KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2017

pwc

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

KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2017

～*CONSOLIDATED FINANCIAL STATEMENTS*～ **PAGES**

～*NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*～

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2017

Consolidated Statement of Financial Position

	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.

Continued

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2017

	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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2017

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(a) Consolidated Statement of Income

	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

Continued

(b) Consolidated Statement of Comprehensive Income

	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

	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

Continued

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2017

	JPY		USD (Note 2)
	2017	2016	2017
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

	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)

Continued

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2017

	JPY		USD (Note 2)
	2017	2016	2017
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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2017

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:

Continued

- 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

Continued

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,

Continued

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:

Continued

(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,

Continued

- 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

Continued

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

Continued

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).

Continued

(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.

Continued

(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

Continued

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							
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total	Others (Note 1)	Adjustment (Note 2)	Consolidated
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

Continued

(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)

Continued

[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.

Continued

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%

Continued

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

Continued

[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.

Continued

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

Continued

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.

Continued

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	422,501,010	422,501,010
Changes during the period	—	—
Balance at the end of the year	422,501,010	422,501,010
Treasury stock (No-par common stock)		
Balance at the beginning of the year	2,953,939	2,893,263
Balance at the end of the year	2,531,799	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

Continued

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)

Continued

(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*.

Continued

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

Continued

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

Continued

(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

Continued

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.

Continued

(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.

Continued

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.

Continued

(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.

Continued

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.

Continued

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

Continued

(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	—	—

Continued

(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.

Continued

(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

Continued

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.

Continued

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.

Continued

(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.

Continued

(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

Continued

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

<u>Currency-related derivatives</u>
The fair value of forward exchange transactions is calculated based on the forward exchange rate at the end of the fiscal year.

<u>Interest rate-related derivatives</u>
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.

<u>Commodity-related derivatives</u>
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.

	2017								2016		
	Other investments				Other financial assets		Total		Other investments		Total
	FVPL		FVOCI		FVOCI				FVPL	FVOCI	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY
Balance at the beginning of the year	5,637	50,249	10,836	96,593	–	–	16,474	146,841	6,425	12,362	18,788
Total gains or losses											
Profit or loss (Note1)	(2,000)	(17,832)	–	–	–	–	(2,000)	(17,832)	(323)	–	(323)
Other comprehensive income (Note 2)	–	–	1,025	9,138	–	–	1,025	9,138	–	(1,577)	(1,577)
Purchase	–	–	223	1,992	33	300	257	2,292	–	524	524
Sale	–	–	(36)	(324)	–	–	(36)	(324)	–	(472)	(472)
Foreign currency translation difference	(79)	(710)	–	–	–	–	(79)	(710)	(375)	–	(375)
Increase (decrease) due to changes in scope of consolidation	–	–	–	–	–	–	–	–	(89)	0	(89)
Other	1,497	13,347	–	–	1,000	8,913	2,497	22,261	–	–	–
Balance at the end of the year	5,054	45,053	12,049	107,398	1,033	9,213	18,137	161,665	5,637	10,836	16,474

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).

Continued

(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

Continued

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.

Continued

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

Continued

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.

Continued

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			

Continued

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)

Continued

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 petrochemicalsand 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)

Continued

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.

Continued

(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.

End