Member of Financial Accounting Standards Foundation

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

August 4, 2017

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange
Stock code: 8020
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): August 10, 2017
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 three months of the fiscal year ending March 2018 (April 1, 2017 – June 30, 2017)

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

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Three Months to June 2017	161,924	1.1	5,608	85.7	5,617	126.9	3,711	159.2	3,295	229.2	4,945	–
First Three Months to June 2016	160,194	(3.5)	3,020	(17.6)	2,476	(29.3)	1,431	(28.3)	1,000	(44.5)	(4,118)	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Months to June 2017	7.83	7.83
First Three Months to June 2016	2.38	2.38

(Note) The basic earnings per share and the diluted earnings per share are calculated based on the profit attributable to owners of the parent.

(2) Consolidated financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of June 30, 2017	462,570	132,888	103,680	22.4
As of March 31, 2017	479,717	129,863	100,357	20.9

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 2017	–	3.00	–	3.00	6.00
Fiscal year ending March 2018	–				
Fiscal year ending March 2018 (Forecasts)		3.50	–	17.50	–

(Note) 1. Revisions to dividend forecasts published most recently: None
2. The Company plans to conduct the consolidation of shares of its common stock at a rate of one share for every five shares with October 1, 2017 as the effective date. Accordingly, an amount that takes the effects of the consolidation of shares into account is stated for the year-end dividend per share for the fiscal year ending March 2018 (forecast), and the annual dividends are stated as "-." If the consolidation of shares is not taken into account, the year-end dividend per share for the fiscal year ending March 2018 (forecast) will be ¥3.50, and the annual dividend per share will be ¥7. Refer to "Explanation about the proper use of results forecasts, and additional information" for details.

3. Forecasts for consolidated results ending March 2018 (April 1, 2017 – March 31, 2018)

(%: Changes from the previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	700,000	3.6	25,000	10.5	23,500	31.5	12,000	49.1	142.58

(Note) 1. Revisions to results forecasts published most recently: None
2. In the forecasts for consolidated results ending March 2018, "net sales" has been changed to "revenue" in light of the usefulness of information.
3. The Company plans to conduct the consolidation of shares of its common stock at a rate of one share for every five shares with October 1, 2017 as the effective date. Basic earnings per share in the forecasts for consolidated results ending March 2018 take the effects of the consolidation of shares into account. Refer to "Explanation about the proper use of results forecasts, and additional information" for details.

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

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

1. Changes in accounting policies required by IFRS: None
2. Changes in accounting policies other than 1.: None
3. Changes in accounting estimates: None

(3) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock
   First three months (2017/6): 422,501,010 shares   Fiscal year (2017/3): 422,501,010 shares
2. Number of treasury stock
   First three months (2017/6): 1,278,708 shares   Fiscal year (2017/3): 1,612,972 shares
3. Average number of shares during the period (First three months)
   First three months (2017/6): 421,056,127 shares   First three months (2016/6): 420,776,286 shares

* Quaterly consolidated financial summaries are not subject to quarterly review.

* Explanation about the proper use of results forecasts, and additional information
  The results forecasts and forward-looking statements included in this document are based on information that the Consolidated Group has obtained on the date of the announcement and certain assumptions that the Consolidated Group considers reasonable. The Consolidated Group makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to “(3) Information on the future outlook, including consolidated business performance forecasts” in “1. Qualitative Information on Consolidated Results, Etc. for the First Three Months of the Fiscal Year Ending March 2018” on page 3 of accompanying materials for further information on results forecasts.

(Dividends and forecasts for consolidated results after the consolidation of shares)
The consolidation of shares was passed and approved at the 123rd ordinary general meeting of shareholders of the Company held on June 23, 2017, and the Company plans to conduct the consolidation of shares of its common stock at a rate of one share for every five shares with October 1, 2017 as the effective date.
Dividend forecasts and forecasts for consolidated results for the fiscal year ending March 2018 are as follows.

1. Dividend forecasts for the fiscal year ending March 2018
   Dividend per share   End of second quarter   ¥3.50   Year end   ¥3.50 (Note 2)
2. Forecasts for consolidated results for the fiscal year ending March 2018
   Basic earnings per share   Full year   ¥28.52

(Note 1) Dividends at the end of the second quarter will be paid based on the number of shares before conducting the consolidation of shares.
(Note 2) The amount of dividend that is converted to the amount before taking the consolidation of shares into account.
(Note 3) The annual dividend per share (before taking the consolidation of shares into account) for the fiscal year ending March 2018 is ¥7.

Accompanying Materials – Contents

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

(1) Details of consolidated results

In the first three months review (from April 1, 2017 to June 30, 2017), the U.S. economy continued to recover moderately driven by the improvement of employment conditions, despite uncertainty over the policy operation of the new government. The European economy also remained firm, reflecting expanding domestic demand and the improvement of employment, in spite of concerns about the withdrawal of the United Kingdom from the EU. While the Chinese economy and emerging Asian countries were entering a lull, the world economy was on track to moderate recovery, partly backed by reviving crude oil prices.
The Japanese economy maintained a moderate recovery trend thanks to the improvement of employment and income conditions against the backdrop of various policies implemented by the government and the steady expansion of corporate earnings, reflecting recovering exports and production, although personal consumption was at a standstill.

In this environment, the results of the Group for the first three months under review are as shown below.
Consolidated revenue rose ¥1,730 million (1.1%) year on year, to ¥161,924 million. Consolidated gross profit increased ¥2,233 million (10.3%) from a year earlier, to ¥23,951 million. Consolidated operating profit rose ¥2,588 million (85.7%) from a year earlier, to ¥5,608 million, due to the increase in gross profit. Profit before tax was up ¥3,141 million (126.9%) year on year, to ¥5,617 million, as a result of an improvement in the share of profit (loss) of investment accounted for using the equity method. Profit attributable to owners of the parent rose ¥2,295 million (229.2%) year on year, to ¥3,295 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions with the manufacturing and financial industries remained firm, partly reflecting the contribution of better efficiency as a result of organizational restructuring. The mobile business performed well. In the semiconductors manufacturing equipment business, increased sales to China made a contribution.
As a result of these conditions, revenue in the Electronics and Devices segment rose ¥2,552 million year on year, to ¥55,398 million. Operating profit climbed ¥925 million to ¥2,508 million.

(ii) Foods & Grain

The food business remained strong. The meat products business maintained its strong performance following stable trends in the market conditions. The feedstuff business also remained firm due to the recovery of feedstuff prices in Japan.
As a result, revenue in the Foods & Grain segment fell ¥18 million year on year, to ¥58,842 million. Operating profit climbed ¥1,079 million, to ¥1,423 million.

(iii) Steel, Materials & Plant

The functional chemicals business turned in a strong performance. The iron and steel business showed a recovery trend due to a pickup in demand for oilfield tubing. Meanwhile, the energy business had a tough time due to sluggish sales of heavy oils. In the plant and infrastructure business, transactions related to machine tools and industrial machinery were also weak.
As a result, revenue in the Steel, Materials & Plant segment rose ¥5,165 million year on year, to ¥33,254 million. Operating profit climbed ¥933 million, to ¥488 million.

(iv) Motor Vehicles & Aerospace

The motor vehicles and parts business performed well. However, the aerospace business was weak, partly due to a reactionary response following the strong performance of transactions of aircraft parts in the same period of the previous fiscal year.
As a result, revenue in the Motor Vehicles & Aerospace segment declined ¥6,057 million year on year, to ¥11,228 million. Operating profit fell ¥430 million, to ¥854 million.

(v) Other

Revenue increased ¥88 million from a year earlier, to ¥3,199 million. Operating profit climbed ¥87 million, to ¥336 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first quarter of the fiscal year under review declined ¥17,147 million from the end of the previous fiscal year, to ¥462,570 million.

Interest-bearing debt decreased ¥2,607 million from the end of the previous fiscal year, to ¥131,237 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, rose ¥1,857 million from the end of the previous fiscal year, to ¥57,286 million.

In terms of equity, equity attributable to owners of the parent rose ¥3,323 million from the end of the previous fiscal year, to ¥103,680 million, mainly reflecting an increase in retained earnings as a result of profit attributable to owners of the parent and an increase in financial assets measured at fair value attributable to other comprehensive income from a rise in stock prices.

As a result, the ratio of equity attributable to owners of the parent came to 22.4%. The net debt-equity ratio (“net DER”) was 0.6 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first quarter under review fell ¥4,434 million from the end of the previous fiscal year, to ¥73,132 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities in the first three months under review stood at ¥570 million (versus net cash provided of ¥1,767 million in the first three months of the previous fiscal year), primarily reflecting the accumulation of operating income.

(Cash flows from investing activities)

Net cash used in investing activities in the first three months under review stood at 512 million yen (versus net cash used of ¥10,852 million in the first three months of the previous fiscal year), mainly reflecting the provision of loans.

(Cash flows from financing activities)

Net cash used in financing activities in the first three months under review came to ¥4,441 million (versus net cash provided of ¥725 million in the first three months of the previous fiscal year), reflecting the repayment of borrowings, the payment of dividends and other factors.

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

We have not changed the forecasts for consolidated results that we announced on May 10, 2017.

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

2. Matters Relating to Summary Information (Notes)

(1) Important change in subsidiaries during the term

Not applicable.

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

Not applicable.

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated statement of financial position

(Million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and cash equivalents	77,566	73,132
Trade and other receivables	191,193	170,259
Inventories	80,662	86,385
Other financial assets	3,705	2,739
Other current assets	18,200	22,098
Total current assets	371,329	354,615
Non-current assets		
Property, plant and equipment	26,858	26,820
Goodwill	6,304	6,299
Intangible assets	20,935	20,786
Investments accounted for using the equity method	4,885	4,948
Trade and other receivables	1,169	1,194
Other investments	34,112	35,593
Other financial assets	5,295	5,773
Deferred tax assets	5,018	3,229
Other non-current assets	3,807	3,309
Total non-current assets	108,388	107,955
Total assets	479,717	462,570

(Million yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,011	151,349
Bonds and borrowings	64,643	62,122
Other financial liabilities	5,255	6,899
Income taxes payable	4,226	1,165
Provisions	28	24
Other current liabilities	26,291	23,588
Total current liabilities	265,455	245,149
Non-current liabilities		
Bonds and borrowings	69,201	69,114
Other financial liabilities	6,118	6,002
Retirement benefits liabilities	6,641	6,587
Provisions	1,397	1,565
Deferred tax liabilities	424	658
Other non-current liabilities	614	604
Total non-current liabilities	84,398	84,532
Total liabilities	349,854	329,682
Equity		
Share capital	27,781	27,781
Capital surplus	26,797	26,806
Retained earnings	34,579	36,738
Treasury stock	(217)	(193)
Other components of equity		
Exchange differences on translation of foreign operations	2,349	2,263
Financial assets measured at fair value through other comprehensive income	9,455	10,587
Cash flow hedges	(388)	(303)
Total other components of equity	11,416	12,546
Total equity attributable to owners of the parent	100,357	103,680
Non-controlling interests	29,506	29,208
Total equity	129,863	132,888
Total liabilities and equity	479,717	462,570

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

(Condensed consolidated statements of income)

(First three months)

(Million yen)

	FY2017 First three months (From April 1, 2016 to June 30, 2016)	FY2018 First three months (From April 1, 2017 to June 30, 2017)
Revenue	160,194	161,924
Cost of sales	(138,475)	(137,973)
Gross profit	21,718	23,951
Selling, general and administrative expenses	(18,552)	(18,537)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	515	(38)
Other income	279	374
Other expenses	(940)	(141)
Total other income (expenses)	(145)	195
Operating profit	3,020	5,608
Finance income		
Interest income	93	94
Dividend income	345	430
Total finance income	438	524
Finance costs		
Interest expenses	(557)	(593)
Other finance costs	(42)	(21)
Total finance costs	(599)	(614)
Share of profit (loss) of investments accounted for using the equity method	(383)	99
Profit before tax	2,476	5,617
Income tax expense	(1,044)	(1,905)
Profit for the period	1,431	3,711
Profit attributable to:		
Owners of the parent	1,000	3,295
Non-controlling interests	430	416
Total	1,431	3,711
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	2.38	7.83
Diluted earnings per share (yen)	2.38	7.83

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

(Million yen)

	FY2017 First three months (From April 1, 2016 to June 30, 2016)	FY2018 First three months (From April 1, 2017 to June 30, 2017)
Profit for the period	1,431	3,711
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Financial assets measured at fair value through other comprehensive income	(798)	1,145
Remeasurement of retirement benefits liabilities defined benefit pension plans	51	107
Share of other comprehensive income of investments accounted for using the equity method	0	1
Total items that will not be reclassified to profit and loss	(746)	1,254
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	(4,000)	(51)
Cash flow hedges	(815)	82
Share of other comprehensive income of investments accounted for using the equity method	11	(51)
Total items that may be reclassified to profit and loss	(4,804)	(20)
Other comprehensive income for the period, net of tax	(5,550)	1,234
Total comprehensive income for the period	(4,118)	4,945
Total comprehensive income for the period attributable to:		
Owners of the parent	(3,903)	4,551
Non-controlling interests	(215)	394
Total	(4,118)	4,945

(3) Condensed consolidated statement of changes in equity

(Million yen)

	FY2017 First three months (From April 1, 2016 to June 30, 2016)	FY2018 First three months (From April 1, 2017 to June 30, 2017)
Equity		
Share capital		
Balance at the beginning of the period	27,781	27,781
Balance at the end of the period	27,781	27,781
Capital surplus		
Balance at the beginning of the period	26,463	26,797
Disposition of treasury stock	–	9
Equity transactions with non-controlling interests	0	(0)
Balance at the end of the period	26,463	26,806
Retained earnings		
Balance at the beginning of the period	29,103	34,579
Dividends	(1,051)	(1,262)
Profit attributable to owners of the parent	1,000	3,295
Reclassification from other components of equity	(94)	126
Balance at the end of the period	28,958	36,738
Other components of equity		
Balance at the beginning of the period	8,486	11,416
Exchange differences on translation of foreign operations	(3,177)	(86)
Financial assets measured at fair value through other comprehensive income	(786)	1,150
Cash flow hedges	(851)	85
Remeasurement of defined benefit pension plans	(88)	107
Reclassification to retained earnings	94	(126)
Balance at the end of the period	3,676	12,546
Treasury stock		
Balance at the beginning of the period	(235)	(217)
Acquisition of treasury stock	(0)	(1)
Disposition of treasury stock	–	25
Balance at the end of the period	(235)	(193)
Total equity attributable to owners of the parent	86,643	103,680
Non-controlling interests		
Balance at the beginning of the period	29,107	29,506
Dividends to non-controlling interests	(561)	(691)
Equity transactions with non-controlling interests	(6)	(0)
Profit attributable to non-controlling interests	430	416
Other components of equity	(646)	(22)
Exchange differences on translation of foreign operations	(779)	(18)
Financial assets measured at fair value through other comprehensive income	(10)	(3)
Cash flow hedges	3	(0)
Remeasurement of defined benefit pension plans	140	–
Balance at the end of the period	28,323	29,208
Total Equity	114,967	132,888
Total comprehensive income for the period attributable to:		
Owners of the parent	(3,903)	4,551
Non-controlling interests	(215)	394
Total comprehensive income for the period	(4,118)	4,945

(4) Condensed consolidated statements of cash flows

(Million yen)

	FY2017 First three months (From April 1, 2016 to June 30, 2016)	FY2018 First three months (From April 1, 2017 to June 30, 2017)
Cash flows from operating activities:		
Profit for the period	1,431	3,711
Depreciation and amortization	762	766
Finance income and costs	160	90
Share of (profit) loss of investments accounted for using the equity method	383	(99)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	(515)	38
Income tax expense	1,044	1,905
(Increase) decrease in trade and other receivables	26,520	19,697
(Increase) decrease in inventories	(586)	(5,718)
Increase (decrease) in trade and other payables	(26,411)	(13,522)
Increase (decrease) in retirement benefit liabilities	(90)	(51)
Other	3,099	(3,142)
Sub total	5,799	3,675
Interest received	105	92
Dividends received	588	724
Interest paid	(368)	(411)
Income taxes paid	(4,358)	(3,511)
Net cash provided by (used in) operating activities	1,767	570
Cash flows from investing activities:		
Payments for property, plant and equipment	(452)	(447)
Proceeds from sales of property, plant and equipment	2,196	176
Payments for intangible assets	(147)	(39)
Purchases of other investments	(61)	(18)
Proceeds from sale of other investments	133	89
Proceeds from (payments for) acquisition of subsidiaries	(12,786)	–
Increase in loans receivable	(113)	(575)
Proceeds from collection of loans receivable	323	370
Other	55	(68)
Net cash provided by (used in) investing activities	(10,852)	(512)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	2,960	(2,357)
Repayment of long-term borrowings	(693)	(203)
Dividends paid	(926)	(1,122)
Payments for acquisition of subsidiaries' interests from the non-controlling interests	(3)	–
Dividends paid to non-controlling interests	(527)	(691)
Other	(83)	(66)
Net cash provided by (used in) financing activities	725	(4,441)
Increase (decrease) in cash and cash equivalents, net	(8,359)	(4,384)
Cash and cash equivalents at the beginning of the period	87,466	77,566
Effect of exchange rate changes on cash and cash equivalents	(1,292)	(49)
Cash and cash equivalents at end of the period	77,814	73,132

(5) Notes on condensed consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

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

Not applicable.

(Segment information)

Income figures for reportable segments are based on operating profit for the segments.

Inter-segment revenue and transfers are determined according to transaction prices with outside customers.

I. Previous first three months (From April 1, 2016 to June 30, 2016)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	52,846	58,860	28,089	17,285	157,082	3,111	–	160,194
Inter-segment	62	1	14	–	77	15	(93)	–
Total revenues	52,908	58,862	28,104	17,285	157,160	3,127	(93)	160,194
Segment profit (loss)	1,583	344	(445)	1,284	2,766	249	3	3,020

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

(Note 2) The adjustment of ¥3 million for segment profit (loss) includes an inter-segment elimination of ¥3 million.

The changes in assets related to the absorption-type merger of Diamondtelecom, Inc. by Kanematsu Telecom Investment Co., Ltd. are included in the Electronics and Devices Division. The details of these changes are stated in the Notes (Matters related to business combinations, etc.).

II. First three months under review (From April 1, 2017 to June 30, 2017)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	55,398	58,842	33,254	11,228	158,724	3,199	–	161,924
Inter-segment	60	3	29	–	94	18	(112)	–
Total revenues	55,459	58,846	33,284	11,228	158,819	3,217	(112)	161,924
Segment profit (loss)	2,508	1,423	488	854	5,275	336	(3)	5,608

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

(Note 2) The adjustment of -¥3 million for segment profit (loss) includes an inter-segment elimination of -¥3 million.

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

(Million yen)

	FY2017 First three months (From April 1, 2016 to June 30, 2016)	FY2018 First three months (From April 1, 2017 to June 30, 2017)
Segment profit	3,020	5,608
Finance income and finance costs	(160)	(90)
Share of profit (loss) of investments accounted for using the equity method	(383)	99
Profit before tax	2,476	5,617

(Matters related to business combinations, etc.)

The major business combination that took place in the first three months of the previous fiscal year (from April 1, 2016 to June 30, 2016) was as follows.

(1) Details of the business combination

Name of the acquired company:	Diamondtelecom, Inc.
Business of the acquired company:	Information and telecommunication business centered on sales of mobile communication equipment and related equipment
Date of the business combination:	April 1, 2016
Legal form of the business combination:	Acquisition of shares by Kanematsu Telecom Investment Co., Ltd., the Company’s wholly owned subsidiary (As a result of the absorption-type merger of the acquired company as of April 1, 2016, the name of the company was changed to Diamondtelecom, Inc.)
Name of the controlling entity after the business combination:	Diamondtelecom, Inc.
Percentage share of voting rights acquired:	100.0%

(2) Main reasons for carrying out the business combination

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

Diamondtelecom, Inc. (hereinafter “Diamond Telecom”) has been engaging in the mobile phone sales business for more than 20 years since its foundation in 1994 as a wholly owned subsidiary of Mitsubishi Electric Corporation, and owns a dominant number of carrier-certified shops throughout Japan. As a result of the acquisition of Diamond Telecom, the Consolidated Group’s total sales volume combining the sales of the two companies will reach the industry’s top class, and we expect that this will significantly enhance our presence in the mobile phone sales distribution industry.

We also believe that the integration of Diamond Telecom will enable us to create synergies in the Consolidated Group as the Kanematsu Communications’ network of carrier-certified shops will be complemented and strengthened by the addition of Diamond Telecom’s network and achieve a national network of blue-chip shops, service sophistication through shared human resources and knowhow and the enhancement of management efficiency for both companies.

(3) Acquisition cost of the acquired company and its breakdown

Acquisition cost of the acquired company: ¥17,400 million (Cash as consideration)

(4) Amount of expenses related to the acquisition and the presentation item

The amount of expenses related to the acquisition in relation to the subject business combination is ¥168 million. This amount was included in “Selling, general and administrative expenses” in the consolidated statements of income for the fiscal year ended March 2016.

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

(Million yen)

Items	Amounts
Fair value of consideration paid	17,400
Cash and cash equivalents	4,613
Trade receivables	12,828
Inventories	1,212
Other current assets	351
Property, plant and equipment	736
Goodwill (*)	1,635
Intangible assets	13,930
Other non-current assets	764
Current liabilities	(17,746)
Non-current liabilities	(925)
Total	17,400

* The details of goodwill are mainly excess earning power and synergy effects with the existing businesses. In addition, the expected amount of goodwill deductible for tax purposes is ¥12,918 million.

(6) Impacts of the business combination on cash flows

Payment of acquisition cost:	-¥17,400 million
Cash and cash equivalents acquired on the date of the business combination:	4,613 million
Payments for purchase of investments in subsidiaries:	-¥12,786 million

(7) Period for the operating results of the acquired company that are included in the condensed consolidated financial statements
The operating results for the period between April 1, 2016 and June 30, 2016 are included.

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

Revenue:	¥5,777 million
Profit for the period:	-¥210 million

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

No important business combinations took place in the first three months under review (from April 1, 2017 to June 30, 2017).

(Significant subsequent events)
Not applicable.