Note 18)			
Balance at the beginning of the year	**27,781**	27,781	**247,626**
Balance at the end of the year	**27,781**	27,781	**247,626**
II . Capital surplus (Note 18)			
Balance at the beginning of the year	**26,463**	26,621	**235,878**
Disposition of treasury stock	**3**	0	**28**
Equity transactions with non-controlling interests	**4**	(158)	**39**
Other changes	**326**		**2,911**
Balance at the end of the year	**26,797**	26,463	**238,857**
III . Retained earnings (Note 18)			
Balance at the beginning of the year	**29,103**	21,879	**259,415**
Dividends	**(2,314)**	(1,683)	**(20,628)**
Profit for the year attributable to owners of the Parent	**8,049**	8,959	**71,748**
Reclassification from other components of equity	**(259)**	(11)	**(2,310)**
Other changes		(40)	
Balance at the end of the year	**34,579**	29,103	**308,225**
IV . Other components of equity (Note 26)			
Balance at the beginning of the year	**8,486**	14,185	**75,641**
Exchange differences on translation of foreign operations	**(562)**	(2,346)	**(5,015)**
Financial assets measured at fair value through other comprehensive income	**2,613**	(1,542)	**23,299**
Cash flow hedges	**1,004**	(1,535)	**8,955**
Remeasurement of defined benefit pension plans	**(384)**	(286)	**(3,428)**
Reclassification to retained earnings	**259**	11	**2,310**
Balance at the end of the year	**11,416**	8,486	**101,762**
V . Treasury stock (Note 18)			
Balance at the beginning of the year	**(235)**	(222)	**(2,096)**
Acquisition of treasury stock	**(5)**	(12)	**(49)**
Disposition of treasury stock	**22**	0	**203**
Balance at the end of the year	**(217)**	(235)	**(1,942)**
Total equity attributable to owners of the Parent	**100,357**	91,599	**894,527**
VI . Non-controlling interests			
Balance at the beginning of the year	**29,107**	28,771	**259,448**
Dividends to non-controlling interests	**(1,324)**	(891)	**(11,806)**
Equity transactions with non-controlling interests	**(36)**	222	**(323)**
Other changes	**(484)**		**(4,319)**
Profit for the year attributable to non-controlling interests	**2,237**	1,848	**19,942**
Other components of equity	**6**	(843)	**62**
Exchange differences on translation of foreign operations	**(178)**	(650)	**(1,587)**
Financial assets measured at fair value through other comprehensive income	**82**	(53)	**738**
Cash flow hedges	**1**	0	**15**
Remeasurement of defined benefit pension plans	**100**	(139)	**896**
Balance at the end of the year	**29,506**	29,107	**263,003**
Total equity	**129,863**	120,706	**1,157,530**
Comprehensive income for the year attributable to:			
Owners of the Parent	**10,720**	3,248	**95,559**
Non-controlling interests	**2,244**	1,005	**20,004**
Total comprehensive income for the year	**12,965**	4,253	**115,563**

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2017 and 2016

	JPY		USD (Note 2)
	2017	2016	**2017**
I. Cash flows from operating activities			
Profit for the year	**10,286**	10,808	**91,690**
Depreciation and amortization	**2,885**	3,082	**25,720**
Impairment loss on property, plant and equipment and intangible assets	**866**	94	**7,724**
Finance income and costs	**2,767**	1,326	**24,664**
Share of (profit) loss of investments accounted for using the equity method	**1,990**	(675)	**17,740**
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets, net	**(384)**	311	**(3,430)**
Income tax expense	**7,589**	7,313	**67,645**
(Increase) decrease in trade and other receivables	**(10,613)**	19,262	**(94,602)**
(Increase) decrease in inventories	**200**	10,664	**1,788**
Increase (decrease) in trade and other payables	**6,861**	(17,662)	**61,157**
Increase (decrease) in retirement benefits liabilities	**(120)**	274	**(1,078)**
Other	**(1,437)**	3,812	**(12,812)**
Sub total	**20,890**	38,613	**186,207**
Interest received	**436**	491	**3,890**
Dividends received	**1,503**	1,193	**13,404**
Interest paid	**(2,291)**	(2,414)	**(20,427)**
Income taxes paid	**(8,686)**	(4,860)	**(77,426)**
Net cash provided by (used in) operating activities	**11,852**	33,024	**105,647**
II. Cash flows from investing activities			
Payments for property, plant and equipment	**(4,188)**	(1,982)	**(37,334)**
Proceeds from sale of property, plant and equipment	**3,424**	572	**30,525**
Payments for intangible assets	**(605)**	(496)	**(5,398)**
Purchases of other investments	**(986)**	(5,054)	**(8,792)**
Proceeds from sale of other investments	**733**	502	**6,539**
Proceeds from (payments for) acquisition of subsidiaries (Note 27)	**(12,786)**	1,178	**(113,972)**
Proceeds from (payments for) sale of subsidiaries (Note 27)	**(6)**	(165)	**(62)**
Increase in loans receivable	**(1,835)**	(917)	**(16,363)**
Proceeds from collection of loans receivable	**1,952**	1,005	**17,403**
Other	**(392)**	1,142	**(3,497)**
Net cash provided by (used in) investing activities	**(14,691)**	(4,214)	**(130,951)**
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	**7,044**	(9,718)	**62,787**
Proceeds from long-term borrowings	**18,786**	18,687	**167,452**
Repayment of long-term borrowings	**(28,857)**	(22,231)	**(257,216)**
Proceeds from issuance of bonds		9,923	
Dividends paid	**(2,308)**	(1,678)	**(20,574)**
Payments for acquisition of subsidiaries' interests from non-controlling interests	**(30)**	(328)	**(271)**
Dividends paid to non-controlling interests	**(1,277)**	(897)	**(11,385)**
Other	**(262)**	(485)	**(2,336)**
Net cash provided by (used in) financing activities	**(6,904)**	(6,729)	**(61,542)**
IV. Increase (decrease) in cash and cash equivalents, net	**(9,743)**	22,081	**(86,846)**
V. Cash and cash equivalents at the beginning of the year	**87,466**	66,485	**779,625**
VI. Effect of exchange rate changes on cash and cash equivalents	**(156)**	(1,100)	**(1,392)**
VII. Cash and cash equivalents at the end of the year (Note 27)	**77,566**	87,466	**691,387**

Notes to Consolidated Financial Statements

For the fiscal years ended March 31, 2017 and 2016

1. Reporting Entity

Kanematsu Corporation (the "Company") is a company located in Japan. The addresses of the Company's registered headquarters and main offices are available on its corporate website (http://www.kanematsu.co.jp/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2017 comprise the Company and its subsidiaries (collectively, the "Consolidated Group"), and the Consolidated Group's interests in associates. The Consolidated Group operates its businesses as an integrated trading company by providing a broad array of products and services through the organic integration of domestic and international business networks; expertise acquired in various fields; and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution. Detailed information on the business operations for each reportable segment are provided in Note 6 Segment Information.

2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) as all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance have been fulfilled.

The consolidated financial statements were authorized by the board of directors meeting on June 23, 2017.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for:

• financial assets and liabilities measured at fair value through profit or loss, which are measured at fair value;

• financial assets measured at fair value through other comprehensive income, which are measured at fair value; and

• defined benefit assets or liabilities, which are measured at the present value of the defined benefit obligations less the fair value of plan assets.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million.

The U.S. dollar amounts appearing in the consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥112.19 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2017. The translation of such dollar amounts is solely for convenience of the readers outside Japan and should not be construed as a representation that the Japanese yen amounts have been, or could be readily converted, realized or settled in dollars at the above, or any other rate.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods. The following notes include information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

• Note 3. Significant Accounting Policies: (1) Basis of consolidation

• Note 3. Significant Accounting Policies: (11) Revenue

The following notes include information on uncertainties of assumptions and estimates that have a significant risk to cause material revisions in the next fiscal year:

• Note 22. Impairment Loss

• Note 28. Employee Benefits

• Note 29. Current and Deferred Income Tax

• Note 30. Financial Instruments: (6) Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Consolidated Group uses observable market data as much as it is available. Fair values are categorized into the following three hierarchy levels based on the inputs to the valuation techniques:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Consolidated Group can access at the measurement date

• Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

• Level 3: unobservable inputs

The following notes include detailed information on assumptions made when measuring the fair value:

• Note 22. Impairment Loss

• Note 30. Financial Instruments: (6) Fair value of financial instruments

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Consolidated Group.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities which are controlled by the Consolidated Group. The Consolidated Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Consolidated Group holds more than half of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group as it is determined that control exists, unless it can be clearly demonstrated that such ownership does not constitute control. In addition, even when the Consolidated Group holds only half or less of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group if it is determined through agreements with other investors that the Consolidated Group has control over such entity's financial and operating policies and thus has the ability to affect returns from such entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Consolidated Group from the date the Consolidated Group obtains control of the subsidiaries until the date it loses such control of the subsidiaries. When the accounting policies adopted by the subsidiaries are different from those adopted by the Consolidated Group and the difference is considered material, the financial statements of the subsidiaries are adjusted as necessary.

Changes in the Consolidated Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Company recognizes directly in equity any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Company.

If the Consolidated Group loses control of a subsidiary, the Consolidated Group derecognizes the assets and liabilities of the former subsidiary, and any non-controlling interests and other components of equity related to the former subsidiary. Any gains or losses arising from such loss of control are recognized in profit or loss. If the Consolidated Group retains any interest in the former subsidiary after the control is lost, such interest is measured at fair value at the date that control is lost.

2) Associates and joint ventures

Associates are those entities over which the Consolidated Group has significant influence, where significant influence is defined as the power to participate in the financial and operating policy decisions of the entities but is not control or joint control of those entities. If the Consolidated Group holds between 20 percent and 50 percent of the voting rights of each those entities, it is presumed that the Consolidated Group has significant influence over each of those entities.

Even if the Consolidated Group holds less than 20 percent of the voting rights of another entity, such entity is included in the associates of the Consolidated Group as long as it is determined that the Consolidated Group has significant influence over the entity through the dispatch of the board members, the shareholders' agreement or the like.

Joint ventures are those entities with respect to which multiple parties, including the Consolidated Group, have joint control over the economic activities by contract and unanimous consent of all of such parties is required when deciding on the relevant activities, whereby the Consolidated Group has rights to the net assets of the arrangement.

Except for those that are classified as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investments in associates and joint ventures ("equity method investee") are measured at the carrying amount following the application of the equity method (including goodwill recognized at the time of acquisition) less any accumulated impairment losses.

The consolidated financial statements include the Consolidated Group's share of profit or loss and other comprehensive income of the associates and joint ventures from the date the Consolidated Group obtains significant influence or joint control until the date it loses such significant influence or joint control. When the accounting policies adopted by the equity method investees are different from those adopted by the Consolidated Group, the financial statements of the equity method investees are adjusted as necessary.

3) Business combinations

Business combinations are accounted for using the acquisition method. The Consolidated Group recognizes goodwill as the sum of the fair value of the consideration transferred, the amounts of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree measured at the acquisition date; less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value). When such difference results in a negative balance, it is immediately recognized in profit or loss. Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The measurement method to be applied at the acquisition date is determined on a transaction-by-transaction basis. Acquisition-related costs, which are costs that the Consolidated Group incurs to effect a business combination (excluding costs to issue debt or equity securities), are accounted for as expenses in the periods in which the costs are incurred, and thus not included in the cost of goodwill. In a business combination achieved in stages, the Consolidated Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes any gains or losses arising from such remeasurement in profit or loss. Changes in the value of the Consolidated Group's equity interest in the acquiree that had been recognized in other comprehensive income prior to the acquisition date are recognized in profit or loss, or other comprehensive income, on the same basis as would be required if the Consolidated Group had disposed of the previously held equity interest.

4) Transactions eliminated in consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from intragroup transactions, are eliminated when preparing the consolidated financial statements.

(2) Foreign currency translation

1) Translation of foreign currency transactions

Foreign currency transactions are translated into functional currencies of individual companies using the exchange rates at the dates of such transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of each reporting period. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured on a historical cost basis in a foreign currency are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was measured.

With respect to the exchange differences of a non-monetary item, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the Consolidated Group recognizes any exchange component of that gain or loss in other comprehensive income. Conversely, when a gain or loss on a non-monetary items is recognized in profit or loss, the Consolidated Group recognizes any exchange component of that gain or loss in profit or loss.

2) Translation of foreign operations

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated using the exchange rate at the end of the reporting period. In addition, income and expenses of foreign operations are translated using the average exchange rate for the reporting period unless exchange rates fluctuate significantly.

Exchange differences arising from the translation are recognized in other comprehensive income and the cumulative amounts of the exchange differences are included in other components of equity. When the Consolidated Group's foreign operations are disposed of, the cumulative amounts of the exchange differences related to foreign operations are reclassified to profit or loss when the gain or loss on disposal is recognized. Based on the application of the exemption clauses under IFRS 1, the Consolidated Group has reclassified the cumulative exchange differences that existed at the transition date to retained earnings.

(3) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand; demand deposits; and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(4) Inventories

Inventories are measured at the lower of cost determined by the moving-average method and net realizable value.

(5) Property, plant and equipment

The Consolidated Group uses the cost model to measure an item of property, plant and equipment after initial recognition and carries it at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment include the cost directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each component thereof. The ranges of principal estimated useful lives are presented as follows:

Buildings and structures:	3 to 50 years
Machinery, vehicles, tools, furniture & fixtures:	2 to 20 years

Leased assets are fully depreciated over the shorter of the lease term and their estimated useful lives if there is no reasonable certainty that the Consolidated Group will obtain ownership by the end of the lease term.

The depreciation method, useful life and residual value of an asset are reviewed at least at the end of each reporting period and amended as necessary.

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

2) Intangible assets

The Consolidated Group uses the cost model to measure an intangible asset after initial recognition and carries it at its cost less any accumulated depreciation and any accumulated impairment losses.

A separately acquired intangible asset is initially recognized and measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. With respect to an internally generated intangible asset that does not qualify for asset recognition, expenditures on such an internally generated intangible asset are recognized as expenses when they are incurred. Conversely, the cost of an internally generated intangible asset that qualifies for asset recognition is the sum of expenditures incurred from the date when it first meets the recognition criteria.

An intangible asset with a finite useful life is amortized using the straight-line method over its estimated useful life. The Consolidated Group's intangible assets with finite useful lives are comprised mainly of software whose estimated useful life is 5 years.

The depreciation method, useful life and residual value of an intangible asset with a finite useful life are reviewed at the end of each reporting period and amended as necessary.

Certain intangible assets with indefinite useful lives such as carrier shop operating rights are not amortized, but instead tested for impairment based on the cash-generating unit at least once a year and whenever there is an indication that they may be impaired.

(7) Impairment of non-financial assets

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, it estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs. Goodwill and an intangible asset with an indefinite useful life are tested for impairment annually and whenever there is an indication that such assets may be impaired. If the carrying amount of an individual asset or the cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is recognized as an impairment loss.

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior fiscal years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Consolidated Group will estimate the recoverable amount of that asset. If the recoverable amount exceeds the carrying amount of that asset or the cash-generating unit to which the asset belongs, the carrying amount is increased to its recoverable amount, which is, however, limited up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior fiscal years; and that increase is recognized as a reversal of an impairment loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

In addition, because goodwill that forms part of the carrying amount of an investment in an equity method investee is not separately recognized, it is not tested for impairment separately. If it is indicated that the investment in an equity method investee may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount.

(8) Financial instruments

The Consolidated Group has early adopted IFRS 9 *Financial Instruments* (as amended in July 2014).

1) Financial assets

The Consolidated Group classifies financial assets at initial recognition as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. The Consolidated Group initially recognizes financial assets measured at amortized cost on the date that they arise and the other financial assets on the transaction date.

The Consolidated Group derecognizes a financial asset when, and only when (i) the contractual rights to cash flows from the financial asset expire, or (ii) it transfers the contractual rights to cash flows and substantially all the risks and rewards of ownership of the financial asset.

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

• The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow and,

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a financial asset measured at amortized cost at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income

A financial asset that meets both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income:

• The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets and,

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss is reclassified to profit or loss.

(iii) Equity instruments measured at fair value through other comprehensive income

With regard to a financial asset that has not been classified as either a financial asset measured at amortized cost or a financial asset measured at fair value through other comprehensive income, and classified as a financial asset measured at fair value through profit or loss, IFRS 9 permits an entity to make an irrevocable election to present in other comprehensive income changes in fair value of an investment in an equity instrument that is not held for trading. The Consolidated Group makes this election on an instrument-by-instrument basis.

The Consolidated Group initially recognizes and measures an equity instrument measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the equity instrument is derecognized, or its fair value substantially decreases, the Consolidated Group reclassifies the cumulative amount of other comprehensive income to retained earnings and not to profit or loss. Dividends are recognized in profit or loss.

(iv) Financial assets measured at fair value through profit or loss

A financial asset other than those classified as (i), (ii) and (iii) above is classified as a financial asset measured at fair value through profit or loss.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through profit or loss at its fair value and expenses the transaction costs as incurred that are directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value in profit or loss.

2) Impairment of financial assets

The Consolidated Group assesses impairment of financial assets measured at amortized cost and financial assets measured at fair value through other compressive income based on the expected credit loss approach.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the 12-month expected credit losses, i.e., the expected credit losses that result from default events on that financial instrument that are possible within the 12-months after the reporting date. Conversely, if, at the reporting date, the credit risk on that financial instrument has increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses, i.e., the expected credit losses that result from all possible default events over the expected life of that financial instrument.

However, the Consolidated Group always measures the loss allowance for trade receivables that do not contain a significant financing component at an amount equal to the lifetime expected credit losses despite the above requirement.

Detailed information on the assessment of significant increases in credit risk and the measurement of expected credit losses is provided in Note 30. Financial Instruments: (3) Credit risk management.

3) Financial liabilities

The Consolidated Group classifies financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. The Consolidated Group initially recognizes financial liabilities measured at amortized cost on the date that they arise and the other financial liabilities on the transaction date.

The Consolidated Group derecognizes financial liabilities when they are extinguished, i.e., when obligations specified under a contract is discharged, cancelled or expires.

(i) Financial liabilities measured at amortized cost

The Consolidated Group classified financial liabilities, other than financial liabilities measured at fair value through profit or loss, as financial liabilities measured at amortized cost. The Consolidated Group initially recognizes and measures a financial liability measured at amortized cost at its fair value less any transaction costs directly attributable to incurring of the liability, and subsequently measures it at amortized cost using the effective interest method.

(ii) Financial liabilities measured at fair value through profit or loss

The Consolidated Group initially recognizes and measures a financial liability measured at fair value through profit or loss at its fair value, and subsequently measures it at fair value and recognizes subsequent changes in fair value in profit or loss.

4) Derivatives and hedge accounting

In order to hedge the foreign currency fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, the Consolidated Group enters into derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Consolidated Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Although such hedging is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, it is assessed on an ongoing basis whether it was actually highly effective throughout the reporting periods for which such hedging was designated.

The Consolidated Group initially recognizes and measures derivatives at fair value and subsequently measures them at fair value and accounts for subsequent changes in fair value as follows:

(i) Fair value hedge

The Consolidated Group recognizes the changes in fair value of a derivative used as a hedging instrument in profit or loss, and the changes in fair value of a hedged item attributable to the hedged risk in profit or loss by adjusting the carrying amount of the hedged item.

(ii) Cash flow hedge

Of the changes in fair value of a derivative used as a hedging instrument, the portion determined to be effective is recognized in other comprehensive income and the cumulative amount is included in other components of equity. Conversely, the portion determined to be ineffective is recognized in profit or loss. The amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss in the same period that the transaction of the hedged item affects profit or loss; provided, however, that if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amounts accumulated in other components of equity are then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When the hedging instrument expires or is sold, terminated or exercised; or when the hedge no longer meets the criteria for the hedge accounting, the Consolidated Group discontinues the hedge accounting prospectively. If the forecast transaction is no longer expected to occur, the amounts accumulated in other components of equity are reclassified immediately from other components of equity to profit or loss.

(iii) Derivatives not designated as hedging instruments

The Consolidated Group recognizes the changes in fair value of derivatives not designated as hedging instruments in profit or loss.

5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Consolidated Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

(9) Provisions

The Consolidated Group recognizes a provision when, only when (a) the Consolidated Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the Consolidated Group recognizes the provision by discounting it using a current pre-tax discount rate that reflects the risks specific to the liability.

(10) Equity

When the Consolidated Group repurchases the shares of treasury stock, it is measured at cost and is presented as a deduction from equity. Transaction costs directly attributable to the repurchase of the shares of treasury stock are deducted from capital surplus. When the Consolidated Group sells the shares of treasury stock, the consideration received is recognized as an increase in equity.

(11) Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returned goods, discounts and rebates. If there are multiple identifiable components in a single transaction, such transaction is separated into components, and revenue is recognized per such component. Conversely, when the actual economic state cannot be expressed without treating multiple transactions as one unit, revenue is recognized by treating such multiple transactions as one unit. The recognition standards and presentation method with respect to revenue are presented as follows:

1) Revenue recognition criteria

(i) Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

• the Consolidated Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
• the Consolidated Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
• the amount of revenue can be measured reliably;
• it is possible that the economic benefits associated with the transaction will flow to the Consolidated Group; and,
• the costs incurred or to be incurred in respect to the transaction can be measured reliably.

(ii) Rendering of services

If results of revenue from the rendering of services can be reliably estimated, such revenue will be recognized in accordance with such transaction's degree of progress as of the fiscal year end. If all of the following conditions are satisfied, it is determined that results of a transaction can be reliably estimated:

• the amount of revenue can be measured reliably;
• it is probable that the economic benefits associated with the transaction will flow to the Consolidated Group;
• the stage of completion of the transaction at the end of the reporting period can be measured reliably; and,
• the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, the Consolidated Group recognizes revenue only to the extent of the expenses recognized that are recoverable.

2) Method of presenting revenue

When the Consolidated Group is acting as a principal in a transaction, revenue is presented in the gross amount received from a customer. Conversely, when the Consolidated Group is acting as an agent for a third party in a transaction, revenue is presented in the amount of commission, which is the gross amount received by a customer less the amount collected on behalf of the third party.

The following features are considered when determining whether the Consolidated Group is acting as a principal or as an agent in a transaction:

- whether the Consolidated Group has the primary responsibility for providing goods or services to the customer or for fulfilling the order;
- whether the Consolidated Group has inventory risk before or after receiving the customer order, during shipping or on return;
- whether the Consolidated Group has latitude in establishing prices, either directly or indirectly;
- whether the Consolidated Group bears the customer's credit risk for the amounts receivable from the customer; and,
- whether the amounts the Consolidated Group earns are predetermined, being either a fixed fee per transaction or a stated percentage of the amounts billed to the customer.

(12) Finance income and finance costs

Finance income comprises interest income, dividend income, gain on sale of financial instruments and gain arising from changes in fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Consolidated Group's right to receive payment is established. Finance costs comprise interest expenses, loss on sale of financial instruments and loss arising from changes in the fair value of financial instruments.

(13) Employee benefits

1) Post-retirement benefits

(i) Defined benefit plans

Defined benefit plans are retirement benefit plans other than defined contribution plans. Defined benefit obligations are calculated separately for each plan by estimating the future amounts of benefits that employees will have earned in return for their services provided in the current and prior periods, and discounting such amounts in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations. The discount rate is determined by reference to the market yields on highly rated corporate bonds at the fiscal year-end that have maturity terms that are approximately the same as those of the Consolidated Group's defined benefit obligations and use the same currencies as those used for future benefits payments.

When the retirement benefit plans are amended, the change in defined benefit obligations related to past service by employees is immediately recognized in profit or loss.

The Consolidated Group recognizes the changes in the net defined benefit liability (asset) due to remeasurements in other comprehensive income and immediately reclassifies them to retained earnings.

(ii) Defined contribution plans

Defined contribution plans are retirement benefit plans under which an employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees render the related services.

2) Other long-term employee benefits

The Consolidated Group recognizes obligations for long-term employee benefits other than post-employment benefits as a liability by estimating the amounts as of the reporting date that will be paid to the employees in return for their services without discounting that amounts unless it is material.

3) Short-term employee benefits

The Consolidated Group recognizes short-term employee benefits as a liability and an expense by estimating the amounts that will be paid to the employees in return for their services without discounting those amounts. The Consolidated Group recognizes bonuses to be paid pursuant to the bonus system as a liability when it has present legal or constructive obligations to pay as a result of past employee service, and when the amounts of the obligations can be estimated reliably.

(14) Income taxes

Income tax expenses comprises current tax expense and deferred tax expense. The Consolidated Group recognizes them in profit or loss, except when they arise from items that are recognized in other comprehensive income or directly equity, and from business combinations.

Current tax expense is measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax rates or tax laws that are used to calculate the tax amount are those that have been enacted or substantially enacted by the end of the fiscal year.

The Consolidated Group recognizes deferred tax assets and deferred tax liabilities for temporary differences between the carrying amount of an asset and liability in the statements of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of deferred tax assets and deferred tax liabilities are calculated by applying the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities are settled in accordance with a statutory tax rate or a substantially enacted statutory tax rate and the tax law as of the fiscal year-end. The Consolidated Group does not recognize deferred tax assets and deferred tax liabilities in the following cases:

- when taxable temporary differences arise from the initial recognition of goodwill;
- when they arise from the initial recognition of an asset or a liability in a transaction which is not a business combination; and on the transaction date, affects neither accounting profit nor taxable profit (tax loss); or,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, when the Consolidated Group is able to control the timing of the reversal of the temporary differences; and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset only when the Consolidated Group has a legally enforceable right to set off the current tax assets against current tax liabilities, and, such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Consolidated Group can set off if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously. Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amounts of deferred tax assets are reassessed at each fiscal year-end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized. Unrecognized deferred tax assets are also reassessed at the end of each reporting period and are recognized to the extent that it is probable that future taxable profit will be available to recover the deferred tax assets.

The Company and its wholly owned domestic subsidiaries apply the consolidated tax payment system, by which the Company and its wholly owned domestic subsidiaries are allowed to file a tax return and pay the corporation tax as a consolidated tax filing group.

(15) Leases

The Consolidated Group determines whether an agreement is, or contains, a lease based on the substance of the agreement at inception of the lease. The substance of an agreement is assessed based on (a) whether fulfillment of the arrangement is dependent on the use of a specified asset or assets; and (b) whether the agreement conveys a right to use the asset.

1) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The Consolidated Group initially recognizes a leased asset at the lower of the fair value of the leased asset and the present value of the minimum lease payments, and subsequently accounts for the lease asset based on the applicable accounting policies. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2) Operating lease

An operating lease is a lease other than a finance lease. The Consolidated Group recognizes lease payments under an operating lease as an expense on a straight-line basis mainly over the lease term. When the Consolidated Group is the lessor of assets under an operating lease, it presents the assets subject to the operating lease in its consolidated statements of financial position.

4. Standards and interpretations issued but not yet adopted

The following are the major standards and interpretations that have been newly issued or amended prior to the date of authorization for issuance of the consolidated financial statements. The Consolidated Group has not yet adopted these standards for the fiscal year ended March 31, 2017. The effects of application of these standards on the Consolidated Group are currently under assessment and cannot be estimated as of the filing date.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Consolidated Group will apply the standard	Summary of new or amended standard
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Amendment of accounting treatment for and disclosure on revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of accounting treatment for lease contracts

5. Business Combinations

There were no major business combinations that occurred during the fiscal year ended March 31, 2016.
The major business combination that occurred during the fiscal year ended March 31, 2017 is described as follows:

(1) Contents of the business combination

Name of the acquired company	Diamondtelecom, Inc.
Contents of business	Information communication business involved with sales of mobile communication devices and systems
Date of the business combination	April 1, 2016
Legal form of the business combination	Acquisition of the shares of Diamondtelecom, Inc. by Kanematsu Telecom Investment Co., Ltd., a wholly owned subsidiary of the Company. (Kanematsu Telecom Investment Co., Ltd. absorbed the acquired company as of April 1, 2016 and changed its company name to Diamondtelecom, Inc.)
Company name after the combination	Diamondtelecom, Inc.
Percentage of the voting rights acquired	100.0%

(2) Purpose of the business combination

The mobile business of the Consolidated Group is driven mainly by Kanematsu Communications Limited ("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 as well as one of the focus areas under the Consolidated Group's medium-term vision, VISION-130.

Diamondtelecom, Inc. ("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 know-how and the enhancement of management efficiency for both companies.

(3) Acquisition costs and the detail

	JPY	USD
Acquisition costs (cash consideration)	17,400	155,094

(4) Acquisition-related costs and its line item

Acquisition-related costs for the business combination were ¥168 million ($1,498 thousand), and they were recognized in selling, general and administrative expenses in the consolidated statement of income of the fiscal year ended March 31, 2016.

(5) Assets and liabilities on the day of the business combination

	JPY	USD
Fair value of the consideration paid	17,400	155,094
Cash and cash equivalents	4,613	41,122
Trade receivables	12,828	114,343
Inventories	1,212	10,806
Other current assets	351	3,132
Property, plant and equipment	736	6,561
Goodwill (Note)	1,635	14,576
Intangible assets	13,930	124,170
Other non-current assets	764	6,817
Current liabilities	(17,746)	(158,179)
Non-current liabilities	(925)	(8,252)
Total	17,400	155,094

(Note) Goodwill consists primarily of future economic benefits and synergies with the Consolidated Group's existing businesses.
The total amount of goodwill that is expected to be deductible for tax purposes is ¥12,918 million ($115,151 thousand).

(6) Effects on cash flows through business combination

	JPY	USD
Payments for acquisition costs (cash consideration)	(17,400)	(155,094)
Cash and cash equivalents on the acquisition date	4,613	41,122
Payments for acquisition of subsidiaries shares	(12,786)	(113,972)

(7) Period of the performance of the acquired company in the consolidated financial statements

The performance of Diamond Telecom from April 1, 2016 to March 31, 2017 is included in the consolidated financial statements.

(8) Earnings since the acquisition date

	JPY	USD
Revenue	27,800	247,798
Profit	161	1,439

There is no pro forma information presented since the business combination occurred at the beginning of the period.

6. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Consolidated Group are components of the Consolidated Group for which discrete financial information is available and are reviewed by the Board of Directors of the Company normally and regularly assesses its business performance and examines the allocation of management resources.

The Consolidated Group offers a broad array of merchandise and services, using expertise in each business field and trading function from Japan and its international network. Trading functions include commercial trade, information gathering, market development, business development and arrangement, risk management and logistics.

The Consolidated Group therefore consists of merchandise and service segments based on its business units: "Electronics & Devices", "Foods & Grain", "Steel, Materials & Plant", and "Motor Vehicles & Aerospace".

The principal merchandise and services handled by each segment are presented as follows:

(Electronics & Devices)

The Electronics & Devices segment provides a wide range of products including electronic parts and components, semiconductor and LCD manufacturing equipment, materials and indirect materials related to electronics, coupled with development and proposal services. This segment also conducts retail sales of electric cells, LED, etc. and deals with mobile communications terminals, mobile internet systems, and information and telecommunication equipment and security equipment and services.

(Foods & Grain)

The Foods & Grain segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from sourcing raw materials reliably to providing food and foodstuffs, including high value-added products. Merchandise in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Steel, Materials & Plant)

The Steel, Materials & Plant segment operates the domestic and international trade of general steel products including steel plates, bars and wire rods, pipes, and stainless products, carries out overseas projects such as plant and infrastructure development, and sells machine tools and industrial machinery. Additionally, this segment operates the domestic and international trade of crude oil, petroleum products, LPG, functional chemicals and food products, pharmaceuticals and pharmaceutical intermediates, and other products. It also develops environmental materials such as heat shield paints and new technologies, and operates businesses related to emissions rights.

(Motor Vehicles & Aerospace)

The Motor Vehicles & Aerospace segment primarily operates international trade of aircrafts and aircraft parts, satellite- and aerospace-related products, automobiles, motorcycles and related parts, industrial vehicles, construction machinery, etc., and also provides products with added value based on demand or use.

(2) Information on reportable segments

The accounting methods for the reportable operating segments are largely consistent with those stated in Note 3. *Significant Accounting Policies*. Inter-segment revenue and transfers are based on the transaction prices to external customers.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017) (JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	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 revenue	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 expenditures	1,548	376	164	2,537	4,627	129	213	4,970

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017) (USD)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	2,266,518	2,030,164	1,169,455	449,408	5,915,545	106,204	—	6,021,748
Inter-segment	3,204	44	489	0	3,737	559	(4,296)	—
Total revenue	2,269,722	2,030,208	1,169,944	449,408	5,919,282	106,762	(4,296)	6,021,748
Segment profit	127,892	22,187	25,144	19,817	195,040	6,747	(48)	201,739
Other profit or loss:								
Depreciation and amortization	10,717	5,362	5,530	2,976	24,585	1,270	(136)	25,720
Share of profit (loss) of investments accounted for using the equity method	(22,238)	926	122	278	(20,912)	3,172	—	(17,740)
Segment assets	1,544,332	945,339	997,926	327,469	3,815,065	91,747	369,129	4,275,941
Other assets:								
Investments accounted for using the equity method	4,734	12,076	640	2,753	20,203	19,909	3,434	43,546
Capital expenditures	13,807	3,359	1,464	22,617	41,247	1,155	1,899	44,301

(Notes) 1 The “Others” column is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the geotech business.

2 Adjustments are presented as follows:

(1) Adjustment for segment profit of ¥(5) million ($(48) thousand) includes inter-segment elimination of ¥(5) million ($(48) thousand).

(2) Adjustment for segment assets of ¥41,412 million ($369,129 thousand) includes inter-segment elimination of ¥(13,794) million ($ (122,954) thousand) and corporate assets of ¥55,206 million ($492,083 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(3) Adjustment for depreciation and amortization of ¥(15) million ($(136) thousand) includes inter-segment elimination of ¥(15) million ($(136) thousand).

(4) Adjustment for investments accounted for using the equity method of ¥385 million ($3,434 thousand) includes inter-segment elimination of ¥(2) million ($(23) thousand) and corporate assets of ¥387 million ($3,458 thousand) that are not allocated to any reportable segment.

(5) Adjustment for capital expenditures of ¥213 million ($1,899 thousand) includes inter-segment elimination of ¥(22) million ($(204) thousand) and corporate assets of ¥235 million ($2,103 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of lease equipment related to the information system of the subsidiary.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016) (JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	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 revenue	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 expenditures	1,604	439	527	278	2,850	117	258	3,226

(Notes) 1 The "Others" column is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the geotech business.

2 Adjustments are presented as follows:

(1) Adjustment for segment profit of ¥4 million includes inter-segment elimination of ¥4 million.

(2) Adjustment for segment assets of ¥43,842 million includes inter-segment elimination of ¥(11,964) million and corporate assets of ¥55,807 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(3) Adjustment for depreciation and amortization of ¥(10) million includes inter-segment elimination of ¥(10) million.

(4) Adjustment for investments accounted for using the equity method of ¥(2) million includes inter-segment elimination of ¥(2) million.

(5) Adjustment for capital expenditures of ¥258 million includes inter-segment elimination of ¥(71) million and corporate assets of ¥329 million that are not allocated to any reportable segment. The corporate assets consist mainly of software related to the information system of the Company.

Adjustments from segment profit (operating profit) to profit before tax presented in the consolidated statements of income are presented as follows:

	JPY		USD
	2017	2016	**2017**
Segment profit	**22,633**	18,772	**201,739**
Finance income and finance costs	**(2,767)**	(1,326)	**(24,664)**
Share of profit (loss) of investments accounted for using the equity method	**(1,990)**	675	**(17,740)**
Profit before tax	**17,875**	18,122	**159,334**

(3) Information on products and services

This disclosure is omitted because the classification of products and services is the same as that of reportable segments.

(4) Geographic information

1) External revenue

	JPY		USD
	2017	2016	**2017**
Japan	**575,263**	542,333	**5,127,582**
Asia	**46,620**	62,185	**415,547**
North America	**36,748**	43,571	**327,558**
Europe	**12,771**	13,598	**113,835**
Others	**4,176**	6,685	**37,226**
Total	**675,579**	668,374	**6,021,748**

Revenue is classified by country or region based on the locations of customers.

2) Non-current assets (excluding financial assets and deferred tax assets)

	JPY		USD
	2017	2016	**2017**
Japan	**48,204**	34,464	**429,670**
Asia	**990**	1,046	**8,831**
North America	**4,946**	5,432	**44,088**
Europe	**3,731**	2,092	**33,265**
Others	**33**	39	**296**
Total	**57,906**	43,076	**516,150**

(5) Information on major customers

There is no customer whose transaction volume is equal to or more than 10% of the Consolidated Group's revenue for the fiscal years ended March 31, 2017 and March 31, 2016.

7. Trade and Other Receivables

The breakdown of trade and other receivables is presented as follows:

	JPY		USD
	2017	2016	**2017**
Notes and accounts receivable	**186,705**	159,173	**1,664,187**
Loans receivable	**3,078**	3,019	**27,444**
Other	**4,718**	4,190	**42,057**
Less: loss allowance	**(2,139)**	(2,383)	**(19,066)**
Total	**192,363**	164,001	**1,714,621**
Current assets	**191,193**	163,540	**1,704,195**
Non-current assets	**1,169**	460	**10,425**
Total	**192,363**	164,001	**1,714,621**

Information on changes in loss allowance is provided in *Note 30. Financial Instruments: (3) Credit risk management*.

8. Inventories

The breakdown of inventories is presented as follows:

	JPY		USD
	2017	2016	**2017**
Merchandise and finished goods	**77,856**	76,899	**693,968**
Raw materials and supplies	**1,972**	2,328	**17,580**
Work in progress	**833**	967	**7,430**
Total	**80,662**	80,195	**718,977**

The amounts of inventories that were recognized as expense during the fiscal year ended March 31, 2017 and March 31, 2016 are ¥558,429 million ($4,977,533 thousand) and ¥561,989 million, respectively.

The amount of reversal of write-downs on inventories that was recognized as income during the fiscal year ended March 31, 2017 is ¥164 million ($1,464 thousand), and the amount of write-downs on inventories that was recognized as expense during the fiscal year ended March 31, 2016 is ¥820 million.

9. Property, Plant and Equipment

Changes in costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment are presented as follows:

[Costs] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2015	16,371	26,781	14,114	985	58,253
Acquisitions	652	1,380	—	309	2,342
Acquisitions through business combinations	419	3	326	—	749
Transfers from construction in progress	357	369	—	(727)	—
Disposals	(520)	(1,965)	(468)	—	(2,954)
Exchange differences	(96)	(456)	(54)	(39)	(647)
Increases (decreases) due to a change in the scope of consolidation	(594)	(214)	—	—	(808)
Other	(112)	60	(1,372)	(43)	(1,468)
As of March 31, 2016	16,476	25,959	12,545	484	55,466
Acquisitions	467	3,616	—	211	4,295
Acquisitions through business combinations	501	230	—	4	736
Transfers from construction in progress	11	57	—	(68)	—
Disposals	(1,037)	(1,952)	(1,954)	(0)	(4,946)
Exchange differences	(36)	(83)	(18)	(1)	(139)
Increases (decreases) due to a change in the scope of consolidation	(2)	(8)	—	—	(11)
Other	60	155	—	(41)	175
As of March 31, 2017	16,439	27,974	10,572	588	55,575

[Accumulated depreciation and accumulated impairment losses] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2015	(9,860)	(19,065)	(360)	—	(29,287)
Depreciation	(547)	(1,652)	—	—	(2,199)
Impairment losses	(15)	(2)	(64)	—	(81)
Disposals	428	1,599	—	—	2,028
Exchange differences	23	224	—	—	247
Increases (decreases) due to a change in the scope of consolidation	321	208	—	—	529
Other	98	82	—	—	181
As of March 31, 2016	(9,551)	(18,605)	(425)	—	(28,582)
Depreciation	(355)	(1,611)	—	—	(1,966)
Impairment losses	(37)	(4)	(132)	—	(173)
Disposals	290	1,117	519	—	1,928
Exchange differences	6	103	—	—	109
Increases (decreases) due to a change in the scope of consolidation	0	6	—	—	7
Other	(16)	(22)	—	—	(39)
As of March 31, 2017	(9,663)	(19,016)	(37)	—	(28,717)

[Carrying amount] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2016	6,924	7,354	12,119	484	26,883
As of March 31, 2017	6,776	8,958	10,534	588	26,858

[Costs] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2016	146,859	231,391	111,821	4,323	494,394
Acquisitions	4,169	32,237	—	1,882	38,289
Acquisitions through business combinations	4,469	2,051	—	40	6,561
Transfers from construction in progress	98	515	—	(613)	—
Disposals	(9,252)	(17,408)	(17,421)	(8)	(44,088)
Exchange differences	(324)	(744)	(165)	(9)	(1,242)
Increases (decreases) due to a change in the scope of consolidation	(25)	(78)	—	—	(103)
Other	541	1,388	—	(368)	1,561
As of March 31, 2017	146,536	249,352	94,236	5,247	495,371

[Accumulated depreciation and accumulated impairment losses] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2016	(85,137)	(165,841)	(3,790)	—	(254,768)
Depreciation	(3,164)	(14,368)	—	—	(17,532)
Impairment losses	(337)	(36)	(1,177)	—	(1,550)
Disposals	2,593	9,964	4,631	—	17,189
Exchange differences	59	920	—	—	979
Increases (decreases) due to a change in the scope of consolidation	3	60	—	—	63
Other	(149)	(202)	—	—	(351)
As of March 31, 2017	(86,133)	(169,502)	(335)	—	(255,970)

[Carrying amount] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2017	60,403	79,849	93,900	5,247	239,400

The amounts of expenditures relating to property, plant and equipment under construction are presented in the table above as “Construction in progress”.

Depreciation for property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

10. Goodwill and Intangible Assets

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amount

Changes in costs, accumulated impairment losses and carrying amount of goodwill are presented as follows:

[Costs]

	JPY		USD
	2017	2016	**2017**
Balance at the beginning of the year	**5,387**	5,249	**48,022**
Acquisitions through business combinations	**1,842**	277	**16,420**
Exchange differences	**(25)**	(139)	**(230)**
Balance at the end of the year	**7,203**	5,387	**64,212**

[Accumulated impairment losses]

	JPY		USD
	2017	2016	**2017**
Balance at the beginning of the year	**(756)**	(756)	**(6,740)**
Impairment losses	**(143)**	—	**(1,275)**
Exchange differences	**—**	—	**—**
Balance at the end of the year	**(899)**	(756)	**(8,015)**

[Carrying amount]

	JPY		USD
	2017	2016	**2017**
Carrying amount	**6,304**	4,631	**56,197**

2) Impairment test

The Consolidated Group's cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the Consolidated Groups may be impaired. The carrying amount of significant goodwill allocated to the Consolidated Group's cash-generating units was as follows:

	JPY		USD
	2017	2016	**2017**
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	**1,763**	1,763	**15,716**
Mobile business of the domestic subsidiaries	**1,635**	—	**14,576**
Foods & Grain segment			
Pet-related businesses of the domestic subsidiaries	**426**	569	**3,798**
Steel, Materials & Plant segment			
Oilfield tubing business of the foreign subsidiaries	**2,271**	2,300	**20,250**

The recoverable amounts of the Consolidated Group's cash-generating units to which significant goodwill has been allocated were calculated based on its value in use founded on the five-year forecast that was approved by management.

The five-year forecast of cash flows is based on future plans reflecting past performance. In addition, the main assumption used to determine such forecast was the growth rates of gross profits through such terms, such growth rates being consistent with the forecasts of the nominal GDP growth rates or the like of the countries in which such Consolidated Group's cash-generating units are situated. The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the Consolidated Group's cash-generating units belong.

The pre-tax discount rates which were used in calculating the value in use of the Consolidated Group's cash-generating units to which significant goodwill has been allocated were as follows:

	2017	2016
Electronics & Devices segment		
Electronics business of the domestic subsidiaries	**3.3%**	3.4%
Mobile business of the domestic subsidiaries	**7.2%**	—
Foods & Grain segment		
Pet-related businesses of the domestic subsidiaries	**5.7%**	6.3%
Steel, Materials & Plant segment		
Oilfield tubing business of the foreign subsidiaries	**13.0%**	12.0%

With respect to goodwill that has been allocated to the Consolidated Group's cash-generating units, the recoverable amount of such goodwill largely exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, it is unlikely that such changes in major assumptions will reduce the recoverable amounts of the Consolidated Group's cash-generating units below the carrying amount.

(2) Intangible assets

Changes in costs, accumulated amortization and accumulated impairment losses of intangible assets are presented as follows:

[Costs] (JPY)

	Software	Carrier shop operating rights	Other	Total
As of April 1, 2015	8,174	3,291	4,968	16,434
Acquisitions	656	—	37	693
Acquisitions through business combinations	4	—	9	14
Disposals	(161)	—	(45)	(207)
Exchange differences	(32)	—	(235)	(267)
Other	(4)	—	(242)	(246)
As of March 31, 2016	8,636	3,291	4,492	16,421
Acquisitions	609	—	4	614
Acquisitions through business combinations	68	13,849	—	13,917
Disposals	(728)	—	(55)	(784)
Exchange differences	(3)	—	(18)	(21)
Other	13	—	4	18
As of March 31, 2017	8,596	17,140	4,427	30,164

[Accumulated amortization and accumulated impairment losses] (JPY)

	Software	Carrier shop operating rights	Other	Total
As of April 1, 2015	(6,361)	(234)	(1,196)	(7,792)
Amortization	(571)	—	(373)	(944)
Impairment losses	—	—	(12)	(12)
Disposals	140	—	35	175
Exchange differences	25	—	57	82
Other	(4)	—	158	153
As of March 31, 2016	(6,771)	(234)	(1,331)	(8,337)
Amortization	(568)	—	(331)	(899)
Impairment losses	(688)	—	(4)	(692)
Disposals	654	—	55	709
Exchange differences	3	—	0	3
Other	(12)	—	(0)	(12)
As of March 31, 2017	(7,383)	(234)	(1,611)	(9,228)

[Carrying amount] (JPY)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2016	1,864	3,057	3,161	8,083
As of March 31, 2017	1,213	16,906	2,816	20,935

[Costs] (USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2016	76,982	29,341	40,046	146,369
Acquisitions	5,432	—	41	5,474
Acquisitions through business combinations	606	123,442	—	124,049
Disposals	(6,490)	—	(499)	(6,989)
Exchange differences	(29)	—	(163)	(192)
Other	123	—	38	161
As of March 31, 2017	76,624	152,784	39,463	268,871

[Accumulated amortization and accumulated impairment losses] (USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2016	(60,359)	(2,090)	(11,869)	(74,318)
Amortization	(5,064)	—	(2,952)	(8,017)
Impairment losses	(6,136)	—	(38)	(6,174)
Disposals	5,832	—	494	6,326
Exchange differences	29	—	4	33
Other	(110)	—	(0)	(110)
As of March 31, 2017	(65,809)	(2,090)	(14,361)	(82,260)

[Carrying amount] (USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2017	10,815	150,694	25,101	186,611

The carrier shop operating rights were recognized as intangible assets upon acquisition of the mobile business by the consolidated subsidiary of the Company. As the rights are expected to exist fundamentally as long as the business continues, they are determined to be classified as intangible assets with indefinite useful lives.

The recoverable amounts of the Consolidated Group's cash-generating units including the carrier shop operating rights were calculated based on its five-year forecast's value in use that was approved by management. The five-year forecast of cash flows is based on the future plans anticipated based on past performance. In addition, the main assumption used to determine such forecast was the growth rates of gross profits through such terms, such growth rates being consistent with the forecasts of the nominal GDP growth rates or the like of the countries in which such Consolidated Group's cash-generating units are situated. The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the Consolidated Group's cash-generating units belong.

There were no material internally-generated intangible assets as of March 31, 2017 and March 31, 2016.

Amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

The discount rates before tax used to determine the value in use of the Consolidated Group's cash-generating units are presented as follows:

	2017	2016
Electronics & Devices segment		
Mobile business of the domestic subsidiaries	**7.0%**	6.0%

With respect to the carrier shop operating rights, the recoverable amounts of the Consolidated Group's cash-generating units largely exceed their carrying amounts. Thus, even if major assumptions are changed to a reasonable extent, it is unlikely that such changes in major assumptions will reduce the recoverable amounts of the Consolidated Group's cash-generating units below the carrying amount.

11. Interests in Associates and Joint Ventures

There are no associates or joint ventures that are material to the Consolidated Group.

The aggregate amounts of interests in individually immaterial associates and joint ventures that are accounted for using the equity method are presented as follows:

[Aggregate carrying amount]

	JPY		USD
	2017	2016	**2017**
Associates	**4,497**	7,420	**40,088**
Joint ventures	**387**	—	**3,458**

[Profit or loss from continuing business]

	JPY		USD
	2017	2016	**2017**
Associates	**(1,990)**	675	**(17,740)**
Joint ventures	**(21)**	—	**(190)**

[Other comprehensive income]

	JPY		USD
	2017	2016	**2017**
Associates	**134**	(141)	**1,203**
Joint ventures	**—**	—	**—**

[Total comprehensive income]

	JPY		USD
	2017	2016	**2017**
Associates	**(1,855)**	533	**(16,538)**
Joint ventures	**(21)**	—	**(190)**

12. Other Investments

The breakdown of other investments is presented as follows:

	JPY		USD
	2017	2016	**2017**
Financial assets measured at fair value through profit or loss	**5,054**	5,637	**45,053**
Financial assets measured at fair value through other comprehensive income	**28,063**	24,897	**250,140**
Financial assets measured at amortized cost	**994**	1,000	**8,864**
Total	**34,112**	31,535	**304,057**

13. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets is presented as follows:

	JPY		USD
	2017	2016	**2017**
Advance payments	**10,567**	5,739	**94,192**
Prepaid expenses	**4,299**	3,908	**38,323**
Other	**7,141**	6,606	**63,658**
Total	**22,008**	16,253	**196,173**
Current assets	**18,200**	12,776	**162,232**
Non-current assets	**3,807**	3,477	**33,941**
Total	**22,008**	16,253	**196,173**

14. Trade and Other Payables

The breakdown of trade and other payables is presented as follows:

	JPY		USD
	2017	2016	**2017**
Notes and accounts payable	**120,673**	102,276	**1,075,613**
Import bills payable	**32,992**	31,034	**294,079**
Accounts payable - commission	**11,345**	8,832	**101,129**
Total	**165,011**	142,143	**1,470,822**
Current liabilities	**165,011**	142,143	**1,470,822**
Non-current liabilities	**—**	—	**—**
Total	**165,011**	142,143	**1,470,822**

15. Bonds and Borrowings

The breakdown of bonds and borrowings is presented as follows:

	2017		2016	Average interest rate (Note)	Maturity date
	JPY	USD	JPY		
Short-term borrowings	**40,402**	**360,127**	33,374	0.97%	—
Current portion of long-term borrowings	**24,240**	**216,069**	28,615	1.20%	—
Bonds (excluding the current portion)	**9,945**	**88,652**	9,925	—	—
Long-term borrowings (excluding the current portion)	**59,255**	**528,172**	64,952	1.30%	August 2018 to October 2029
Total	**133,844**	**1,193,021**	136,867		
Current liabilities	**64,643**	**576,197**	61,989		
Non-current liabilities	**69,201**	**616,824**	74,877		
Total	**133,844**	**1,193,021**	136,867		

(Note) The "average interest rate" is presented as the weighted average interest rate against the borrowings outstanding at the end of the fiscal year. For the purpose of avoiding the interest rate fluctuation risk for borrowings hedged by derivative transactions, such as interest rate swaps, the average interest rate is calculated using the interest rate after hedging. The interest rate for bonds is presented in the "Details of bonds" below.

[Details of bonds]

Issuer	Bond Name	Issue date	**2017**		2016	Coupon rate	Collateral	Maturity date
			JPY	USD	JPY			
Kanematsu Corporation	Unsecured Straight Bonds No 1 (3-year bonds)	March 10, 2016	**4,974**	**44,341**	4,961	0.40% per annum	None	March 8, 2019
Kanematsu Corporation	Unsecured Straight Bonds No 2 (5-year bonds)	March 10, 2016	**4,971**	**44,311**	4,964	0.64% per annum	None	March 10, 2021

(Note) The maturity schedule of bonds (excluding the current portion) within 5 years after the end of the current fiscal year is presented as follows:

	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Corporate bonds	4,974	44,341	—	—	4,971	44,311	—	—

16. Provisions

Changes in provisions are presented as follows:

(JPY)

	Asset retirement obligations	Other	Total
As of April 1, 2016	922	382	1,304
Provisions made	68	92	160
Provisions used	(26)	(14)	(41)
Provisions reversed	—	(8)	(8)
Unwinding of discount	18	—	18
Foreign exchange translation differences	—	(6)	(6)
As of March 31, 2017	981	444	1,426

(USD)

	Asset retirement obligations	Other	Total
As of April 1, 2016	8,219	3,408	11,626
Provisions made	608	822	1,429
Provisions used	(240)	(127)	(367)
Provisions reversed	—	(79)	(79)
Unwinding of discount	164	—	164
Foreign exchange translation differences	—	(62)	(62)
As of March 31, 2017	8,750	3,961	12,711

The current and non-current portions of provisions are presented as follows:

	JPY		USD
	2017	2016	**2017**
Current liabilities	**28**	31	**251**
Non-current liabilities	**1,397**	1,272	**12,460**
Total	**1,426**	1,304	**12,711**

Asset retirement obligations are obligations for restoring offices and shops in accordance with provisions of the property leasing contracts. While these expenditures will be made after at least one year has passed, the amounts may be affected by the future business plan and other factors.

17. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities is presented as follows:

	JPY		USD
	2017	2016	**2017**
Advances received	**11,854**	6,515	**105,667**
Accrued expenses	**3,343**	3,351	**29,806**
Unearned revenue	**2,918**	2,958	**26,013**
Other	**8,788**	7,339	**78,337**
Total	**26,905**	20,164	**239,823**
Current liabilities	**26,291**	19,465	**234,348**
Non-current liabilities	**614**	699	**5,475**
Total	**26,905**	20,164	**239,823**

18. Equity

(1) Capital management

The Consolidated Group has a basic policy of increasing shareholders' equity (See Note 1) up to a certain level and strengthening its financial base to enhance its enterprise value through building new businesses and increasing revenues while maintaining a sound financial position. In addition, the Company uses net DER (See Note 2) as a key indicator for capital management.

The Consolidated Group will strive to expand its business to the extent allowed by its own financial strength with the target net DER to be kept under 1.0, as per the medium-term vision "VISION-130", for which the revision was made and announced on May 10, 2016. These indices are periodically reported to and monitored by management.

(Note 1) Shareholders' equity is defined as equity attributable to owners of the Parent.
(Note 2) Net DER is defined as a ratio of net interest-bearing debt to shareholders' equity, while net interest-bearing debt is the total amount of interest-bearing debt less cash and cash equivalents.

The figures of net DER as of March 31, 2017and March 31, 2016 are presented as follows:

	2017	2016
Net DER	**0.6**	0.5

The Consolidated Group is not subjected to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act).

(2) Number of shares authorized to be issued, issued shares and shares of treasury stock

(Unit: share)

	2017	2016
Shares authorized to be issued (No-par common stock)	**1,016,653,604**	1,016,653,604
Issued shares (No-par common stock) Balance at the beginning of the year Changes during the period Balance at the end of the year	 **422,501,010** **—** **422,501,010**	 422,501,010 — 422,501,010
Treasury stock (No-par common stock) Balance at the beginning of the year Balance at the end of the year	 **2,953,939** **2,531,799**	 2,893,263 2,953,939

The number of shares of treasury stock includes treasury stock held by the associates of the Company.

(3) Surplus

1) Capital surplus

Capital surplus mainly consists of legal capital surplus.

2) Retained earnings

Retained earnings consist of legal retained earnings and other retained earnings.

The Companies Act of Japan provides that an amount equal to 10% of distribution of surplus for each fiscal year must be appropriated as legal capital surplus or legal retained earnings until the total aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital.

Under the Companies Act, the amounts available for distribution are calculated based on the amounts of capital surplus and retained earnings, exclusive of legal capital surplus and legal retained earnings, all of which are recorded in accordance with the accounting principles generally accepted in Japan.

(4) Dividends

1) Amounts of dividends paid

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 23, 2016 Board of Directors meeting	Common stock	Retained earnings	1,053	9,388	2.50	0.022	Mar. 31, 2016	Jun. 6, 2016
Nov. 2, 2016 Board of Directors meeting	Common stock	Retained earnings	1,263	11,265	3.00	0.027	Sep. 30, 2016	Dec. 2, 2016

Resolution	Type of stock	Source of dividends	Total amounts of dividends	Dividends per share	Record date	Effective date
			JPY	Yen		
May 25, 2015 Board of Directors meeting	Common stock	Retained earnings	632	1.50	Mar. 31, 2015	Jun. 4, 2015
Nov. 5, 2015 Board of Directors meeting	Common stock	Retained earnings	1,053	2.50	Sep. 30, 2015	Dec. 4, 2015

2) Dividends with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 22, 2017 Board of Directors meeting	Common stock	Retained earnings	1,263	11,265	3.00	0.027	Mar. 31, 2017	Jun. 5, 2017

19. Revenue

The breakdown of revenue is presented as follows:

	JPY		USD
	2017	2016	**2017**
Revenue from the sale of goods	**653,529**	646,004	**5,825,206**
Revenue from rendering of services and others	**22,050**	22,369	**196,543**
Total	**675,579**	668,374	**6,021,748**

20. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is presented as follows:

	JPY		USD
	2017	2016	**2017**
Depreciation and amortization	**1,822**	1,883	**16,243**
Personnel expenses	**42,834**	37,782	**381,803**
Outsourcing service charges	**6,827**	6,417	**60,859**
Rent expenses	**6,320**	5,351	**56,336**
Other	**18,358**	17,143	**163,635**
Total	**76,163**	68,577	**678,876**

21. Gain or Loss on Sale or Disposal of Property, Plant and Equipment and Intangible Assets

The breakdown of gain or loss on sale or disposal of property, plant and equipment and intangible assets is presented as follows:

	JPY		USD
	2017	2016	**2017**
Gain on sale of property, plant and equipment	**543**	25	**4,845**
Gain on sale of intangible assets	**—**	14	**—**
Total gain on sale of property, plant and equipment and intangible assets	**543**	40	**4,845**
Loss on sale of property, plant and equipment	**(1)**	(251)	**(10)**
Loss on sale of intangible assets	**—**	(0)	**—**
Total loss on sale of property, plant and equipment and intangible assets	**(1)**	(252)	**(10)**
Loss on disposal of property, plant and equipment	**(83)**	(76)	**(748)**
Loss on disposal of intangible assets	**(73)**	(22)	**(657)**
Total loss on disposal of property, plant and equipment and intangible assets	**(157)**	(99)	**(1,405)**
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	**384**	(311)	**3,430**

22. Impairment Loss

(1) Breakdown of impairment loss by each class of assets

The breakdown of impairment losses by class of assets is presented as follows. Impairment losses for property, plant and equipment and intangible assets are included in "Impairment loss on property, plant and equipment and intangible assets", and impairment losses for goodwill are included in "Other expenses" in the consolidated statement of income.

	JPY		USD
	2017	2016	**2017**
Property, plant and equipment	**(173)**	(81)	**(1,550)**
Goodwill	**(143)**	—	**(1,275)**
Intangible assets	**(692)**	(12)	**(6,174)**
Total	**(1,009)**	(94)	**(8,999)**

(2) Breakdown by reportable segment

The breakdown of impairment losses by reportable segment is presented as follows:

	JPY		USD
	2017	2016	**2017**
Electronics & Devices	**(721)**	(13)	**(6,429)**
Foods & Grain	**(143)**	—	**(1,275)**
Steel, Materials & Plant	**(13)**	(79)	**(118)**
Other/Adjustment and elimination	**(132)**	(1)	**(1,177)**
Total	**(1,009)**	(94)	**(8,999)**

For the fiscal year ended March 31, 2016, an impairment loss of ¥79 million was recognized as a result of reducing the carrying amount of property, plant and equipment related to several petrol service stations in Japan, as the Company had determined to withdraw from this business, to the recoverable amount of ¥4 million. The recoverable amount is based on fair value less costs of disposal and the fair value is estimated mainly based on the real estate appraisal. The assets belong to the Steel, Materials & Plant segment.

For the fiscal year ended March 31, 2017, an impairment loss of ¥132 million ($1,177 thousand) was recognized as a result of reducing the carrying amount of land owned in Japan, which the Company determined to sell, to the recoverable amount of ¥589 million ($5,250 thousand). The recoverable amount is based on fair value less costs of disposal and the fair value is estimated mainly based on the real estate appraisal. The asset belongs to the Other segment.

Regarding the pet-related business of the domestic subsidiary, an impairment loss of ¥143 million ($1,275 thousand) was recognized as a result of reducing the carrying amount of goodwill to the recoverable amount of ¥1,027 million ($9,154 thousand) because future cash flows anticipated to be generated was judged to be lower than originally assumed. The recoverable amount is based on the value in use and it was estimated by discounting future cash flows at a pre-tax rate of 4.61%. The asset belongs to the Food & Grain segment.

Regarding intangible assets, an impairment loss of ¥656 million ($5,854 thousand) was recognized as the enterprise system, which had been in process of development but was abandoned, was evaluated to have a zero recoverable amount. The recoverable amount is based on the value in use. The asset belongs to the Electronic & Devices segment.

While fair values are categorized into three levels depending on inputs to valuation techniques used, all the fair values above are categorized within Level 3 of the fair value hierarchy with its details described in *Note 2. Basis of Preparing Consolidated Financial Statements, (4) Use of estimates and judgments.*

23. Exchange Differences

Exchange differences recognized in profit or loss for the fiscal years ended March 31, 2017 and March 31, 2016 were ¥(812) million ($(7,239) thousand) and ¥713 million, respectively and are included in "Other expenses" and "Other income" in the consolidated statement of income. In addition, each amount includes gains or losses arising from currency-related derivative transactions that were entered into for the purpose of hedging the foreign currency risk. Gains and losses arising from translating assets and liabilities denominated in a currency other than the functional currency or from settling such items are included in profit or loss as they arise.

24. Finance Income and Finance Costs

The breakdown of finance income and finance costs is presented as follows:

	JPY		USD
	2017	2016	**2017**
Interest income			
Financial assets measured at amortized cost	**399**	478	**3,563**
Financial assets measured at fair value through profit or loss	**22**	—	**196**
Total interest income	**421**	478	**3,759**
Dividend income			
Financial assets measured at fair value through profit or loss	**209**	147	**1,868**
Financial assets measured at fair value through other comprehensive income	**906**	779	**8,080**
Total dividend income	**1,116**	927	**9,948**
Total finance income	**1,537**	1,405	**13,707**
Interest expenses			
Financial liabilities measured at amortized cost	**(2,033)**	(2,167)	**(18,126)**
Derivatives	**(270)**	(240)	**(2,412)**
Total interest expenses	**(2,304)**	(2,407)	**(20,538)**
Other finance costs (Note)			
Other finance costs	**(2,000)**	(323)	**(17,832)**
Total other finance costs	**(2,000)**	(323)	**(17,832)**
Total finance costs	**(4,304)**	(2,731)	**(38,371)**

(Note) The amounts of other finance costs are those related to financial assets measured at fair value through profit or loss and the details are presented in *Note 30. Financial Instruments: (6)-3)-(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy.*

25. Earnings Per Share Attributable to Owners of the Parent

(1) Basic earnings per share

	Yen		U.S. dollar
	2017	2016	**2017**
Basic earnings per share	**19.13**	21.29	**0.17**

Diluted earnings per share is not presented as there are no shares with a dilutive effect.

(2) Bases for calculation of basic earnings per share

	JPY		USD
	2017	2016	**2017**
Profit attributable to owners of the Parent	**8,049**	8,959	**71,748**
Amount not attributable to common shareholders of the Parent	**—**	—	**—**
Profit used to calculate basic earnings per share	**8,049**	8,959	**71,748**

	Thousand shares	
	2017	2016
Weighted average number of common shares	**420,821**	420,803

26. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity are presented as follows:

	JPY		USD
	2017	2016	**2017**
Exchange differences on translation of foreign operations			
Balance at the beginning of the year	**2,912**	5,258	**25,958**
Changes during the period	**(562)**	(2,346)	**(5,015)**
Balance at the end of the year	**2,349**	2,912	**20,943**
Financial assets measured at fair value through other comprehensive income			
Balance at the beginning of the year	**6,967**	8,784	**62,104**
Changes during the period	**2,613**	(1,542)	**23,299**
Reclassification to retained earnings	**(125)**	(275)	**(1,118)**
Balance at the end of the year	**9,455**	6,967	**84,285**
Cash flow hedges			
Balance at the beginning of the year	**(1,393)**	142	**(12,421)**
Changes during the period	**1,004**	(1,535)	**8,955**
Balance at the end of the year	**(388)**	(1,393)	**(3,465)**
Remeasurements of defined benefit pension plans			
Balance at the beginning of the year	**—**	—	**—**
Changes during the period	**(384)**	(286)	**(3,428)**
Reclassification to retained earnings	**384**	286	**3,428**
Balance at the end of the year	**—**	—	**—**
Other components of equity			
Balance at the beginning of the year	**8,486**	14,185	**75,641**
Changes during the period	**2,671**	(5,711)	**23,811**
Reclassification to retained earnings	**259**	11	**2,310**
Balance at the end of the year	**11,416**	8,486	**101,762**

The breakdown for the amounts of reclassification adjustments and deferred tax in other comprehensive income is presented as follows:

	JPY		USD
	2017	2016	**2017**
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	**3,690**	(2,727)	**32,898**
Amount before deferred tax	**3,690**	(2,727)	**32,898**
Deferred tax	**(1,019)**	1,147	**(9,084)**
Financial assets measured at fair value through other comprehensive income	**2,671**	(1,580)	**23,815**
Remeasurements of defined benefit pension plans			
Amount arising during the year	**(323)**	(578)	**(2,880)**
Amount before deferred tax	**(323)**	(578)	**(2,880)**
Deferred tax	**39**	152	**349**
Remeasurements of defined benefit pension plans	**(284)**	(426)	**(2,532)**
Exchange differences on translation of foreign operations			
Amount arising during the year	**(826)**	(2,911)	**(7,365)**
Reclassification adjustments	**(2)**	17	**(26)**
Exchange differences on translation of foreign operations	**(829)**	(2,894)	**(7,391)**
Cash flow hedges			
Amount arising during the year	**467**	(1,097)	**4,170**
Reclassification adjustments	**918**	(1,058)	**8,186**
Amount before deferred tax	**1,386**	(2,156)	**12,356**
Deferred tax	**(401)**	645	**(3,577)**
Cash flow hedges	**984**	(1,511)	**8,779**
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	**113**	(114)	**1,011**
Reclassification adjustments	**21**	(27)	**191**
Share of other comprehensive income of investments accounted for using the equity method	**134**	(141)	**1,203**
Total other comprehensive income	**2,678**	(6,554)	**23,873**

27. Cash Flow Information

(1) Cash and cash equivalents

The breakdown of cash and cash equivalents and its reconciliation to the amounts presented in the consolidated statement of financial position are as follows:

	JPY		USD
	2017	2016	**2017**
Cash and bank deposits except for time deposits with original term of more than three months	**77,230**	87,466	**688,387**
Short-term investments with original maturity of three months or less	**336**	—	**3,000**
Cash and cash equivalents in the consolidated statement of financial position	**77,566**	87,466	**691,387**
Cash and cash equivalents in the consolidated statement of cash flows	**77,566**	87,466	**691,387**

(2) Net payment for acquisition of subsidiaries

The breakdown of the main assets and liabilities of newly acquired subsidiaries at the time control thereof was acquired, and the reconciliation between consideration paid and net payment for the acquisition are presented as follows:

	JPY		USD
	2017	2016	**2017**
Breakdown of assets at the acquisition date			
Current assets (including cash and cash equivalents)	**19,005**	5,276	**169,403**
Non-current assets	**17,066**	1,285	**152,123**
Breakdown of liabilities at the acquisition date			
Current liabilities	**(17,746)**	(5,572)	**(158,179)**
Non-current liabilities	**(925)**	(696)	**(8,252)**

	JPY		USD
	2017	2016	**2017**
Consideration paid	**(17,400)**	(105)	**(155,094)**
Cash and cash equivalents included in the assets at the time control thereof was acquired	**4,613**	1,283	**41,122**
Net proceeds from (payment for) acquisition of subsidiaries	**(12,786)**	1,178	**(113,972)**

(3) Net proceeds from sale of subsidiaries

The breakdown of the main assets and liabilities of companies that are no longer the subsidiaries of the Company as a result of the sale of shares at the time control thereof was lost, and the relationship between consideration received and net proceeds from the sale are presented as follows:

	JPY		USD
	2017	2016	**2017**
Breakdown of assets upon loss of control			
Current assets (including cash and cash equivalents)	**143**	1,833	**1,276**
Non-current assets	**61**	493	**550**
Breakdown of liabilities upon loss of control			
Current liabilities	**(85)**	(2,941)	**(764)**
Non-current liabilities	**(9)**	—	**(87)**

	JPY		USD
	2017	2016	**2017**
Consideration received	**66**	282	**588**
Cash and cash equivalents included in the assets at the time control thereof was lost	**(72)**	(447)	**(651)**
Net proceeds from (payment for) sale of subsidiaries	**(6)**	(165)	**(62)**

(4) Significant non-cash transactions

There were no significant non-cash transactions for the fiscal years ended March 31, 2017 and March 31, 2016.

28. Employee Benefits

(1) Post-employment benefits

1) Outline of retirement benefit plans adopted by the Consolidated Group

The Company has a defined benefit pension plan and lump-sum retirement benefit plan covering substantially all employees other than directors and executive officers. The benefit amounts for the defined benefit pension plan are determined based on the period of employees' enrollment in the plan, contribution granted to employees and other factors. The Company has a responsibility to manage pension assets faithfully and has an obligation to make contributions for the employees enrolled in the plan in compliance with applicable laws and regulations.

The pension plan that the Company maintains is a contract-type defined benefit pension plan.

Matters such as asset management performance, status of the plan and accounting treatment are reported to the Management Committee by the Finance Department and the Personnel & General Affairs Department, which are in charge of operation of the pension plan. These departments hold a meeting on a timely manner to discuss the matters such as a revision to the plan and a change in the asset investment policy.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have adopted the defined contribution retirement benefit plan.

2) Defined benefit plan

(i) Net defined benefit liability (asset)

Reconciliation of the beginning and ending balances of net defined benefit liability (asset) and the components for the years ended March 31, 2017 and March 31, 2016 are presented as follows:

(JPY)

	Present value of the defined benefit obligation	Fair value of plan assets	Effect of the asset ceiling	Net defined benefit liability (asset)
As of March 31, 2015	18,823	(13,422)	—	5,400
Current service cost	1,260	—	—	1,260
Net interest	103	(77)	—	26
Remeasurements	639	(60)	—	578
Foreign exchange translation differences	(60)	14	—	(46)
Employer contributions to the plan	—	(929)	—	(929)
Benefits paid	(1,577)	1,160	—	(416)
Effect of business combinations and disposals	—	—	—	—
Other	(106)	4	—	(102)
As of March 31, 2016	19,082	(13,309)	—	5,772
Current service cost	1,350	—	—	1,350
Net interest	54	(40)	—	14
Remeasurements	123	(61)	261	323
Foreign currency translation difference	(8)	0	—	(7)
Employer contributions to the plan	—	(877)	—	(877)
Benefits paid	(1,625)	976	—	(649)
Effect of business combinations and disposals	706	—	—	706
Other	(56)	6	—	(50)
As of March 31, 2017	19,625	(13,305)	261	6,581

(USD)

	Present value of the defined benefit obligation	Fair value of plan assets	Effect of the asset ceiling	Net defined benefit liability (asset)
As of March 31, 2016	170,087	(118,637)	—	51,450
Current service cost	12,040	—	—	12,040
Net interest	487	(360)	—	127
Remeasurements	1,100	(550)	2,330	2,880
Foreign currency translation difference	(79)	7	—	(71)
Employer contributions to the plan	—	(7,819)	—	(7,819)
Benefits paid	(14,490)	8,701	—	(5,789)
Effect of business combinations and disposals	6,297	—	—	6,297
Other	(507)	60	—	(447)
As of March 31, 2017	174,935	(118,598)	2,330	58,667

Remeasurements of the defined benefit obligation for the fiscal years ended March 31, 2017 and March 31, 2016 are the differences arising primarily from changes in financial assumptions.

(ii) Reconciliation of ending balances of defined benefit obligation/plan assets and net defined benefit liability/asset presented on the consolidated statements of financial position

	JPY		USD
	2017	2016	**2017**
Defined benefit obligations of funded plan	**15,379**	15,561	**137,084**
Plan assets	**(13,305)**	(13,309)	**(118,598)**
Net defined benefit liability of funded plan	**2,073**	2,251	**18,485**
Defined benefit obligations of unfunded plan	**4,246**	3,520	**37,851**
Net liability or asset presented on the consolidated statements of financial position (Before the effect of the asset ceiling)	**6,320**	5,772	**56,337**

The measurement date used to determine the main benefit obligations is March 31 of each year.

The Company's funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Company's investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Consolidated Group formulates a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in expected market conditions or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines. The Company's target allocation is 10% equity securities, 40% debt securities, 40% life insurance company general accounts and 10% others.

The Company holds a meeting regularly with the asset management institutions and discusses important issues regarding pension assets investment.

(iii) Plan assets

The composition of the plan assets as of March 31, 2017.

	Plan assets with a quoted market price in an active market		Plan assets without a quoted market price in an active market	
	JPY	USD	JPY	USD
Equity securities	**1,253**	**11,177**	**0**	**6**
Debt securities	**4,484**	**39,971**	**482**	**4,304**
Life insurance company general accounts	**—**	**—**	**6,168**	**54,981**
Other	**180**	**1,608**	**734**	**6,551**
Total	**5,918**	**52,756**	**7,386**	**65,843**

The composition of the plan assets as of March 31, 2016.

	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
	JPY	JPY
Equity securities	1,164	1
Debt securities	4,798	403
Life insurance company general accounts	—	4,464
Other	161	2,316
Total	6,124	7,185

(iv) Significant actuarial assumptions

	2017	2016
Discount rate	**0.5%**	0.3%

The assumptions used for the actuarial calculation include the expected rate of salary increase, the mortality rate and the retirement rate other than the above.

(v) Sensitivity analysis of defined benefit obligations

	JPY		USD
	2017	2016	**2017**
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	**845**	135	**7,536**
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	**(994)**	(254)	**(8,869)**

This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables. Even if the discount rate falls below 0%, the calculation is performed assuming the lower limit of the discount rate is 0%.

(vi) Information on maturity profile of the defined benefit obligation
The weighted average duration of the defined benefit obligation for both of the fiscal years ended March 31, 2017 and March 31, 2016 was 10.9 years.

(vii) Expected contribution to the plan for the year ending March 31, 2018
The amount of contribution to be made by the Consolidated Group to plan assets for the year ending March 31, 2018 is estimated to be ¥907 million ($8,087 thousand).

3) Defined contribution plan
Expenses recognized for the defined contribution plan for the years ended March 31, 2017 and March 31, 2016 were ¥232 million ($2,070 thousand) and ¥177 million, respectively.

(2) Employee benefit expenses
Employee benefit expenses recognized for the years ended March 31, 2017 and March 31, 2016 were ¥1,683 million ($15,008 thousand) and ¥1,559 million, respectively. Employee benefit expenses are included in "Cost of sales" and "Selling, general and administration expenses" in the consolidated statement of income.

29. Current and Deferred Income Tax

(1) Deferred taxes

1) Breakdown of deferred tax assets and deferred tax liabilities

The breakdown of main deferred tax assets and deferred tax liabilities by component is as follows:

	JPY		USD
	2017	2016	**2017**
Deferred tax assets			
Retirement benefits liabilities	**1,872**	1,302	**16,686**
Loss allowance	**588**	681	**5,244**
Inventories	**477**	497	**4,259**
Impairment loss	**500**	677	**4,457**
Other investments	**819**	857	**7,301**
Golf club memberships	**195**	157	**1,746**
Tax losses carried forward	**3,904**	5,628	**34,802**
Cash flow hedges	**173**	613	**1,545**
Goodwill	**2,658**	—	**23,694**
Other	**4,359**	3,547	**38,862**
Total deferred tax assets	**15,549**	13,963	**138,596**
Offset against deferred tax liabilities	**(10,530)**	(4,879)	**(93,860)**
Total deferred tax assets, net	**5,018**	9,084	**44,737**
Deferred tax liabilities			
Retained earnings in subsidiaries	**(74)**	(267)	**(667)**
Financial assets measured at fair value through other comprehensive income	**(4,096)**	(3,085)	**(36,510)**
Intangible assets	**(5,292)**	(1,095)	**(47,177)**
Other	**(1,491)**	(729)	**(13,291)**
Total deferred tax liabilities	**(10,954)**	(5,177)	**(97,645)**
Offset against deferred tax assets	**10,530**	4,879	**93,860**
Total deferred tax liabilities, net	**(424)**	(297)	**(3,786)**
Net deferred tax assets	**4,594**	8,786	**40,951**

2) Details of changes in deferred tax assets and deferred tax liabilities

Details of changes in deferred tax assets and deferred tax liabilities are presented as follows:

	JPY		USD
	2017	2016	**2017**
Beginning balance of net deferred tax assets	**8,786**	10,243	**78,317**
Deferred tax expense	**(2,589)**	(3,316)	**(23,081)**
Income tax on other comprehensive income	**(1,381)**	1,944	**(12,312)**
Acquisition through business combinations	**(17)**	—	**(160)**
Other	**(203)**	(85)	**(1,813)**
Ending balance of net deferred tax assets	**4,594**	8,786	**40,951**

3) Deductible temporary differences and unused tax losses carried forward for which deferred tax assets were not recognized

The breakdown of deductible temporary differences and unused tax losses carried forward (by expiry date), for which deferred tax assets were not recognized in the consolidated statement of financial position are presented as follows:

	JPY		USD
	2017	2016	**2017**
Deductible temporary differences	**19,466**	17,639	**173,515**
Tax losses carried forward			
Within one year to expiry	**170**	21	**1,515**
Between one and five years to expiry	**28,172**	26,606	**251,117**
Between five and ten years to expiry	**13,350**	11,609	**118,998**
Over ten years to expiry	**251**	186	**2,241**
Total tax losses carried forward	**41,944**	38,424	**373,872**

4) Temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized

The total amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as of March 31, 2017 and March 31, 2016 are ¥20,136 million ($179,482 thousand) and ¥16,549 million, respectively. Because the Consolidated Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, it did not recognize deferred tax liabilities with respect to such temporary differences.

(2) Income taxes

1) Breakdown of income taxes

The breakdown of income taxes is presented as follows:

	JPY		USD
	2017	2016	**2017**
Current tax expense (Note 1)	**(4,999)**	(3,997)	**(44,563)**
Deferred tax expense (Note 2)			
Origination and reversal of temporary differences	**(1,754)**	(1,721)	**(15,641)**
Reassessment of recoverability of deferred tax assets	**(834)**	(1,036)	**(7,440)**
Changes in tax rate	**—**	(558)	**—**
Total deferred tax expense	**(2,589)**	(3,316)	**(23,081)**
Total income taxes	**(7,589)**	(7,313)	**(67,645)**

(Notes)1. The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2017 and March 31, 2016 were ¥22 million ($196 thousand) and ¥487 million, respectively, and these benefits were included in the current tax expenses.

2. Major causes for deferred tax expense by type are tax losses carried forward of ¥(1,724) million ($(15,369) thousand) and goodwill of ¥(797) million ($(7,107) thousand) for the fiscal year ended March 31, 2017, and inventories of ¥(1,209) million and tax losses carried forward of ¥(1,156) million for the fiscal year ended March 31, 2016.

2) Reconciliation of statutory effective income tax rate in Japan

Reconciliations between the statutory effective tax rate in Japan and the average effective tax rate of the Consolidated Group were as follows:

	2017	2016
Statutory effective tax rate	**30.8%**	33.1%
(Adjustments)		
Permanent differences—additions such as entertainment expenses	**2.9%**	0.7%
Effect of reassessment of recoverability of deferred tax assets	**4.7%**	5.7%
Effect of tax rate differences	**2.1%**	(0.5)%
Share of profit (loss) of investments accounted for using the equity method	**3.3%**	(1.1)%
Tax reform	**—**	3.1%
Other	**(1.4)%**	(0.6)%
Average effective tax rate	**42.5%**	40.4%

The effective statutory effective tax rate for the fiscal year ended March 31, 2017 is calculated to be 30.8% based on the Corporation Tax, Inhabitant Tax and Business Tax in Japan.

On November 18, 2016, "The act for partial amendment of the act and others for partial amendment of the consumption tax act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security" (Act No.85 of 2016) and "The act for partial amendment of the act and others for partial amendment of the local taxation act and local allocation tax act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security" (Act No.86 of 2016) were approved in the Diet. Under these acts, the consumption tax hike to 10% scheduled on April 1, 2017 was postponed until October 1, 2019.

As a result of this change, the abolition of special local corporate tax, the restoration of corporation enterprise tax, the tax rate amendments of local corporation tax and corporate residential tax were also postponed from the fiscal year beginning on or after April 1, 2017 to the fiscal year beginning on or after October 1, 2019.

Although the statutory effective tax rate being applied in the deferred tax calculation remains unchanged, there is a reclassification between national and local tax rates. The effects on the consolidated financial statements are immaterial.

30. Financial Instruments

(1) Classification of financial instruments

The breakdown of financial instruments for each classification is presented as follows:

	JPY		USD
	2017	2016	**2017**
Financial assets			
Cash and cash equivalents	**77,566**	87,466	**691,387**
Financial assets measured at amortized cost			
Trade and other receivables	**192,363**	164,001	**1,714,621**
Other investments	**994**	1,000	**8,864**
Other financial assets	**6,635**	7,657	**59,147**
Total financial assets measured at amortized cost	**199,993**	172,658	**1,782,631**
Financial assets measured at fair value through profit or loss			
Other investments	**5,054**	5,637	**45,053**
Other financial assets	**2,365**	379	**21,088**
Total financial assets measured at fair value through profit or loss	**7,420**	6,016	**66,141**
Financial assets measured at fair value through other comprehensive income			
Other investments	**28,063**	24,897	**250,140**
Total financial assets measured at fair value through other comprehensive income	**28,063**	24,897	**250,140**
Total financial assets	**313,043**	291,039	**2,790,299**
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	**165,011**	142,143	**1,470,822**
Bonds and borrowings	**133,844**	136,867	**1,193,021**
Other financial liabilities	**9,477**	9,979	**84,478**
Total financial liabilities measured at amortized cost	**308,334**	288,990	**2,748,320**
Financial liabilities measured at fair value through profit or loss			
Other financial liabilities	**1,896**	3,829	**16,904**
Total financial liabilities measured at fair value through profit or loss	**1,896**	3,829	**16,904**
Total financial liabilities	**310,230**	292,819	**2,765,224**

(2) Basic policies for risk management of financial instruments

The Consolidated Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Consolidated Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

(3) Credit risk management

1) Credit risks of financial assets owned by the Company (risk exposure and the occurrence of the relevant risk)

The Consolidated Group extends credit to a large number of customers in Japan and abroad in diverse business transactions, resulting in a number of financial assets such as trade receivables, loans and other financial assets. These financial assets provide credit accommodation to the various customers; therefore, the Consolidated Group is mainly exposed to the credit risks related to those customers.

Moreover, other investments include debt instruments that are the investments in the customers, which expose the Consolidated Group to the credit risk arising from deterioration in the financial position of issuers.

Each department manages credit exposure to each customer by assigning credit ratings on a customer-by-customer basis and setting credit exposure limits within the framework of the Consolidated Group's credit risk control.

2) Responses to the risk owned by the Company (purpose, policy and procedure of the risk management and method used to measure such risks)

The Consolidated Group manages its credit risk to the customers by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, the Consolidated Group mitigates credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions of customers and other factors. Expected credit losses are recognized and measured through transactions and financial information related to customers available in the course of such credit risk management, while taking macroeconomic conditions such as the number of bankruptcies into consideration.

With regard to loans, the Consolidated Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in cases where the cash collection of the financial assets was delayed (as well as the case of request for a grace period) after the trade date. However, even when a late payment or request for grace period occurs, the Consolidated Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low and objective data such as external credit ratings would reveal their ability to fulfill the obligation of contractual cash flow in the near future.

However, the Consolidated Group determines that the credit of the financial assets are impaired, when late payment or request for grace period do not arise from temporary cash shortage but significant financial difficulty of the debtor and the recoverability of the modified financial assets is significantly doubtful.

The Consolidated Group determines there has been a significant increase in the credit risk of debt instruments since initial recognition when an "investment grade" at the initial recognition deteriorates to the level below investment grade. For such purpose, rating information provided by major rating agencies is used.

When guaranteeing the debts of its customers, the Consolidated Group establishes the guarantee limit amounts based upon the financial position and business condition of the customers. The guarantee limit amounts are periodically reviewed and maintained at appropriate levels.

When entering into derivative transactions, the Consolidated Group only deals with major financial institutions with high credit ratings assigned by independent rating agencies so as to minimize the credit risks. In addition, the Consolidated Group periodically reviews credit limits in accordance with the internal regulations.

The Consolidated Group considers trade receivables, loans receivable, and debt instruments as default when all or part of those financial instruments are not recovered or the recoverability of those financial instruments is determined to be extremely difficult.

(i) Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Consolidated Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. As performing trade receivables comprise a number of customers, the Consolidated Group measures expected credit loss collectively by grouping those receivables and considering historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

Even when a late payment or request for grace period has occurred, the Consolidated Group does not regard them as past due receivables if such late payment or request for grace period would be attributable to temporary cash shortage as the risk of default would be low, and the debtors are evaluated to have a strong ability to fulfill the obligation of contractual cash flow in the near future.

(ii) Measurement of expected credit losses on other receivables

When credit risk related to loans has not increased significantly since the initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses collectively based upon historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount.

(iii) Measurement of the expected credit losses on the other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses. However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance of the financial instruments. When estimating such expected credit losses, the Consolidated Group uses the default rate published by major rating agencies.

The Consolidated Group directly writes off the gross carrying amounts of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

3) Quantitative and qualitative information on the amounts arising from expected credit losses

(i) Trade and other receivables

(JPY)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2015	19	2,651
1. Reclassification to credit-impaired financial assets	(0)	79
2. Incurrence or collection	(1)	(97)
3. Direct write-off	—	(249)
4. Changes due to foreign exchange	—	(7)
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(10)	—
As of March 31, 2016	7	2,375
1. Reclassification to credit-impaired financial assets	(0)	63
2. Incurrence or collection	0	(138)
3. Direct write-off	—	(166)
4. Changes due to foreign exchange	—	1
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(4)	—
As of March 31, 2017	3	2,135

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2015	186,564	2,981
1. Financial assets reclassified to credit-impaired financial assets	(159)	159
2. Incurrence or collection	(22,758)	(145)
3. Direct write-off	—	(249)
4. Changes due to foreign exchange	—	(7)
As of March 31, 2016	163,646	2,737
1. Financial assets reclassified to credit-impaired financial assets	(63)	63
2. Incurrence or collection	28,502	(219)
3. Direct write-off	—	(166)
4. Changes due to foreign exchange	—	1
As of March 31, 2017	192,085	2,416

(USD)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2016	67	21,178
1. Reclassification to credit-impaired financial assets	(0)	567
2. Incurrence or collection	5	(1,238)
3. Direct write-off	—	(1,483)
4. Changes due to foreign exchange	—	10
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(39)	—
As of March 31, 2017	33	19,033

(USD)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2016	1,458,657	24,402
1. Financial assets reclassified to credit-impaired financial assets	(567)	567
2. Incurrence or collection	254,057	(1,956)
3. Direct write-off	—	(1,483)
4. Changes due to foreign exchange	—	10
As of March 31, 2017	1,712,148	21,539

(ii) Other investments (debt instrument securities)

(JPY)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2015	0	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Increase (decrease) due to changes in default rate	0	—	—
As of March 31, 2016	0	—	—
1 Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Increase (decrease) due to changes in default rate	5	—	—
As of March 31, 2017	5	—	—

(JPY)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2015	1,000	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Other changes	—	—	—
As of March 31, 2016	1,000	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Other changes	—	—	—
As of March 31, 2017	1,000	—	—

(USD)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2016	0	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Increase (decrease) due to changes in default rate	50	—	—
As of March 31, 2017	50	—	—

(USD)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2016	8,913	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Other changes	—	—	—
As of March 31, 2017	8,913	—	—

(iii) There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2017, for which collecting efforts are still being made.

4) Credit risk exposure

(i) Trade and other receivables

As of March 31, 2017

	Balance of receivables (gross)		Provision rate based on historical credit loss experience	Lifetime expected credit losses	
	JPY	USD		JPY	USD
Performing receivables	**192,085**	**1,712,148**	**0.00%**	**3**	**33**
Past due receivables	**2,416**	**21,539**	**88.37%**	**2,135**	**19,033**
Total	**194,502**	**1,733,687**	**—**	**2,139**	**19,066**

Past due receivables include loans receivable of ¥1,876 million ($16,728 thousand), for which a loss allowance of ¥1,595 million ($14,221 thousand) has been already recognized.

As of March 31, 2016

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Performing receivables	163,646	0.00%	7
Past due receivables	2,737	86.79%	2,375
Total	166,384	—	2,383

Past due receivables include loans receivable of ¥1,969 million, for which a loss allowance of ¥1,688 million has been already recognized.

(ii) Other investments (Debt instrument securities)

As of Mach 31, 2017

External rating	Gross carrying amount			
	Debt instrument securities			
	Lifetime		12 months	
	JPY	USD	JPY	USD
AAA-AA	**—**	**—**	**—**	**—**
A	**—**	**—**	**—**	**—**
BBB-BB	**—**	**—**	**1,000**	**8,913**
B	**—**	**—**	**—**	**—**
Total	**—**	**—**	**1,000**	**8,913**

As of March 31, 2016

External rating	Gross carrying amount	
	Debt instrument securities	
	Lifetime	12 months
	JPY	JPY
AAA-AA	—	—
A	—	—
BBB-BB	—	1,000
B	—	—
Total	—	1,000

5) Maximum exposure to credit risks

The Consolidated Group's maximum exposure to credit risks is as follows:

The Consolidated Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement. The Consolidated Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

As of March 31, 2017

	Gross carrying amount		Loss allowance		Maximum credit risk exposure (gross)		Total collaterals pledged and credit enhancements		Maximum credit risk exposure (net)	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and cash equivalents	**77,566**	**691,387**	**—**	**—**	**77,566**	**691,387**	**—**	**—**	**77,566**	**691,387**
Financial assets measured at amortized cost										
Trade and other receivables	**194,502**	**1,733,687**	**(2,139)**	**(19,066)**	**192,363**	**1,714,621**	**(141)**	**(1,265)**	**192,221**	**1,713,356**
Other financial assets	**6,635**	**59,147**	**—**	**—**	**6,635**	**59,147**	**—**	**—**	**6,635**	**59,147**
Other investments	**1,000**	**8,913**	**(5)**	**(50)**	**994**	**8,864**	**—**	**—**	**994**	**8,864**
Total	**279,704**	**2,493,134**	**(2,144)**	**(19,116)**	**277,560**	**2,474,018**	**(141)**	**(1,265)**	**277,418**	**2,472,753**

The amount of loss allowance for credit-impaired financial assets is reduced by ¥141 million ($1,265 thousand) through collateral pledged and credit enhancements.

As of March 31, 2016

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collaterals pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	87,466	—	87,466	—	87,466
Financial assets measured at amortized cost					
Trade and other receivables	166,384	(2,383)	164,001	(290)	163,710
Other financial assets	7,657	—	7,657	—	7,657
Other investments	1,000	(0)	1,000	—	1,000
Total	262,508	(2,383)	260,124	(290)	259,834

The amount of loss allowance for credit-impaired financial assets is reduced by ¥290 million through collateral pledged and credit enhancements.

(4) Liquidity risk management

The Consolidated Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Consolidated Group's credit rating by a rating agency, the Consolidated Group's fundraising becomes constrained and consequently there is a possibility that the Consolidated Group will not be able to carry out the payment on the date of payment.

The Consolidated Group has sufficient levels of cash and cash equivalents and maintains a long-term (unused) commitment line agreement with a major financial institution in the amount of ¥10.0 billion ($89,135 thousand) to ensure liquidity and stability of funds. The Consolidated Group makes efforts to maintain good relationships with each financial institution.

1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date is presented as follows:

As of March 31, 2017

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Trade and other payables	**165,011**	**1,470,822**	**—**	**—**	**—**	**—**	**165,011**	**1,470,822**
Bonds	**52**	**463**	**10,112**	**90,142**	**—**	**—**	**10,164**	**90,605**
Borrowings	**65,697**	**585,589**	**55,088**	**491,030**	**6,052**	**53,950**	**126,838**	**1,130,569**
Lease obligations	**436**	**3,891**	**939**	**8,370**	**62**	**554**	**1,437**	**12,816**
Deposits received	**2,707**	**24,134**	**—**	**—**	**2,916**	**25,999**	**5,624**	**50,133**
Guarantee deposits received	**984**	**8,779**	**—**	**—**	**1,464**	**13,052**	**2,449**	**21,831**
Other	**118**	**1,057**	**—**	**—**	**—**	**—**	**118**	**1,057**
Total	**235,008**	**2,094,736**	**66,140**	**589,542**	**10,495**	**93,555**	**311,645**	**2,777,832**

The Consolidated Group has guarantee obligations of ¥1,881 million ($16,773 thousand)and ¥1,477 million as of March 31, 2017 and March 31, 2016 respectively.

As of March 31, 2016

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	142,143	—	—	142,143
Bonds	52	10,164	—	10,216
Borrowings	63,086	52,942	13,651	129,680
Lease obligations	486	1,108	19	1,613
Deposits received	3,028	—	3,050	6,079
Guarantee deposits received	960	19	1,377	2,357
Other	82	—	—	82
Total	209,839	64,235	18,098	292,173

2) Derivative liabilities

The breakdown of derivative liabilities by due date is presented as follows:

As of March 31, 2017

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Currency-related derivatives								
Cash inflows	**33,361**	**297,363**	**64**	**571**	**—**	**—**	**33,425**	**297,934**
Cash outflows	**34,098**	**303,937**	**67**	**598**	**—**	**—**	**34,165**	**304,534**
Sub total	**737**	**6,574**	**3**	**27**	**—**	**—**	**740**	**6,600**
Interest rate-related derivatives	**268**	**2,391**	**593**	**5,289**	**15**	**135**	**876**	**7,815**
Commodity-related derivatives	**317**	**2,830**	**—**	**—**	**—**	**—**	**317**	**2,830**
Total	**1,323**	**11,795**	**596**	**5,316**	**15**	**135**	**1,934**	**17,246**

As of March 31, 2016

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Currency-related derivatives				
Cash inflows	45,617	2,378	—	47,996
Cash outflows	48,013	2,528	—	50,542
Sub total	2,396	149	—	2,546
Interest rate-related derivatives	264	765	90	1,120
Commodity-related derivatives	77	0	—	77
Total	2,738	915	90	3,744

(5) Market risk management

Since the Consolidated Group operates a broad array of businesses around the world, it is directly and indirectly affected by political developments and economic conditions in countries where it has a presence, including changes in supply and demand situations. Operations of the Consolidated Group are exposed to risks stemming from fluctuations in foreign exchange rate, interest rate, commodity price and share price.

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are transferred to trade partners, etc. in the form of transaction terms. In addition, the Consolidated Group has established a system under which a limit (position limit) and a loss limit are set for foreign exchange, funds (interest rates), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded.

Also, the price fluctuation risk of these positions is mitigated by using derivatives as a hedge.

1) Foreign currency risk

(i) Nature of foreign currency risk and its management policy

The Consolidated Group is engaged in foreign currency transactions in various currencies and terms incidental to its export and import trading. The Consolidated Group not only transfers the risk of currency fluctuations to customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

The Company also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the end of the reporting period, for the purposes of preparing consolidated financial statements. As a result, net assets may change through exchange difference of foreign operations associated with exchange rate fluctuations.

In principle, the Company and certain subsidiaries enter into forward exchange contracts to hedge against the exchange rate currency fluctuation risk of foreign currency-denominated receivables and payables that are controlled by currency and by contract month. The Company and certain subsidiaries also enter into forward exchange contracts to hedge against foreign currency-denominated receivables and payables that are highly probable to arise from export/import-related forecast transactions.

(ii) Sensitivity analysis of foreign currency risk

In regards to financial instruments held by the Consolidated Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of Japanese Yen against U.S. dollars.

Such analysis is based on the assumption that other factors are held constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

	JPY		USD
	2017	2016	**2017**
Profit before tax			
U.S. dollar	**(26)**	1	**(237)**
Other comprehensive income			
U.S. dollar	**(230)**	174	**(2,052)**

2) Interest rate risk

(i) Nature of interest rate risk and its management policy

The Consolidated Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest expenses for the Consolidated Group may increase with a rise in interest rates.

The Company and certain consolidated subsidiaries enter into interest rate swap contracts to avoid the interest rate fluctuation risk stemming from the borrowings.

(ii) Sensitivity analysis of interest rate risk

In regards to financial instruments held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax assuming that the interest rate increases by 1%.

Under the analysis, the amounts affecting profit before tax are calculated by multiplying the net balance of floating rate financial instruments as of March 31, 2017 and 2016 by 1%, without considering future changes in the net balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and based on the assumption that all the other variables are held constant.

	JPY		USD
	2017	2016	**2017**
Profit before tax	**(758)**	(749)	**(6,761)**

3) Commodity price risk

(i) Nature of commodity price risk and its management policy

In its mainstay commodity trading business in Japan and overseas, the Consolidated Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. When the positions in these commodities increase, the Consolidated Group will be exposed to the commodity price fluctuation risk stemming from rapid movements in commodities prices or a decline in demand.

The Consolidate Group strives to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing commodity-related derivatives for hedging purposes.

(ii) Sensitivity analysis of commodity price risk

In regards to commodity-related derivatives held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax and other comprehensive income (before the tax effect) assuming that the commodity price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2017	2016	**2017**
Profit before tax	**(88)**	(58)	**(785)**
Foods	**(68)**	(52)	**(612)**
Fuels	**(19)**	(5)	**(173)**
Other comprehensive income	**0**	(4)	**(4)**
Foods	**0**	(4)	**(4)**
Fuels	**—**	—	**—**

4) Share price risk

(i) Nature of share price risk and its management policy

The Consolidated Group holds marketable securities, which are exposed to the market price fluctuation risk.

The Consolidated Group attempts to reduce share price risk by periodically reviewing its shares held by the Consolidated Group and selling those shares that it holds without strong rationale.

(ii) Sensitivity analysis of share price risk

In regards to listed shares held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting other comprehensive income (before the tax effect) assuming that the share price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2017	2016	**2017**
Other comprehensive income	**(160)**	(140)	**(1,427)**

(6) Fair value of financial instruments

1) Fair value measurement

Fair values of financial instruments are presented as follows:

Fair values are categorized into three levels of the fair value hierarchy depending on inputs to valuation techniques; details are described in *Note 2. Basis of Preparing Consolidated Financial Statements: (4) Use of estimates and judgments.*

2) Financial instruments measured at amortized cost

Type	2017				2016	
	Carrying amount		Fair value		Carrying amount	Fair value
	JPY	USD	JPY	USD	JPY	
Financial assets						
Trade and other receivables	**1,169**	**10,425**	**1,169**	**10,425**	460	460
Other investments (Debt instrument securities)	**994**	**8,864**	**994**	**8,864**	1,000	1,000
Guarantee deposits	**3,679**	**32,794**	**3,679**	**32,794**	3,814	3,814
Other financial assets	**616**	**5,495**	**616**	**5,495**	1,626	1,626
Total	**6,459**	**57,577**	**6,459**	**57,577**	6,901	6,901
Financial liabilities						
Bonds and borrowings	**69,201**	**616,824**	**69,289**	**617,606**	74,877	75,746
Long-term lease obligations	**899**	**8,016**	**899**	**8,016**	1,025	1,015
Long-term deposits received	**2,916**	**25,999**	**2,916**	**25,999**	3,050	3,050
Long-term guarantee deposits received	**1,464**	**13,052**	**1,464**	**13,052**	1,396	1,396
Total	**74,481**	**663,891**	**74,569**	**664,673**	80,351	81,209

The carrying amounts of short-term trade and other receivables, other short-term financial assets, short-term trade and other payables, short-term bonds and borrowings and other short-term financial liabilities, all of which are measured at amortized cost, approximate their fair values; therefore, those amounts are not included in the table above.

The fair values stated above are calculated as follows:

(i) Trade and other receivables

The fair value of trade and other receivables is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(ii) Other investments (Debt instrument securities)

The fair value of other investments is the present value of future cash flows discounted by an interest rate applicable to similar financial assets.

(iii) Guarantee deposits

The fair value of guarantee deposits is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(iv) Other financial assets

The fair value of other financial assets is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(v) Bonds and borrowings

The fair value of bonds is determined based on their market price.

The fair value of borrowings is the present value of the sum of principal and interest payments discounted using an assumed interest rate on equivalent incremental borrowings.

(vi) Long-term lease obligations

The fair value of long-term lease obligations is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(vii) Long-term deposits received

The fair value of the long-term deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(viii) Long-term guarantee deposits received

The fair value of long-term guarantee deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

Financial assets and liabilities measured at amortized cost are categorized within Level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value

(i) Analysis of fair value by hierarchy level

The following tables provide the breakdown by hierarchy level of financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets and liabilities are measured at fair value on a non-recurring basis. There were no material transfers between different levels for the fiscal years ended March 31, 2017 and March 31, 2016.

As of March 31, 2017

	Level 1		Level 2		Level 3		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Assets								
Other investments								
Financial assets measured at fair value through profit or loss								
Stock	**—**	**—**	**—**	**—**	**5,054**	**45,053**	**5,054**	**45,053**
Financial assets measured at fair value through other comprehensive income								
Stock	**16,014**	**142,742**	**—**	**—**	**12,049**	**107,398**	**28,063**	**250,140**
Other financial assets								
Financial assets measured at fair value through profit or loss								
Convertible bonds	**—**	**—**	**—**	**—**	**1,033**	**9,213**	**1,033**	**9,213**
Derivative transactions:								
Foreign exchange	**—**	**—**	**1,048**	**9,347**	**—**	**—**	**1,048**	**9,347**
Interest rate	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Commodity	**280**	**2,498**	**3**	**29**	**—**	**—**	**283**	**2,528**
Liabilities								
Other financial liabilities								
Derivative transactions:								
Foreign exchange	**—**	**—**	**(740)**	**(6,600)**	**—**	**—**	**(740)**	**(6,600)**
Interest rate	**—**	**—**	**(838)**	**(7,474)**	**—**	**—**	**(838)**	**(7,474)**
Commodity	**(317)**	**(2,830)**	**—**	**—**	**—**	**—**	**(317)**	**(2,830)**
Total	**15,976**	**142,410**	**(526)**	**(4,697)**	**18,137**	**161,665**	**33,587**	**299,378**

As of March 31, 2016

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
Financial assets measured at fair value through profit or loss				
Stock	—	—	5,637	5,637
Financial assets measured at fair value through other comprehensive income				
Stock	14,061	—	10,836	24,897
Other financial assets				
Derivative transactions:				
Foreign exchange	—	200	—	200
Interest rate	—	—	—	—
Commodity	174	4	—	179
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(2,546)	—	(2,546)
Interest rate	—	(1,205)	—	(1,205)
Commodity	(63)	(14)	—	(77)
Total	14,172	(3,561)	16,474	27,084

The methods of determining the fair value of the above instruments are described as follows:

(a) Other investments and convertible bonds

The fair value of listed shares is the quoted price in an active market, and is categorized within fair value hierarchy Level 1.

The fair value of unlisted shares is calculated using valuation methods including discounted future cash flows, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity.

The fair value of convertible bonds is calculated using valuation methods including discounted future cash flows and net asset value, and is categorized within fair value hierarchy Level 3.

The Company determines the policies and procedures for measuring the fair value of unlisted shares and convertible bonds, and reviews the approach to measuring fair value on a recurring basis including the valuation model, by obtaining the information on business operations and business plans associated with each equity issuer and confirming the data from comparable public companies.

(b) Derivative financial assets and liabilities

Currency-related derivatives

The fair value of forward exchange transactions is calculated based on the forward exchange rate at the end of the fiscal year.

Interest rate-related derivatives

The fair value of interest-rate swaps is the present value of future cash flows discounted by an interest rate that reflects time to settlement, as well as market conditions.

Commodity-related derivatives

The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair value of commodity swap transactions is calculated based on the index prices publicly announced at the end of the fiscal year.

Commodity futures transactions are categorized within Level 1 of fair value hierarchy. All other derivative financial assets and liabilities are categorized within Level 2 of the fair value hierarchy.

(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy

The changes in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are presented as follows. There were no material transfers between different levels for the years ended March 31, 2017 and March 31, 2016.

<table>
<tr><th></th><th colspan="8">2017</th><th colspan="3">2016</th></tr>
<tr><th></th><th colspan="4">Other investments</th><th colspan="2">Other financial assets</th><th colspan="2" rowspan="2">Total</th><th colspan="2">Other investments</th><th rowspan="2">Total</th></tr>
<tr><th></th><th colspan="2">FVPL</th><th colspan="2">FVOCI</th><th colspan="2">FVOCI</th><th>FVPL</th><th>FVOCI</th></tr>
<tr><th></th><th>JPY</th><th>USD</th><th>JPY</th><th>USD</th><th>JPY</th><th>USD</th><th>JPY</th><th>USD</th><th>JPY</th><th>JPY</th><th>JPY</th></tr>
<tr><td>Balance at the beginning of the year</td><td>5,637</td><td>50,249</td><td>10,836</td><td>96,593</td><td>—</td><td>—</td><td>16,474</td><td>146,841</td><td>6,425</td><td>12,362</td><td>18,788</td></tr>
<tr><td>Total gains or losses</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Profit or loss (Note1)</td><td>(2,000)</td><td>(17,832)</td><td>—</td><td>—</td><td>—</td><td>—</td><td>(2,000)</td><td>(17,832)</td><td>(323)</td><td>—</td><td>(323)</td></tr>
<tr><td>Other comprehensive income (Note 2)</td><td>—</td><td>—</td><td>1,025</td><td>9,138</td><td>—</td><td>—</td><td>1,025</td><td>9,138</td><td>—</td><td>(1,577)</td><td>(1,577)</td></tr>
<tr><td>Purchase</td><td>—</td><td>—</td><td>223</td><td>1,992</td><td>33</td><td>300</td><td>257</td><td>2,292</td><td>—</td><td>524</td><td>524</td></tr>
<tr><td>Sale</td><td>—</td><td>—</td><td>(36)</td><td>(324)</td><td>—</td><td>—</td><td>(36)</td><td>(324)</td><td>—</td><td>(472)</td><td>(472)</td></tr>
<tr><td>Foreign currency translation difference</td><td>(79)</td><td>(710)</td><td>—</td><td>—</td><td>—</td><td>—</td><td>(79)</td><td>(710)</td><td>(375)</td><td>—</td><td>(375)</td></tr>
<tr><td>Increase (decrease) due to changes in scope of consolidation</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>(89)</td><td>0</td><td>(89)</td></tr>
<tr><td>Other</td><td>1,497</td><td>13,347</td><td>—</td><td>—</td><td>1,000</td><td>8,913</td><td>2,497</td><td>22,261</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Balance at the end of the year</td><td>5,054</td><td>45,053</td><td>12,049</td><td>107,398</td><td>1,033</td><td>9,213</td><td>18,137</td><td>161,665</td><td>5,637</td><td>10,836</td><td>16,474</td></tr>
</table>

FVPL: Financial assets measured at fair value through profit or loss.
FVOCI: Financial assets measured at fair value through other comprehensive income.
(Notes) 1. The gains or losses are included in "Other finance costs" in the consolidated statement of income. Of those gains or losses recognized in profit or loss, the amounts arising from financial instruments that were held at the period end are ¥(2,000) million ($(17,832) thousand) for the fiscal year ended March 31, 2017 and ¥(323) million for the fiscal year ended March 31, 2016.
2. The gains or losses are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

(iii) Quantitative Information about the financial instruments categorized within fair value hierarchy Level 3

The following tables present quantitative information on the material assets categorized within Level 3 of the fair value hierarchy, which were measured at fair value on a recurring basis.

As of March 31, 2017

Category	Fair value		Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY	USD			
Financial assets measured at fair value through profit or loss	**3,590**	**32,006**	Discounted cash flow method	Discount rate	**3.7 %**
Financial assets measured at fair value through profit or loss	**2,497**	**22,261**	Net asset value method	—	**—**
Financial assets measured at fair value through other comprehensive income	**10,984**	**97,912**	Market multiple method	P/B ratio Illiquidity discount	**1.1 times** **30.0 %**
Financial assets measured at fair value through other comprehensive income	**1,064**	**9,486**	Net asset value method	—	**—**

As of March 31, 2016

Category	Fair value	Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY			
Financial assets measured at fair value through profit or loss	5,637	Discounted cash flow method	Discount rate	3.5%
Financial assets measured at fair value through other comprehensive income	9,733	Market multiple method	P/B ratio Illiquidity discount	1.1 times 30.0%
Financial assets measured at fair value through other comprehensive income	1,103	Net asset value method	—	—

The significant unobservable inputs used in measuring the fair value of unlisted shares are the discount rate, illiquidity discount and P/B ratio (price-to-book ratio). A substantial increase (or decrease) in the discount rate or illiquidity discount causes the fair value to substantially fall (or rise), while a substantial increase (or decrease) in the P/B ratio causes the fair value to substantially rise (or fall).

(7) Financial assets measured at fair value through other comprehensive income

With respect to investments in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Consolidated Group has designated such investments as financial assets to be measured at fair value through other comprehensive income in view of the holding purpose.

1) Fair value of major items of investment

The following tables present the fair value of major items of investment in equity instruments designated as financial assets measured at fair value through other comprehensive income.

As of March 31, 2017

Name of issuer	Amount	
	JPY	USD
MARUDAI FOOD CO., LTD.	**2,921**	**26,041**
Tokio Marine Holdings, Inc.	**2,815**	**25,100**
Nissin Seifun Group Inc.	**1,511**	**13,473**
BOT Lease Co., Ltd.	**1,414**	**12,608**
SHIN KURUSHIMA DOCKYARD CO., LTD.	**1,304**	**11,627**
Sotsu Corporation	**1,190**	**10,614**
DAIO PAPER CORPORATION	**1,093**	**9,748**
The Norinchukin Bank	**1,061**	**9,461**
F.C.C. Co., Ltd.	**686**	**6,123**
Alpha Group Inc.	**634**	**5,658**
Other	**13,427**	**119,687**

As of March 31, 2016

Name of issuer	Amount
	JPY
MARUDAI FOOD CO., LTD.	2,620
Tokio Marine Holdings, Inc.	2,277
Nissin Seifun Group Inc.	1,628
BOT Lease Co., Ltd.	1,311
Sotsu Corporation	1,258
The Norinchukin Bank	1,100
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,099
DAIO PAPER CORPORATION	728
GUANGZHOU SHOWA AUTOPARTS CO., LTD.	590
F.C.C. Co., Ltd.	588
Other	11,692

2) Dividend income

	JPY		USD
	2017	2016	**2017**
Investments derecognized during the year	**3**	7	**32**
Investments held at the end of the year	**902**	772	**8,047**
Total	**906**	779	**8,080**

3) Financial assets measured at fair value through other comprehensive income that were derecognized during the fiscal year

The Consolidated Group periodically reviews its held shares and sells those shares that it holds without a strong rationale with gains or losses on sale recognized in other comprehensive income. The following table presents the fair value on the date of sale and cumulative gains or losses on sale.

	JPY		USD
	2017	2016	**2017**
Fair value on the date of sale	**647**	605	**5,772**
Cumulative gains (losses) on sale	**132**	393	**1,178**

4) Reclassification to retained earnings

The Consolidated Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of, or when there is a significant decline in the fair value. Such cumulative gains or losses in other comprehensive income that were reclassified to retained earnings for the years ended March 31, 2017 and March 31, 2016 were ¥125 million ($1,116 thousand) and ¥275 million, respectively.

(8) Hedge Accounting

(Cash Flow Hedge)

A cash flow hedge is a hedge of the exposure to variability in future cash flows arising from a forecast transaction or recognized assets or liabilities. While a hedge is designated as cash flow hedge as long as the hedge is effective, the changes in the fair value of qualifying hedging instrument should be recorded as other comprehensive income in the Consolidated Statement of Comprehensive Income. The Consolidated Group continues such accounting treatment until variability in future cash flows arising from unrecognized forecast transactions or recognized assets or liabilities designated as hedged items are recorded in profit or loss. Moreover, portions determined to be ineffective for hedging accounting are recognized in profit or loss.

The Company and certain consolidated subsidiaries designate the following instruments as cash flow hedges: forward exchange contracts to fix cash flows from foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions, interest rate swaps to fix variable interest rate on floating rate financial liabilities, and commodity futures to fix cash flows from forecast transactions of commodity trade.

When applying hedge accounting, the Consolidated Group confirms that there are economic relationships between the hedged items and hedging instruments through qualitative assessments, which show whether the critical terms of the hedging instruments and the hedged items match exactly or are closely aligned, and quantitative assessments, which show fluctuations of the value of hedged items and hedging instruments by the same risk offset each other, in order to confirm there are economic relationships that variability in fair value or cash flows of the hedged items that are attributable to the hedged risk shall be offset by the changes in fair value or cash flows of the hedging instruments. The Consolidated Group also establishes appropriate hedge ratios considering an economic relationship between hedging instruments and hedged items as well as risk management strategy.

The amounts recognized in profit or loss for the ineffective portion of the hedge are not material both for the fiscal years ended March 31, 2017 and March 31, 2016. In addition, the amounts reclassified from valuation differences on cash flow hedges to profit or loss are immaterial because the forecast transactions are no longer expected to occur.

Following are the carrying amounts of the hedging instruments as of March 31, 2017 and March 31, 2016. The fair value of financial assets related to hedging instruments is included in "Other financial assets" while the fair value of financial liabilities related to hedging instruments is included in "Other financial liabilities (current)" or "Other financial liabilities (non-current)" in the consolidated statements of financial position.

As of March 31, 2017

	Notional amount		Carrying amount			
			Derivative assets		Derivative liabilities	
	JPY	USD	JPY	USD	JPY	USD
Foreign currency risk						
Forward exchange contracts	**30,026**	**267,636**	**503**	**4,490**	**250**	**2,234**
Interest rate risk						
Interest rate swap contracts	**28,600**	**254,925**	**—**	**—**	**838**	**7,474**
Commodity price risk						
Commodity futures contracts	**435**	**3,884**	**16**	**147**	**4**	**43**

As of March 31, 2016

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	20,883	58	764
Interest rate risk			
Interest rate swap contracts	29,000	—	1,205
Commodity price risk			
Commodity futures contracts	547	16	4

The longest terms of hedging cash flow fluctuation risks by "Forward exchange contracts", "Interest rate swap contracts" and "Commodity price risk" are about 2 years, 5 years 6 months and 1 year, respectively.

The following tables present the carrying amount of cash flow hedge reserve as of March 31, 2017 and March 31, 2016.

As of March 31, 2017

	Cash flow hedge reserve for continuing hedges (before tax)		Cash flow hedge reserve for discontinuing hedge accounting (before tax)	
	JPY	USD	JPY	USD
Foreign currency risk				
Forward exchange contracts	**253**	**2,256**	**—**	**—**
Interest rate risk				
Interest rate swap contracts	**(838)**	**(7,474)**	**—**	**—**
Commodity price risk				
Commodity futures contracts	**11**	**104**	**8**	**75**

As of March 31, 2016

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	(706)	—
Interest rate risk		
Interest rate swap contracts	(1,205)	—
Commodity price risk		
Commodity futures contracts	12	(51)

The following tables present the carrying amounts of transactions that affected the consolidated statements of comprehensive income as a result of applying hedge accounting for the fiscal years ended March 31, 2017 and March 31, 2016.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

	Change in value of hedging instruments recognized in other comprehensive income		Reclassification from cash flow hedge reserve to profit or loss		Line item for which profit or loss was affected by reclassification
	JPY	USD	JPY	USD	
Foreign currency risk					
Forward exchange contracts	**352**	**3,139**	**607**	**5,415**	Other income
Interest rate risk					
Interest rate swap contracts	**96**	**862**	**270**	**2,412**	Interest expenses
Commodity price risk					
Commodity futures contracts	**19**	**170**	**40**	**358**	Cost of sales

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

	Change in value of hedging instruments recognized in other comprehensive income	Reclassification from cash flow hedge reserve to profit or loss	Line item for which profit or loss was affected by reclassification
	JPY	JPY	
Foreign currency risk			
Forward exchange contracts	(745)	(1,102)	Other income
Interest rate risk			
Interest rate swap contracts	(396)	5	Interest expenses
Commodity price risk			
Commodity futures contracts	44	37	Cost of sales

(9) Transfer of financial assets

The Consolidated Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Consolidated Group may be obligated to make payments as recourse for non-payment by the debtor. The Consolidated Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Consolidated Group recognized such liquidated assets as "Trade and other receivables" in the amount of ¥7,509 million ($66,939 thousand) and ¥1,771 million as of March 31, 2017 and March 31, 2016, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amount of ¥7,509 million ($66,939 thousand) and ¥1,771 million as of March 31, 2017 and March 31, 2016, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Consolidated Group may not use such liquidated assets until such settlement occurs.

(10) Offsetting financial assets and financial liabilities

The following tables present the financial assets and financial liabilities recognized for the same counterparties including financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria as of March 31, 2017 and March 31, 2016.

	JPY		USD
	2017	2016	**2017**
Amounts of financial assets presented in the consolidated statement of financial position	**1,332**	379	**11,875**
Foreign exchange	**1,048**	200	**9,347**
Interest rate	**—**	—	**—**
Commodity	**283**	179	**2,528**
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	**(695)**	(186)	**(6,203)**
Net amounts	**636**	192	**5,672**

	JPY		USD
	2017	2016	**2017**
Amounts of financial liabilities presented in the consolidated statements of financial position	**1,896**	3,829	**16,904**
Foreign exchange	**740**	2,546	**6,600**
Interest rate	**838**	1,205	**7,474**
Commodity	**317**	77	**2,830**
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	**(695)**	(186)	**(6,203)**
Financial collateral pledged	**(276)**	(4)	**(2,463)**
Net amounts	**924**	3,638	**8,237**

Certain financial assets and financial liabilities have not been offset because they do not meet some or all of the criteria for offsetting financial assets and financial liabilities. The rights to offset such financial assets and financial liabilities become enforceable only under particular circumstances, such as when the other party fails to discharge an obligation due to its bankruptcy or other such reasons.

31. Leases

(1) Lessee

1) Finance leases

The Consolidated Group leases computer-related equipment for the enterprise system (tools, furniture and fixtures) and other assets for finance leases.

The carrying amounts of the leased assets, net of accumulated depreciation and accumulated impairment losses, as of March 31, 2017 and March 31, 2016 are as follows:

	JPY		USD
	2017	2016	**2017**
Machinery, equipment, vehicle, tools and fixtures	**1,002**	1,218	**8,939**
Other	**145**	58	**1,295**
Total	**1,148**	1,276	**10,235**

The future minimum lease payments for finance leases as of March 31, 2017 and March 31, 2016 are as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	JPY		USD	JPY		USD
	2017	2016	**2017**	**2017**	2016	**2017**
Within one year	**436**	486	**3,891**	**387**	433	**3,450**
Between one and five years	**939**	1,108	**8,370**	**845**	997	**7,534**
Over five years	**62**	19	**554**	**52**	18	**472**
Total	**1,437**	1,613	**12,816**	**1,285**	1,449	**11,456**
Less future finance costs	**(152)**	(163)	**(1,360)**			
Present value of future minimum lease payments	**1,285**	1,449	**11,456**			

The future minimum lease payments receivable under the non-cancellable subleases as of March 31, 2017 and March 31, 2016 are ¥12 million ($115 thousand) and ¥54 million, respectively.

2) Operating leases

The Consolidated Group leases office buildings, system equipment and other assets as cancellable or non-cancellable operating leases. The future minimum lease payments for non-cancellable operating leases as of March 31, 2017 and March 31, 2016 are as follows:

	JPY		USD
	2017	2016	**2017**
Within one year	**34**	10	**308**
Between one and five years	**43**	19	**387**
Over five years	**—**	—	**—**
Total	**77**	30	**695**

The total lease payments recognized as expenses under the cancellable or non-cancellable operating leases for the fiscal year ended March 31, 2017 and March 31, 2016 are ¥6,980 million ($62,219 thousand) and ¥5,981 million, respectively.

The future minimum lease payments receivable under the non-cancellable subleases as of March 31, 2017 and March 31, 2016 are ¥37 million ($337 thousand) and ¥38 million, respectively.

(2) Lessor

1) Finance leases

The Consolidated Group leases out machinery, equipment and other assets that are classified as finance leases. The future minimum lease payments receivable for finance leases as of March 31, 2017 and March 31, 2016 are as follows:

	Future minimum lease payments receivable and unguaranteed residual value			Present value of future minimum lease payments receivable		
	JPY		USD	JPY		USD
	2017	2016	**2017**	**2017**	2016	**2017**
Within one year	**5**	4	**51**	**3**	3	**34**
Between one and five years	**22**	17	**204**	**15**	12	**135**
Over five years	**13**	13	**124**	**9**	8	**82**
Total	**42**	35	**379**	**28**	23	**251**
Unguaranteed residual value	**—**	—	**—**			
Less future finance income	**(14)**	(12)	**(128)**			
Present value of future minimum lease payments receivable	**28**	23	**251**			

32. Pledged Assets

(1) Pledged assets and associated secured obligations

Details of pledged assets and associated secured obligations are as follows:

	JPY		USD
	2017	2016	**2017**
Pledged assets:			
Other financial assets (non-current)	**47**	23	**427**
Property, plant and equipment	**658**	653	**5,868**
Total	**706**	676	**6,295**
Associated secured obligations:			
Short-term borrowings (current)	**1,101**	1,806	**9,819**
Long-term borrowings (non-current)	**732**	231	**6,526**
Other	**—**	1	**—**
Total	**1,833**	2,039	**16,345**

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of the goods. However, due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like is as follows:

	JPY		USD
	2017	2016	**2017**
Assets pledged in lieu of guarantee money or guarantee funds			
Other financial assets (current)	**36**	71	**330**
Other financial assets (non-current)	**—**	14	**—**
Other investments	**3,118**	2,692	**27,801**
Total	**3,155**	2,779	**28,130**

33. Contingent Liabilities

The Consolidated Group is contingently liable for guarantees on bank borrowings and trade payables owed by entities that do not belong to the Consolidated Group.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to the unpayable amounts.

	JPY		USD
	2017	2016	**2017**
Debt guarantees for equity method investees	**537**	489	**4,793**
Debt guarantees for third parties	**1,344**	988	**11,980**
Total	**1,881**	1,477	**16,773**

(Notes)1. The above amounts include those for quasi-guarantee acts.
2. Debt guarantees for third parties include the debt guarantees covered by the insurance agreements that is limited to ¥1,276 million ($11,381 thousand) for the fiscal year ended March 31, 2017 and ¥ 939 million for the fiscal year ended March 31, 2016, respectively.

34. Significant Subsidiaries

(1) Significant subsidiaries of the Company are as follows:

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2017	2016
[Electronics & Devices]				
Kanematsu Electronics Ltd.	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	**58.32 (0.40)**	58.32 (0.40)
Nippon Office Systems Ltd.	Chuo-ku, Tokyo, Japan	Development of software for and sales and maintenance of computers and computer peripherals, etc.	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Communications Ltd. *1	Shibuya-ku, Tokyo, Japan	Sales of mobile communications devices; Mobile internet systems and services	**100.00**	100.00
Kanematsu Granks, Corp.	Shinjuku-ku, Tokyo, Japan	Mobile contents delivery and mobile-related solution business	**89.05 (89.05)**	89.05 (89.05)
Kanematsu BD Communications Ltd.	Kurume-shi, Fukuoka, Japan	Sales of mobile communication device	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Sustech Corp.	Chuo-ku, Tokyo, Japan	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security systems	**52.96**	52.96
Kanematsu Advanced Materials Corp.	Chuo-ku, Tokyo, Japan	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	**100.00**	100.00
Diamondtelecom, Inc. *1	Chuo-ku, Tokyo, Japan	Sales of mobile communication device and related products	**100.00**	—
Tanashin (Europe) GmbH	Duesseldorf, Germany	Sales and maintenance of parts for car audio systems	**100.00 (20.00)**	100.00 (20.00)
Kanekoh Electronics (Shanghai) Co., Ltd.	Shanghai, China	Development, manufacture, and sales of control modules for lithium ion batteries	**70.00**	70.00
Kanematsu Industrial and Trading (Dalian F.T.Z.) Co., Ltd.	Dalian, China	Manufacture of materials for electronic precision parts and import, export and sales of electronic components	**100.00 (100.00)**	100.00 (100.00)

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2017	2016
[Foods & Grain]				
Kanematsu Shintoa Foods Corp.	Minato-ku, Tokyo, Japan	Food wholesaling and cold storage	**100.00**	100.00
Kanematsu Agritec Co., Ltd.	Matsudo-shi, Chiba, Japan	Manufacture and sales of feed and fertilizer	**100.00**	100.00
Kanematsu Soytech Corp.	Chuo-ku, Osaka, Japan	Sales of soybeans, millet, and grain	**100.00**	100.00
North Pet Co., Ltd.	Kuriyama-cho, Yubari-gun, Hokkaido, Japan	Manufacture of pet snacks (jerky, dried meat, biscuits)	**100.00**	100.00
KG Agri Products, Inc.	Ohio, U.S.A.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans	**100.00**	100.00
Kai Enterprises, Inc.	Washington, U.S.A.	Sales of hay and roughage	**100.00 (15.00)**	100.00 (15.00)
P.T. Kanemory Food Service	Serang, Indonesia	Manufacture of processed foods for central kitchen and home-meal replacement	**59.90 (10.00)**	59.90 (10.00)
[Steel, Materials & Plants]				
Kanematsu Trading Corp.	Chuo-ku, Tokyo, Japan	Sales of steel and construction materials	**100.00**	100.00
Kyowa Steel Co., Ltd.	Kasai-shi, Hyogo, Japan	Cutting and processing of steel sheet; Sales of construction materials	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Chemicals Corp.	Chuo-ku, Tokyo, Japan	Sales of petrochemicals and automobile-related chemicals	**100.00**	100.00
Kanematsu Wellness Corp.	Chuo-ku, Tokyo, Japan	Sales of health foods and provision of medical information	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Petroleum Corp.	Chiyoda-ku, Tokyo, Japan	Sales of petroleum products and LPG	**100.00**	100.00
Kanematsu Yuso Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Delivery and storage of petroleum products and LPG	**100.00**	100.00
Kanematsu KGK Corp.	Nerima-ku, Tokyo, Japan	Sales of machine tools and industrial machinery	**97.89**	97.89
Benoit Holding Company	Illinois, U.S.A.	Holding company	**85.18 (85.18)**	85.18 (85.18)
Benoit Premium Threading, LLC	Louisiana, U.S.A.	Oil well casing fabrication; Manufacture and sales of oil well-related parts	**54.00 (54.00)**	54.00 (54.00)
Steel Service Oilfield Tubular, Inc.	Oklahoma, U.S.A.	Sales of steel materials for oil excavation	**51.00 (51.00)**	51.00 (51.00)
KGK International Corp.	Illinois, U.S.A.	Sales of machine tools	**100.00 (100.00)**	100.00 (100.00)

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2017	2016
[Motor Vehicles & Aerospace]				
Kanematsu Aerospace Corp.	Minato-ku, Tokyo, Japan	Sales of aircraft, defense, and aerospace-related products	**100.00**	100.00
Aries Motor Ltd.	Warsaw, Poland	Sales of automobiles	**93.59**	93.59
Aries Power Equipment Ltd.	Warsaw, Poland	Sales of engines, generators, and other general-purpose machinery	**60.00**	60.00
KG Aircraft Rotables Co., Ltd.	Dublin, Ireland	Replacement and maintenance of aircraft rotable components; Leasing	**96.67**	96.67
[Others]				
Aso Kanko Kaihatsu Co., Ltd.	Minato-ku, Tokyo, Japan	Golf course management	**100.00**	100.00
Shintoa Corp.	Chiyoda-ku, Tokyo, Japan	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines and feedstuffs	**100.00**	100.00
Kanematsu Logistics & Insurance Ltd.	Chuo-ku, Tokyo, Japan	Insurance agency; Consigned freight forwarding business	**100.00**	100.00
[Overseas local subsidiaries]				
Kanematsu USA Inc.	Illinois, U.S.A.	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu (Hong Kong) Ltd.	Hong Kong, China	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu (China) Co., Ltd.	Shanghai, China	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu (Thailand) Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Watana Inter-Trade Co., Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	**49.00 (49.00)**	49.00 (49.00)
Kanematsu (Singapore) Pte. Ltd.	Singapore, Singapore	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Taiwan Corp.	Taipei, Taiwan	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Europe Plc	London, U.K.	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu GmbH	Duesseldorf, Germany	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu Australia Ltd.	Sydney, Australia	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu New Zealand Ltd.	Auckland, New Zealand	Export, import and sales of merchandise	**100.00**	100.00

Notes: 1 Effective April 1, 2017, Kanematsu Communications Ltd. and Diamondtelecom,Inc. were merged, and Kanematsu Communications Ltd. is the surviving company.
2 The figures in the parentheses in "Percentage of voting rights" indicate the indirect ownership ratio included in the total.

(2) Non-controlling interests

The subsidiary with non-controlling interests that is significant for the Consolidated Group is Kanematsu Electronics Ltd. Its condensed financial information is presented as follows. The amounts presented below are before the elimination of intra-company transactions.

[Condensed statement of financial position]

	JPY		USD
	2017	2016	2017
Current assets	**55,788**	48,217	**497,268**
Current liabilities	**16,866**	13,909	**150,338**
Current assets (net)	**38,922**	34,307	**346,931**
Non-current assets	**5,875**	7,511	**52,367**
Non-current liabilities	**2,687**	3,177	**23,957**
Non-current assets (net)	**3,187**	4,333	**28,410**
Equity	**42,109**	38,641	**375,341**
Cumulative amounts of non-controlling interests	**17,620**	16,180	**157,061**

[Condensed statements of income and comprehensive income]

	JPY		USD
	2017	2016	**2017**
Revenue	**64,175**	61,305	**572,027**
Profit for the year	**5,499**	4,310	**49,022**
Other comprehensive income	**280**	(285)	**2,505**
Total comprehensive income	**5,780**	4,025	**51,526**
Profit for the year attributable to non-controlling interests	**2,303**	1,807	**20,535**
Dividends paid to non-controlling interests	**954**	835	**8,508**

[Condensed statement of cash flows]

	JPY		USD
	2017	2016	**2017**
Cash flows from operating activities	**6,223**	5,067	**55,475**
Cash flows from investing activities	**1,435**	(171)	**12,791**
Cash flows from financing activities	**(2,308)**	(2,479)	**(20,575)**
Increase (decrease) in cash and cash equivalents, net	**5,350**	2,416	**47,691**

(3) Transaction with non-controlling interests

There was no transaction with significant non-controlling interests for the fiscal year ended March 31, 2017 and March 31, 2016.

35. Related Parties

(1) Related party transactions

For the fiscal year ended March 31, 2017

Type	Name	Detail of related party relationship	Transaction amount		Outstanding amount	
			JPY	USD	JPY	USD
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	**6,570**	**58,569**	**804**	**7,175**
Associate	Growth D LTD.	Purchase of merchandise	**3,245**	**28,933**	**535**	**4,772**
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	**1,011**	**9,012**	**111**	**993**

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities,* debt guarantees are provided to the equity method investees.

For the fiscal year ended March 31, 2016

Type	Name	Detail of related party relationship	Transaction amount	Outstanding amount
			JPY	JPY
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	8,603	486

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities,* debt guarantees are provided to the equity method investees.

(2) Remuneration to management executives

The amount of remuneration to the Company's directors for the fiscal years ended March 31, 2017 and March 31, 2016 is ¥277 million ($2,472 thousand) and ¥202 million, respectively. The remuneration to the directors consists of base salary and directors' bonus. The remuneration to the auditors consists of base salary.

36. Subsequent Events

At the Board of Directors meeting held on May 10, 2017, the Company resolved to submit proposals for share consolidation (from 5 shares to 1 share) and the change in the share unit (from 1,000 shares to 100 shares) and the total number of authorized shares (from 1,016,653,604 shares to 200,000,000 shares) to its 123rd Ordinary General Meeting of Shareholders to be held on June 23, 2017. The proposals were approved at the Ordinary General Meeting of Shareholders.

(1) Reason for the share consolidation and change in share unit

The Japanese Stock Exchanges published the Action Plan for Consolidating Trading Units which seeks to standardize the trading units (share units) for common shares issued by all listed domestic corporations at 100 shares. As a corporation listed on the Tokyo Stock Exchange, the Company respects the purport of this plan and decided to change its share unit from 1,000 shares to 100 shares. Moreover, in order to adjust the investment unit to a required level by the Japanese Stock Exchange (more than ¥ 50,000, less than ¥ 500,000) with the change in share unit, the Company will conduct the share consolidation.

(2) Details of the share consolidation

1) Class of shares to be consolidated

Common shares

2) Consolidation method and ratio

Every five shares held by shareholders recorded in the register of shareholders as of the end of September 30, 2017 will be consolidated into one share on October 1, 2017.

3) Decrease in number of shares due to consolidation (as of March 31, 2017)

Number of shares outstanding before share consolidation: 422,501,010 shares

Decrease in number of shares due to share consolidation: 338,000,808 shares

Number of shares outstanding after share consolidation: 84,500,202 shares

(Note) "Decrease in number of shares due to share consolidation" and "Number of shares outstanding after share consolidation" are theoretical figures calculated based on the number of shares outstanding before share consolidation and the consolidation ratio. The Company does not issue stock acquisition rights.

(3) Handling of fractional shares less than one share

If a fraction of less than one share is created due to the share consolidation, all such fractional shares will be sold together in accordance with Article 235 of the Companies Act. The proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of fractional shares.

(4) Change in share unit

On October 1, 2017, the share unit will change from 1,000 shares to 100 shares.

(Note) As described above, while the effective date of the change in the number of shares per share unit and the share consolidation will be October 1, 2017, the trading unit will be changed from 1,000 shares to 100 shares at the Tokyo Stock Exchange on September 27, 2017 because of the book-entry procedure following trades of shares.

(5) Change in total number of authorized shares

On October 1, 2017, the total number of authorized shares will change from 1,016,653,604 shares to 200,000,000 shares.

(6) Effect on per share information

Assuming that the share consolidation had taken place at the beginning of the previous fiscal year, per share information for the fiscal years ended March 31, 2017 and March 31, 2016 would be as follows:

	Yen		U.S. dollar
	2017	2016	**2017**
Equity attributable to owners of the parent per share	**1,192.21**	1,088.45	**10.63**
Basic earnings per share (Attributable to owners of the parent)	**95.64**	106.46	**0.85**

(Note) Diluted earnings per share is not presented as there are no shares with a dilutive effect.

Kanematsu's Progress and Strengths

Special Features

Review of Operations

CSR and Corporate Governance

Financial Section and Company Information

Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation (the "Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

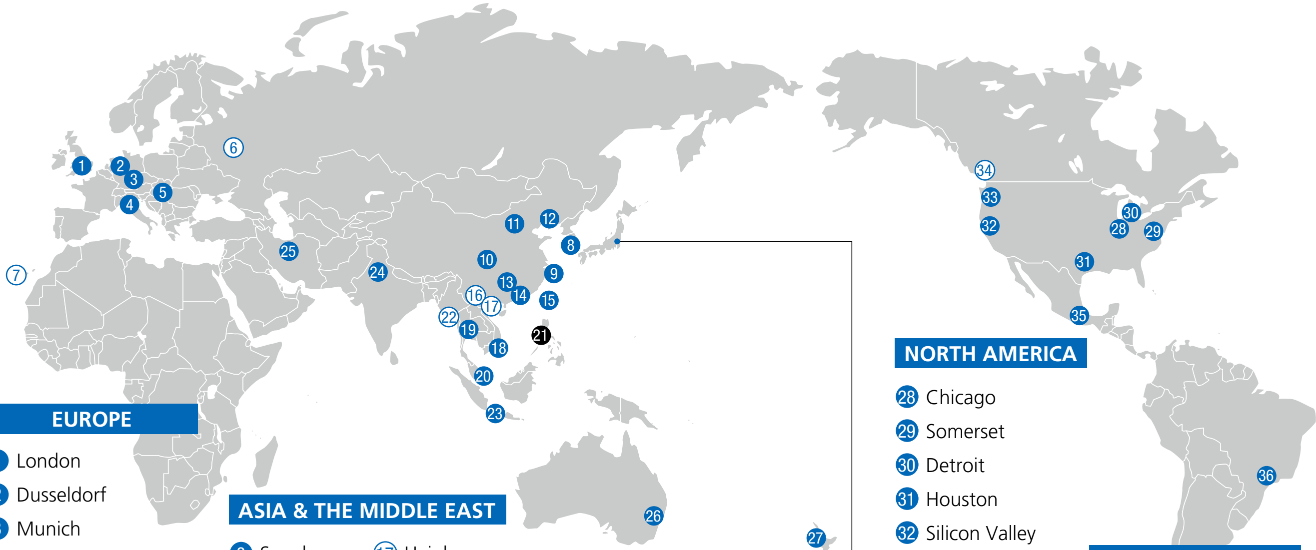
June 30, 2017

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

Global Network

(As of March 31, 2017)

Kanematsu supplies products and services through its large network of business bases in Japan and overseas. In addition to the Company, the Kanematsu Group comprises 116 companies (88 consolidated subsidiaries and 28 equity-method affiliates) operating global businesses around the world.



EUROPE

1. London
2. Dusseldorf
3. Munich
4. Milan
5. Budapest
6. Moscow
7. Las Palmas

ASIA & THE MIDDLE EAST

8. Seoul
9. Shanghai
10. Chongqing
11. Beijing
12. Dalian
13. Shenzhen
14. Hong Kong
15. Taipei
16. Hanoi
17. Haiphong
18. Ho Chi Minh City
19. Bangkok
20. Singapore
21. Manila
22. Yangon
23. Jakarta
24. New Delhi
25. Tehran

OCEANIA

26. Sydney
27. Auckland

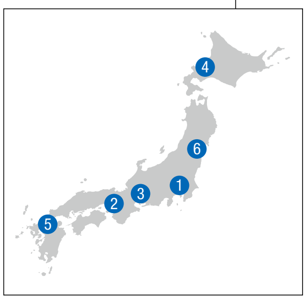
NORTH AMERICA

28. Chicago
29. Somerset
30. Detroit
31. Houston
32. Silicon Valley
33. Portland
34. Vancouver

CENTRAL & SOUTH AMERICA

35. Silao
36. Sao Paulo

- ● Overseas subsidiaries and their branches
- ○ Representative offices
- ● Branches



DOMESTIC OFFICES

1. Tokyo Head Office
2. Osaka Midosuji Office
3. Nagoya
4. Hokkaido
5. Kyushu
6. Sendai

Organization Chart

(As of April 1, 2017)

- Shareholder's Meeting
- Audit & Supervisory Board
- Board of Directors
- Management Committee

Marketing Area

Electronics & Devices Division

- Industrial Electronics Dept.
- Semiconductor Equipment Dept.
- Components & Material Dept.
- System & Module Dept.
- Electronic Components & Semiconductor Dept. No. 1
- Electronic Components & Semiconductor Dept. No. 2
- Electronic Components & Semiconductor Marketing Dept.
- Electronics Planning Office

Foods Division

- Food Dept. No. 1
- Food Dept. No. 2
- Meat Dept. No. 1
- Meat Dept. No. 2
- Foods and Grain Planning Office
- Food Safety Management System Office

Grain, Oilseeds & Feedstuff Division

- Grain & Oilseeds Dept.
- Grain and Feedstuff Dept.
- Domestic Sections
- Foods and Grain Planning Office
- Food Safety Management System Office

Steel, Materials & Plant Division

- Iron & Steel Foreign Trade Dept.
- Specialty Steel Foreign Trade Dept.
- Functional Chemicals Dept.
- Energy Dept.
- Plant & Ships Dept.
- Steel, Materials & Plant Planning Office
- Food Safety Management Office

Motor Vehicles & Aerospace Division

- Aerospace Dept.
- Motor Vehicles & Parts Dept. No. 1
- Motor Vehicles & Parts Dept. No. 2
- Motor Vehicles & Aerospace Planning Office

Support Area

- Human Resources & General Affairs Dept.
- Finance Dept.
- Accounting Dept.
- Business Accounting Dept.
- Legal & Compliance Dept.
- Traffic & Insurance Dept.
- Credit Control Dept.
- IT Planning Dept.
- Internal Auditing Dept.
- Corporate Planning Dept.

Major Group Companies

(As of April 1, 2017)

* Companies with shares listed on a stock exchange

Electronics & Devices	**Japan**	
	Kanematsu Electronics Ltd.*	System integration of ICT and communications equipment
	Nippon Office Systems Ltd.	Development of software for and sales and maintenance of computers and computer peripherals, etc.
	Kanematsu Sustech Corporation	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security cameras
	Kanematsu Communications Ltd.	Sales of mobile communications devices; Mobile internet systems and services
	Kanematsu Advanced Materials Corp.	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices
	Kanematsu PWS LTD.	Design, development, and sales of semiconductor production equipment, testing equipment and related components; Technical services
	Kantatsu Co., Ltd.	Development and manufacture of plastic lenses for smartphones, medical equipment, and automobiles
	G-Printec, Inc.	Development, manufacture, and sales (OEM) of card printers and related equipment
	China	
	Kanekoh Electronics (Shanghai) Co., Ltd.	Development, manufacture, and sales of control modules for lithium ion batteries
Foods, Grain, Oilseeds & Feedstuff	**Japan**	
	Kanematsu Shintoa Foods Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of soybeans, pulses & peas, and grain; Development and marketing of tofu and other ingredients for processed foods
	North Pet Co., Ltd.	Manufacture of pet snacks (jerky, dried meat, biscuits)
	GPC Holdings Co., Ltd.	Sales of pet food and other products
	China	
	Dalian Tiantianli Food Co., Ltd.	Manufacture of dim sum and delicatessens
	Shangdong Lufeng Foods Co., Ltd.	Production of processed vegetables and fruits
	Iwase-Esta Kanematsu Co., Ltd.	Wholesale of confectionery and baking ingredient
	Thailand	
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of aloe vera
	Indonesia	
	P.T. Kanemory Food Service	Manufacture of processed foods; Management of central kitchen
	PT. Aeternit Prima Mandiri	Manufacture and sales of jellies
	PT. Abadi Tunggal Lestari	Operation of Japanese cuisine restaurant chain
	PT. Agrapana Niaga Gemilang	Operation of Japanese cuisine restaurant chain
	U.S.A.	
	KAI Enterprises, Inc.	Sales of hay and roughage
	Sage Hill Northwest, Inc.	Production of hay
	KG Agri Products, Inc.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans
Steel, Materials & Plants	**Japan**	
	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet; Sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium, and high-alloy steels
	Kanematsu Petroleum Corp.	Sales of petroleum products and LPG
	Kanematsu Yuso Co., Ltd.	Delivery and storage of petroleum products
	Kanematsu Chemicals Corp.	Sales of petrochemicals, automobile-related chemicals, health food ingredients, and pharmaceuticals
	Kanematsu Wellness Corp.	Sales of health foods and provision of medical information
	Miracool Co., Ltd.	Sales of heat reflective paint
	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools; Sales of paper-manufacturing machinery
	China	
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
	Thailand	
	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
	U.S.A.	
	Steel Service Oilfield Tubular, Inc.	Sales of steel materials for oil excavation
	Benoit Premium Threading, LLC	Oil well casing fabrication; Manufacture and sales of oil well-related parts
	KGK International Corp.	Sales of machine tools
Motor Vehicles & Aerospace	**Japan**	
	Kanematsu Aerospace Corp.	Sales of aircraft, defense, and aerospace-related products
	Ireland	
	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft rotable components; Leasing; Sales
	Poland	
	Aries Motor Ltd.	Sales and maintenance of automobiles
	Aries Power Equipment Ltd.	Sales of engines, generators, lawnmowers, and other general-purpose machinery
Others	**Japan**	
	Kaneyo Co., Ltd.*	Sales of bedding materials and products, general merchandise, and interior goods
	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
	Aso Kanko Kaihatsu Co., Ltd.	Golf course management
	Shintoa Corp.	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines
	Kanematsu Logistics & Insurance Ltd.	Insurance agency and forwarding business; Consigned freight forwarding business
	Japan Logistics Co., Ltd.	Warehouse and self-storage operation
	Vietnam	
	Vietnam-Japan International Transport Co., Ltd.	Total logistics services
	Indonesia	
	PT. Dunia Express Transindo	Total logistics services

Network

(As of June 30, 2017)

Japan

Tokyo Head Office
2-1, Shibaura 1-chome, Minato-ku,
Tokyo 105-8005, Japan
TEL: 81-3-5440-8111
FAX: 81-3-5440-6500

Osaka
Awaji-machi Dai Building, 1-9, Awaji-machi
3-chome, Chuo-ku, Osaka 541-8560, Japan
TEL: 81-6-6205-3111
FAX: 81-6-6205-3322

Midosuji Office
Midosuji Daiwa Building, 6-8, Kyutaro-machi
3-chome, Chuo-ku, Osaka 541-0056, Japan
TEL: 81-6-6251-7700
FAX: 81-6-6251-7770

Nagoya
9-3, Sakae 2-chome, Naka-ku,
Nagoya 460-0008, Japan
TEL: 81-52-202-5111
Fax: 81-52-202-4605

Hokkaido
Sapporo-Kokusai Building, 4-1, Kitashijou-nishi,
Chuo-ku, Sapporo 060-0004, Japan
TEL: 81-11-261-5631
FAX: 81-11-261-5630

Kyushu
Tenjin Twin Building, 6-8, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan
TEL: 81-92-715-7820
FAX: 81-92-715-7830

Sendai Office
Verza Sendai Room #405,
7-17, Chuo 4-chome, Aoba-ku, Sendai-shi,
Miyagi 980-0021, Japan
TEL: 81-22-722-2675
FAX: 81-22-267-7351

Kobe Head Office
119 Ito-machi, Chuo-ku, Kobe,
Hyogo 650-0032, Japan

Overseas

ASIA & THE MIDDLE EAST

KOREA

Kanematsu Korea Corporation
Koreana Bldg. 602, 135 Sejong-Daero,
Jung-Gu, Seoul, 04519, Korea
TEL: 82-2-737-5795
FAX: 82-2-737-5799

CHINA

Kanematsu (China) Co., Ltd.
Shanghai Head Office
Shanghai Branch
18th Floor Raffles City (Office Tower), 268 Xi Zang
Middle Road, Shanghai 200001, P.R. China
TEL: 86-21-6340-3456
FAX: 86-21-6340-4290

Chongqing Liaison Office
Room 6-B-2, Wanyou Conifer Hotel, 77
Changjiang 2nd Road, Daping, Yuzhong District,
Chongqing, P.R. China 400042
TEL: 86-23-6800-7771
FAX: 86-23-6800-7772

Beijing Branch
Beijing Lufthansa Center C610A, 50 Liang Ma
Qiao Road, Chaoyang District,
Beijing 100125, China
TEL: 86-10-8591-1031
FAX: 86-10-8591-1535

Dalian Branch
Room 602, Furama Hotel, 60 Renmin Road,
Dalian 116001, P.R. China
TEL: 86-411-8263-9105, 7481
FAX: 86-411-8280-5534

Shenzhen Branch
Room 8, 10/F, Office Tower,
Di Wang Commercial Centre,
5002 Shen Nan Dong Road, Luohu District,
Shenzhen 518001, P.R. China
TEL: 86-755-8235-4850
FAX: 86-755-8223-8980

Kanematsu (Hong Kong) Ltd.
Rooms 1806-1807, 18th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong
TEL: 852-2821-6200
FAX: 852-2527-0465, 2865-6649

TAIWAN

Kanematsu Taiwan Corporation
10F., No. 451, Changchun Rd., Songshan Dist.,
Taipei City 10547, Taiwan
TEL: 886-2-2717-1222
FAX: 886-2-2717-7927

VIETNAM

The Representative of Kanematsu Corporation
Hanoi
Room No. 1209, 12th floor, Daeha
Business Center, 360 Kim Ma St., Ba Dinh Dist.,
Hanoi, S.R. Vietnam
TEL: 84-4-3771-5642
FAX: 84-4-3771-5641, 3771-5648

Haiphong
H-Tower 3rd Floor, 195 Van Cao Street,
Haiphong, S.R. Vietnam
TEL: 84-225-368-6371
FAX: 84-225-368-6373

Kanematsu Vietnam Company Limited
Unit 608 Saigon Tower, 29 Le Duan St,
District 1, Ho Chi Minh City, S.R. Vietnam
TEL: 84-28-3910-5536, 5537
FAX: 84-28-3910-5539

THAILAND

Kanematsu (Thailand) Ltd.
Watana Inter-Trade Co., Ltd.
25F Thaniya Plaza Building, 52 Silom Road,
Suriyawongse Bangrak, Bangkok 10500, Thailand
TEL: 66-2-632-8060
FAX: 66-2-632-8083, 8084

SINGAPORE

Kanematsu (Singapore) Pte. Ltd.
100 Tras Street, #12-01 100 AM, Singapore 079027
TEL: 65-6320-6000
FAX: 65-6320-6041

PHILIPPINES

Kanematsu Corporation Manila Branch
17th Floor Tower 2, The Enterprise Center 6766,
Ayala Avenue, cor. Paseo de Roxas, Makati City,
Philippines
TEL: 63-2-845-2017
FAX: 63-2-887-0030

MYANMAR

The Representative of Kanematsu Corporation
Yangon
Union Business Center (UBC) Suite 03-08,
Nat Mauk Road, Bo Cho Quarter, Bahan Township,
Yangon, Myanmar
TEL: 95-1-860-4370
FAX: 95-1-860-4380

INDONESIA

P.T. Kanematsu Trading Indonesia
ANZ Tower 15th Floor, Jalan Jend. Sudirman Kav.
33A Jakarta 10220, Indonesia
TEL: 62-21-572-1220, 1225, 1228, 1230, 1238
FAX: 62-21-572-1188, 1237

Overseas

INDIA

Kanematsu India Private Limited
Tower 1, Block-A, Unit No. 2, DLF Corporate Park, Gurgaon, Haryana - 122 002, India
TEL: 91-124-4001461, 4001462, 4001362
FAX: 91-124-4001371

IRAN

Kanematsu Iran Ltd.
Unit #5, 3rd Floor, Monaco Building, No. 27, Ordibehesht, Mahmudiyeh St., Parkway, Tehran, 186645416 Iran
TEL: 98-21-2265-9041

EUROPE

UNITED KINGDOM

Kanematsu Europe PLC.
160 Euston Road, London NW1 2DX, United Kingdom
TEL: 44-20-7529-8120
FAX: 44-20-7387-4582

GERMANY

Kanematsu G.m.b.H.

Duesseldorf Head Office
Oststrasse 34, D-40211 Duesseldorf, Germany
TEL: 49-211-36890
FAX: 49-211-3689-111

Muenchen Branch
Frankfurter Ring 193a, D-80807 Muenchen, Germany
TEL: 49-89-3074-817-12
FAX: 49-89-3074-817-29

ITALY

Kanematsu G.m.b.H.

Milano Liaison Office
Piazza Duca d'Aosta 8, Milano, Italy
TEL: 39-02-6749-3538
FAX: 39-02-6707-7364

HUNGARY

The Representative of Kanematsu G.m.b.H.

Budapest Office
H-1034 Budapest Becsi ut 126-128.I.103. Hungary
TEL: 36-1-320-4952
FAX: 36-1-320-4953

RUSSIAN FEDERATION

The Representative of Kanematsu Corporation

Moscow
Tverskaya 16/2, Building 1, Business Centre, 125009, Moscow, Russian Federation
TEL: 7-495-935-89-40, 42, 43
FAX: 7-495-935-8948

SPAIN

The Representative of Kanematsu Corporation

Las Palmas
Calle Eduardo Benot 51, Edificio Atlansea, 4-izqda, 35008 Las Palmas de Gran Canaria, Spain
TEL: 34-928-275634, 275680
FAX: 34-928-275632

OCEANIA

AUSTRALIA

Kanematsu Australia Ltd.
Suite 1 Level 15, 15 Castlereagh Street, Sydney, NSW, Australia
TEL: 61-2-8278-7004, 61-2-9993-0748, 61-2-9283-3347
FAX: 61-2-9283-3095

NEW ZEALAND

Kanematsu New Zealand Ltd.
Lavender House, 27 Lilburn Street, Warkworth 0910, P.O. Box 327, Warkworth 0941, New Zealand
TEL: 64-9-302-5660
FAX: 64-9-309-3877

NORTH AMERICA

U.S.A.

Kanematsu USA Inc.

Chicago Head Office
543 West Algonquin Road, Arlington Heights, Illinois 60005, U.S.A.
TEL: 1-847-981-5600
FAX: 1-847-981-6760

Somerset Branch
100 Randolph Road, Somerset, New Jersey 08873, U.S.A.
TEL: 1-732-271-7300
FAX: 1-732-271-7357

Detroit Office
41700 Gardenbrook Rd., Novi Garden Office B, Suite 140, Novi, Michigan 48375, U.S.A.
TEL: 1-248-347-3216
FAX: 1-248-347-3219

Houston Branch
1800 Augusta, Suite 390, Houston, Texas 77057, U.S.A.
TEL: 1-713-975-7200
FAX: 1-713-975-7966

Silicon Valley Branch
2043 Zanker Road, San Jose, California 95131, U.S.A.
TEL: 1-408-501-1400
FAX: 1-408-501-1499

Portland Branch
4380 SW Macadam Avenue, Suite 170, Portland, Oregon 97239, U.S.A.
TEL: 1-503-224-7755
FAX: 1-503-228-5067

CANADA

The Representative of Kanematsu Corporation

Vancouver
205-8988 Fraserton Court, Burnaby, B.C. V5J 5H8, Canada
TEL: 1-604-689-0550
FAX: 1-604-689-0655

CENTRAL & SOUTH AMERICA

MEXICO

Kanematsu Mexico S. de R.L. de C.V.
Suite C, Multitenant III, Av. Mineral de Valencia, No. 202 Col. Parque Santa Fe, C.P. 36275, Guanajuato Puerto Interior Silao, Mexico
TEL: 52-472-748-9187, 9327, 9329
FAX: 52-472-748-9221

BRAZIL

Kanematsu America do Sul Importacao e Exportacao Ltda.
Avenida Paulista, 1337/1343, conjunto 71 Bela Vista, São Paulo – SP CEP: 01311-200 Brazil
TEL: 55-11-3266-3967
Mobile: 55-11-9-4137-7178

Segment Information:
Number of employees and number of Group companies (As of March 31, 2017)

	Number of Employees (consolidated basis)	Number of Affiliated Companies
Electronics & Devices	4,096	23 (Japan:15, Overseas:8)
Foods, Grain, Oilseeds & Feedstuff	715	27 (Japan:14, Overseas:13)
Steel, Materials & Plant	1,008	26 (Japan:12, Overseas:14)
Motor Vehicles & Aerospace	232	8 (Japan:1, Overseas:7)
Others	270	16 (Japan:12, Overseas:4)
Companywide (common)	406	
Overseas subsidiaries		16
Total	**6,727**	**116**

Notes:
1. Number of employees on a non-consolidated basis is 711 (including employees seconded from companies other than Kanematsu, excluding employees seconded from Kanematsu).
2. Of affiliated companies, 88 are consolidated subsidiaries and 28 are equity-method affiliates.

Corporate Profile

Corporate Profile

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President	Kaoru Tanigawa
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital*	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices*	Domestic: Tokyo Head Office, Kobe Head Office and branches 6 Overseas: 36
Number of Employees*	835 (Consolidated: 6,727)

* As of March 31, 2017

Investor Information

(As of March 31, 2017)

Stock Exchange Listings	Tokyo
Stock Code	8020
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
Shares Authorized	1,016,653,604
Shares Outstanding	422,501,010 (including 1,245,799 treasury shares)
Minimum Trading Unit	1,000
Number of Shareholders	24,306

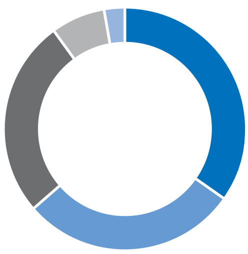
Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (trust account)	19,455	4.61
Japan Trustee Services Bank, Ltd. (trust account)	18,705	4.44
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,298	2.91
Mitsui Sumitomo Insurance Co., Ltd.	11,613	2.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.75
The Norinchukin Bank	11,460	2.72
GOVERNMENT OF NORWAY	8,384	1.99
Japan Trustee Services Bank, Ltd. (trust account 5)	7,709	1.83
Trust & Custody Services Bank, Ltd. (Investment trust account)	5,944	1.41
Japan Trustee Services Bank, Ltd. (trust account 1)	5,696	1.35

Note: Calculated after deduction of treasury shares (1,245,799 shares)

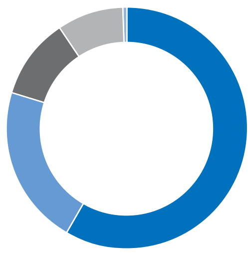
Composition of Shareholders

Individuals and others (including treasury shares)	34.82%
Financial institutions	28.84%
Foreign institutions and individuals	26.53%
Other corporations	7.22%
Securities firms	2.59%

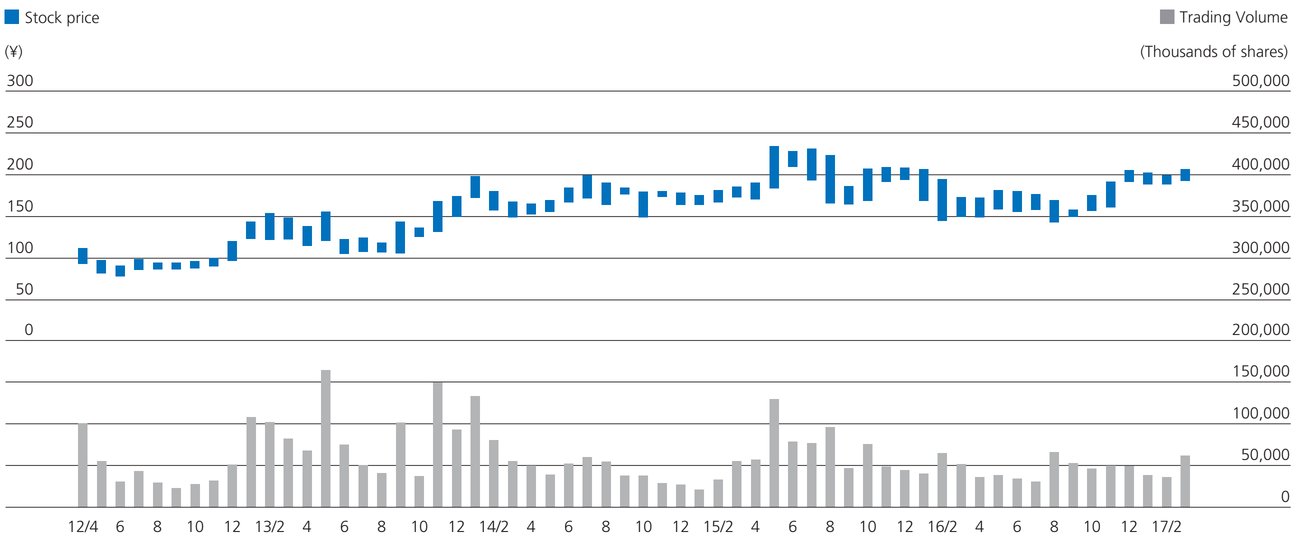


Shareholder Distribution by Number of Shares Held

More than 1 million shares (including treasury shares)	58.56%
50,000 shares and more	21.31%
10,000 shares and more	10.88%
1,000 shares and more	8.89%
Less than 1,000 shares	0.36%



Stock Price/Trading Volume



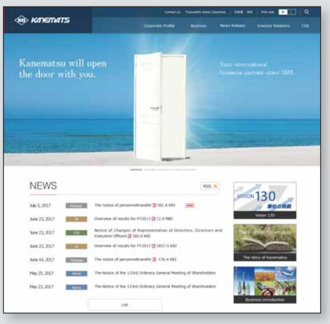
KANEMATSU

For more information on this *Annual Report*, or to obtain additional copies, please contact:

Public & Investor Relations Section, Finance Department,
Kanematsu Corporation
2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Tel: 81-3-5440-8000
Fax: 81-3-5440-6503

JPX-NIKKEI 400 **JPX-NIKKEI Mid Small**

Kanematsu stock has been selected for inclusion in the JPX-Nikkei Index 400 and the JPX-Nikkei Mid and Small Cap Index for, respectively, the last four and two consecutive years.



Our Website

Detailed additional information about the Kanematsu Group is available on our website in English, Japanese and Chinese.

Content includes information about the Company and its businesses, press releases, investor relations materials (for shareholders and investors), and details on its environmental and CSR activities, employment opportunities and other topics are available.

English: **http://www.kanematsu.co.jp/en/**

Waterless Printing. Naturally.

VEGETABLE OIL INK

Printed in Japan