Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the First Nine Months of the Fiscal Year Ending March 2016 (Japanese Accounting Standards)

February 5, 2016

Company name: Kanematsu Corporation
Stock Exchange listing: Tokyo Stock Exchange
Stock code: 8020 URL: http://www.kanematsu.co.jp
Representative: President and CEO, Masayuki Shimojima
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): February 12, 2016
Scheduled date for commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated business results for the first nine months of the fiscal year ending March 2016 (April 1, 2015 – December 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Nine Months to December 2015	804,656	(2.3)	12,136	(21.7)	12,507	(19.2)	7,228	(23.7)
First Nine Months to December 2014	823,715	0.6	15,502	12.6	15,478	9.4	9,473	11.5

(Note) Comprehensive income: 9,143 million yen (-51.2%) for the first nine months to December 2015
18,723 million yen (12.3%) for the first nine months to December 2014

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
First Nine Months to December 2015	17.18	–
First Nine Months to December 2014	22.55	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2015	446,461	125,090	21.5
As of March 31, 2015	459,011	118,731	19.6

(Reference) Shareholders' equity: 96,065 million yen as of December 31, 2015
90,101 million yen as of March 31, 2015

2. Dividends

	Annual dividends				
(Record date)	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2015	–	2.50	–	1.50	4.00
Fiscal year ending March 2016	–	2.50	–		
Fiscal year ending March 2016 (Forecasts)				2.50	5.00

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

3. Forecasts for consolidated results ending March 2016 (April 1, 2015 – March 31, 2016)

(%: Changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,100,000	(1.5)	19,000	(14.1)	19,000	(17.0)	10,000	(12.8)	23.80

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

* Notes

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

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please see the statement under the heading of "2. Matters Relating to Summary Information (Notes), (2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements" on page 4 of accompanying materials.

(3) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies associated with the revision of accounting standards, etc.:	Yes
2. Changes in accounting policies other than 1.:	None
3. Changes in accounting estimates:	None
4. Restatement:	None

(4) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock

First nine months (2015/12):	422,501,010 shares	Fiscal year (2015/3):	422,501,010 shares

2. Number of treasury stock

First nine months (2015/12):	1,717,537 shares	Fiscal year (2015/3):	1,663,126 shares

3. Average number of shares during the period (First nine months)

First nine months (2015/12):	420,811,188 shares	First nine months (2014/12):	420,055,818 shares

* Status of a quarterly review

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

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

The results forecasts and forward-looking statements included in this document are based on information that the Company has obtained on the date of the announcement and certain assumptions that the Company considers reasonable. The Company makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to "(3) Information on the future outlook, including consolidated business performance forecasts" in "1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 2016" on page 3 of accompanying materials for further information on results forecasts.

Accompanying Materials – Contents

1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 2016

(1) Details of consolidated results

During the first nine months under review (from April 1, 2015 to December 31, 2015), the U.S. economy expanded steadily with firm domestic demand, but there continued to be a fair share of uncertainty about the economies in other parts of the world. This uncertainty stemmed from the moderate nature of the economic recovery in Europe, the slowdown in the Chinese economy and the slackening recovery of emerging Asian economies.

The Japanese economy maintained a modest recovery trend, backed by steady corporate performance, despite the sluggish recovery seen in personal consumption.

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

Consolidated net sales decreased ¥19,059 million (2.3%) year on year, to ¥804,656 million. Consolidated gross trading profit increased ¥6 million (0.0%) from a year earlier, to ¥65,370 million. Consolidated operating income declined ¥3,366 million (21.7%) from the previous fiscal year, to ¥12,136 million, due to an increase in selling, general and administrative expenses. Non-operating income/expenses improved ¥393 million year on year, mainly reflecting an increase in foreign exchange gains and improvement in interest income/expenses. As a result, ordinary income decreased ¥2,971 million (19.2%) year on year, to ¥12,507 million. Income before income taxes and minority interests fell ¥4,406 million (26.8%) from a year ago, to ¥12,026 million due to an increase in extraordinary losses. Net income attributable to owners of the parent declined ¥2,245 million (23.7%) year on year, to ¥7,228 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions of products for the manufacturing industry were firm, while the mobile business also remained strong, partly attributable to the year-end increase in demand.

As a result, net sales in the Electronics and Devices Division rose ¥6,725 million year on year, to ¥201,048 million. Operating income climbed ¥519 million to ¥6,021 million.

(ii) Foods & Grain

The meat products business and the feedstuff business faced difficult conditions. The main reason for these difficult conditions was that the higher import prices caused by the weak yen had a negative impact on profit. As a result, in the Foods & Grain Division, net sales rose ¥11,546 million year on year, to ¥245,183 million. Operating income decreased ¥2,409 million, to ¥350 million.

(iii) Steel, Materials & Plant

The energy business remained firm due to strong demand in Japan. The functional chemicals business recovered from the slackness that was seen following the consumption tax hike. In the plant business, transactions involving machine tools and industrial machinery were strong. In the iron and steel business, the mainstay oilfield tubing business went through a tough time due to weak crude oil prices.

As a result, net sales in the Steel, Materials & Plant Division declined ¥55,733 million year on year, to ¥291,678 million. Operating income fell ¥1,887 million, to ¥2,934 million.

(iv) Motor Vehicles & Aerospace

In the motor vehicles and parts business, transactions involving automobile and motorcycle parts were firm. In the aerospace business, transactions of aircraft parts remained stable, and space-related transactions were also robust. As a result, in the Motor Vehicles & Aerospace Division, net sales rose ¥10,898 million year on year, to ¥57,145 million. Operating income grew ¥495 million to ¥2,680 million.

(v) Other

Net sales increased ¥7,506 million from a year earlier, to ¥9,600 million. Operating income fell ¥20 million, to ¥154 million.

(2) Details of financial position

(i) Assets, liabilities and net assets

Total assets at the end of the first nine months of the fiscal year under review declined ¥12,550 million from the end of the previous fiscal year, to ¥446,461 million.

Interest-bearing debt decreased ¥5,241 million from the end of the previous fiscal year, to ¥130,874 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, decreased ¥7,581 million from the end of the previous fiscal year, to ¥60,065 million.

Net assets stood at ¥125,090 million, up ¥6,359 million from the end of the previous fiscal year, thanks to an increase in retained earnings as a result of the posting of net income attributable to owners of the parent and improvement in net unrealized gains on securities, net of tax. Shareholders' equity, obtained by subtracting non-controlling interests from net assets, rose ¥5,964 million from the end of the previous fiscal year, to ¥96,065 million.

As a result, the equity ratio improved 1.9 percentage points from the end of the previous fiscal year, to 21.5%. The net debt-equity ratio ("net DER") was 0.6 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first nine months of the fiscal year under review stood at ¥70,060 million, up ¥2,683 million from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities during the first nine months of the fiscal year under review stood at ¥15,921 million (versus net cash used of ¥5,140 million in the first nine months of the previous fiscal year), primarily reflecting operating income.

(Cash flows from investing activities)

Net cash used in investing activities in first nine months under review was ¥3,000 million (versus ¥4,044 million in the first nine months of the previous fiscal year) due to the acquisition of investment securities and tangible fixed assets, etc.

(Cash flows from financing activities)

Net cash used in financing activities in the first nine months under review stood at ¥10,158 million (versus ¥5,991 million in the first nine months of the previous fiscal year), reflecting factors such as the repayment of debt.

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

In light of the steep challenges faced by the oilfield tubing business in North America and the meat products and feedstuff businesses, mainly reflecting prolonged weak crude oil prices and the fall in food prices such as beef, the Company has revised its consolidated business performance forecasts for the fiscal year ending March 31, 2016 as follows.

Revision of consolidated business performance for the fiscal year ending March 31, 2016
(April 1, 2015 – March 31, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previously announced forecast (A)	¥1,200 billion	¥24.0 billion	¥23.0 billion	¥12.5 billion	¥29.75
Revised forecast (B)	¥1,100 billion	¥19.0 billion	¥19.0 billion	¥10.0 billion	¥23.80
Difference (B-A)	(¥100 billion)	(¥5.0 billion)	(¥4.0 billion)	(¥2.5 billion)	(¥5.95)
Change (%)	(8.3%)	(20.8%)	(17.4%)	(20.0%)	(20.0%)

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

2. Matters Relating to Summary Information (Notes)

(1) Important change in subsidiaries during the term

Not applicable.

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements

(Calculation of tax expenses)

Certain consolidated subsidiaries calculated tax expenses by multiplying income before income taxes and minority interests by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated income before income taxes for the fiscal year, including the first nine months under review.

(3) Changes in accounting policies and changes or restatement of accounting estimates

Changes in accounting policies

(Application of Accounting Standard for Business Combinations and other standards)

Starting in the first quarter of the current fiscal year, standards such as the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013; hereinafter “the Accounting Standard for Business Combinations”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013; hereinafter “the Accounting Standard for Consolidated Financial Statements”), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013; hereinafter “the Accounting Standard for Business Divestitures”) have been applied. Accordingly, the method of appropriating changes in the Company’s ownership interests in a subsidiary while retaining the controlling financial interests in the subsidiary as capital surplus and appropriating expenses related to this acquisition as expenses in the consolidated fiscal year in which they arise has been adopted. In regards to business combinations that may be implemented after the beginning of the first quarter of the current fiscal year, the method of reflecting the adjustment of amounts after finalizing the provisional accounting treatment of purchase price allocation in the consolidated quarterly financial statements for the quarterly period in which the business combination occurs has been applied. In addition, the manner in which quarterly net income is presented has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes in presentation, the Company has reclassified certain parts of its consolidated financial statements for the previous consolidated first nine months and fiscal year.

In the quarterly consolidated statements of cash flows for the first nine months under review, cash flows related to the acquisition or sales of investments in subsidiaries not resulting in a change in the scope of consolidation are classified under “cash flows from financing activities,” and cash flows related to expenses arising from the acquisition of investments in subsidiaries resulting in a change in the scope of consolidation or cash flows related to expenses arising from the acquisition or sales of investments in subsidiaries not resulting in a change in the scope of consolidation are classified under “cash flows from operating activities.”

In regards to the Accounting Standard for Business Combinations, this standard was adopted at the beginning of the first quarter of the current fiscal year, and will continue to be applied in the future in accordance with the provisional measures specified in Item 58-2 (4) of the Accounting Standard for Business Combinations, Item 44-5 (4) of the Accounting Standards for Consolidated Financial Statements, and Item 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result of these changes, capital surplus at the end of the consolidated first nine months under review declined ¥58 million.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and bank deposits	68,468	70,809
Notes and accounts receivable	180,319	172,231
Lease investment assets	227	82
Short-term investment	3	1
Inventories	87,254	84,790
Short-term loans receivable	297	1,527
Deferred tax assets	3,250	3,196
Other	27,148	19,710
Allowance for doubtful accounts	(158)	(106)
Total current assets	366,811	352,244
Long-term assets		
Tangible fixed assets	28,931	27,828
Intangible fixed assets		
Goodwill	6,063	5,797
Other	8,661	8,222
Total intangible fixed assets	14,725	14,019
Investments and other assets		
Investments in securities	38,372	41,438
Long-term loans receivable	2,134	2,032
Doubtful accounts	765	667
Net defined benefit asset	199	240
Deferred tax assets	3,643	2,587
Other	6,098	7,895
Allowance for doubtful accounts	(2,671)	(2,494)
Total investments and other assets	48,543	52,368
Total long-term assets	92,200	94,216
Total assets	459,011	446,461

(Million yen)

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable	149,097	142,092
Short-term borrowings	61,688	50,083
Lease obligations	638	491
Accrued income taxes	2,492	533
Deferred tax liabilities	1	–
Asset retirement obligations	107	2
Other	38,322	34,218
Total current liabilities	252,347	227,422
Non-current liabilities		
Long-term borrowings	74,426	80,791
Lease obligations	1,286	1,085
Deferred tax liabilities	488	492
Net defined benefit liability	5,137	5,004
Provision for retirement benefits for directors and statutory auditors	367	361
Asset retirement obligations	810	890
Other	5,414	5,322
Total non-current liabilities	87,931	93,947
Total liabilities	340,279	321,370
Net assets		
Shareholder's equity		
Common stock	27,781	27,781
Capital surplus	27,502	27,443
Retained earnings	44,845	50,389
Treasury stock	(222)	(233)
Total shareholder's equity	99,906	105,380
Accumulated other comprehensive income		
Net unrealized gains on securities, net of tax	4,020	4,666
Net gains (losses) on deferred hedges, net of tax	559	(168)
Revaluation reserves for land	104	109
Foreign currency translation adjustments	(14,687)	(14,122)
Remeasurements of defined benefit plans	198	201
Total accumulated other comprehensive income	(9,805)	(9,314)
Non-controlling interests	28,630	29,024
Total net assets	118,731	125,090
Total liabilities and net assets	459,011	446,461

(2) Consolidated statements of income / consolidated statement of comprehensive income
Consolidated statements of income
[First nine months]

(Million yen)

	Previous first nine months (From April 1, 2014 to December 31, 2014)	First nine months under review (From April 1, 2015 to December 31, 2015)
Net sales	823,715	804,656
Cost of sales	758,350	739,285
Gross profit	65,364	65,370
Selling, general and administrative expenses	49,861	53,234
Operating income	15,502	12,136
Non-operating income		
Interest income	313	368
Dividend income	735	627
Equity in earnings of affiliates	790	440
Foreign exchange gains	821	1,114
Other	934	912
Total non-operating income	3,596	3,464
Non-operating expenses		
Interest expenses	2,315	1,823
Other	1,304	1,270
Total non-operating expenses	3,619	3,093
Ordinary income	15,478	12,507
Extraordinary gains		
Gain on sale of tangible fixed assets	55	18
Gain on sale of investment in securities	0	1,113
Gain on liquidation of subsidiaries and affiliates	81	–
Gain on step acquisitions	1,123	–
Total extraordinary gains	1,262	1,132
Extraordinary losses		
Loss on disposal of fixed assets	41	72
Impairment loss on fixed assets	4	205
Loss on sale of investments in securities	62	1,181
Impairment loss on investments in securities	24	15
Provision of allowance for doubtful accounts for subsidiaries and affiliates	174	48
Loss on step acquisitions	–	90
Total extraordinary losses	307	1,613
Income before income taxes and minority interests	16,432	12,026
Income taxes – current	2,715	2,205
Income taxes – deferred	2,529	1,121
Total income taxes	5,244	3,327
Net income	11,188	8,698
Net income attributable to non-controlling interests	1,715	1,470
Net income attributable to owners of the parent	9,473	7,228

Consolidated statement of comprehensive income
[First nine months]

(Million yen)

	Previous first nine months (From April 1, 2014 to December 31, 2014)	First nine months under review (From April 1, 2015 to December 31, 2015)
Net income	11,188	8,698
Other comprehensive income		
Net unrealized gains on securities, net of tax	1,232	646
Net gains (losses) on deferred hedges, net of tax	1,182	(712)
Foreign currency translation adjustment	4,989	(409)
Remeasurements of defined benefit plans	41	34
Share of other comprehensive income of associates accounted for equity method	89	885
Total other comprehensive income	7,534	444
Comprehensive income	18,723	9,143
Comprehensive income attributable to owners of parent	16,564	7,718
Comprehensive income attributable to non-controlling interests	2,158	1,424

(3) Consolidated statements of cash flows

(Million yen)

	Previous first nine months (From April 1, 2014 to December 31, 2014)	First nine months under review (From April 1, 2015 to December 31, 2015)
Cash flows from operating activities:		
Income before income taxes and minority interests	16,432	12,026
Depreciation and amortization	2,327	2,456
(Decrease) Increase in allowance for doubtful accounts	106	(30)
Increase (decrease) in net defined benefit liability	(347)	(125)
Interest and dividend income	(1,049)	(996)
Interest expense	2,315	1,823
Equity in gains of affiliates	(790)	(440)
(Gain) Loss on disposal of fixed assets	(13)	53
Impairment loss on fixed assets	4	205
Gain on sale of investments in securities, net	61	68
Impairment loss on investments in securities	24	15
Gain on liquidation of subsidiaries and affiliates	(81)	–
(Gain) Loss on step acquisitions	(1,123)	90
(Increase) Decrease in notes and accounts receivable	459	4,696
Decrease (increase) in inventories	(16,536)	2,642
Increase (decrease) in notes and accounts payable	1,026	(4,162)
Other	(2,065)	2,704
Sub total	751	21,028
Interest and dividends received	1,171	1,487
Interest paid	(2,070)	(1,639)
Payments for business structure improvement expenses	(530)	–
Income taxes paid	(4,462)	(4,954)
Net cash provided by operating activities	(5,140)	15,921
Cash flows from investing activities:		
Decrease (increase) in time deposits, net	(730)	333
Payments for tangible fixed assets	(2,297)	(1,745)
Proceeds from sale of tangible fixed assets	521	260
Payments for intangible fixed assets	(547)	(374)
Payments for investments in securities	(866)	(3,371)
Proceeds from sale of investments in securities	34	224
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(156)	–
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	–	1,178
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(166)
Payments for transfer of business	(87)	–
Increase in loans receivable	(68)	(662)
Proceeds from collection of loans receivable	220	744
Other	(66)	576
Net cash provided by (used in) investing activities	(4,044)	(3,000)
Cash flows from financing activities		
Decrease in short-term borrowings, net	6,662	(6,031)
Proceeds from long-term borrowings	14,235	12,923
Repayment of long-term borrowings	(24,167)	(13,967)
Cash dividends paid	(1,555)	(1,571)
Other	(1,165)	(1,511)
Net cash provided by (used in) financing activities	(5,991)	(10,158)
Effect of exchange rate changes on cash and cash equivalents	2,161	(204)
Net increase (decrease) in cash and cash equivalents	(13,014)	2,557
Cash and cash equivalent at beginning of year	73,548	67,377
Net increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	125
Cash and cash equivalent at end of quarter	60,534	70,060

(4) Notes on the consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

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

Not applicable.

(Segment information)

I. Previous first nine months (From April 1, 2014 to December 31, 2014)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total				
Net sales									
Customers	194,323	233,637	347,411	46,247	821,620	2,094	823,715	–	823,715
Inter-segment	274	135	10	0	421	45	466	(466)	–
Total	194,597	233,773	347,422	46,248	822,041	2,140	824,181	(466)	823,715
Segment income	5,502	2,759	4,821	2,185	15,269	174	15,443	59	15,502

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

(Note 2) Adjustment of ¥59 million for segment income includes a net goodwill write-down of ¥50 million and inter-segment elimination of ¥8 million.

(Note 3) Segment income is adjusted for operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss relating to fixed assets)

Not applicable in the first nine months under review

(Significant change in the amount of goodwill)

Not applicable in the first nine months under review

(Significant gain on bargain purchase)

Not applicable in the first nine months under review

II. First nine months under review (From April 1, 2015 to December 31, 2015)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total				
Net sales									
Customers	201,048	245,183	291,678	57,145	795,055	9,600	804,656	–	804,656
Inter-segment	171	3	383	1	559	56	616	(616)	–
Total	201,219	245,187	292,062	57,146	795,615	9,657	805,273	(616)	804,656
Segment income	6,021	350	2,934	2,680	11,987	154	12,142	(6)	12,136

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

(Note 2) Adjustment of negative ¥6 million for segment income includes the inter-segment elimination of negative ¥6 million.

(Note 3) Segment income is adjusted for operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss relating to fixed assets)

Not applicable in the first nine months under review

(Significant change in the amount of goodwill)

Not applicable in the first nine months under review

(Significant gain on bargain purchase)

Not applicable in the first nine months under review

(Significant subsequent events)

On January 18, 2016, Kanematsu Corporation (hereinafter the “Company”) signed an agreement with Mitsubishi Electric Corporation (headquartered in Chiyoda-ku, Tokyo, Japan; hereinafter “Mitsubishi Electric”) concerning an absorption-type merger (hereinafter the “Merger”) wherein Kanematsu Telecom Investment Co., Ltd. (headquartered in Minato-ku, Tokyo, Japan; hereinafter “Kanematsu Telecom”), a newly established and wholly owned subsidiary of the Company, will acquire Diamondtelecom, Inc. (headquartered in Chuo-ku, Tokyo, Japan; hereinafter “Diamond Telecom”), a wholly owned subsidiary of Mitsubishi Electric, effective April 1, 2016.

1. Purpose of the Merger

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

Diamond Telecom has been engaging in the mobile phone sales business for more than 20 years since its foundation in 1994 as a wholly owned subsidiary of Mitsubishi Electric, and owns a dominant number of carrier-certified shops throughout Japan.

As a result of the acquisition of Diamond Telecom, the total sales volume 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 Kanematsu Group as the Kanematsu Communications’ network of carrier-certified shops will be complemented and strengthened by the addition of Diamond Telecom’s network and achieve a national network of blue-chip shops, service sophistication through shared human resources and knowhow and the enhancement of management efficiency for both companies.

2. Merger method

The Merger is scheduled to be an absorption-type merger with cash consideration, whereby Kanematsu Telecom is the surviving company and Diamond Telecom is the non-surviving company. Diamond Telecom will be liquidated as of April 1, 2016.

Kanematsu Telecom, the surviving company, plans to change its trade name to Diamondtelecom, Inc. as of April 1, 2016.

3. Merger consideration

Kanematsu Telecom will pay Mitsubishi Electric, the wholly owning parent of Diamond Telecom, a total of approximately 17.4 billion yen for the 9,000 shares of Diamond Telecom owned by Mitsubishi Electric (1,933,334 yen per share).