

Consolidated Financial Summary for the FY 2018 Ended March 31, 2018 (IFRS)



May 9, 2018

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

URL: <http://www.kanematsu.co.jp>

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Scheduled date for the Ordinary General Meeting of Shareholders: June 22, 2018

Scheduled date for commencement of dividend payments: June 4, 2018

Scheduled date for the submission of financial statements: June 22, 2018

Supplementary documents for financial results: Yes

Financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated business results for the fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(1) Consolidated business results

(%: Change from the previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of the parent		Total comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2018	714,790	5.8	26,160	15.6	26,043	45.7	19,658	91.1	16,317	102.7	21,398	65.0
Fiscal year ended March 2017	675,579	1.1	22,633	20.6	17,875	(1.4)	10,286	(4.8)	8,049	(10.2)	12,965	204.8

	Basic earnings per share		Diluted earnings per share		Return on equity attributable to owners of the parent		Profit before tax to total assets	
	Yen		Yen		%		%	
Fiscal year ended March 2018	193.79		193.79		15.1		5.2	
Fiscal year ended March 2017	95.64		95.64		8.4		3.9	

(Reference) Share of profit (loss) of investments accounted for using the equity method:

1,579 million yen for the fiscal year ended March 2018

-1,990 million yen for the fiscal year ended March 2017

(Notes) 1. The basic earnings per share and the diluted earnings per share are calculated based on the profit attributable to owners of the parent.

2. The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. "Basic earnings per share" and "diluted earnings per share" are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
As of March 31, 2018	519,889	147,050	116,012	22.3	1,377.66
As of March 31, 2017	479,717	129,863	100,357	20.9	1,192.21

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2018	434	1,103	(842)	77,731
Fiscal year ended March 2017	11,852	(14,691)	(6,904)	77,566

2. Dividends

(Record date)	Annual dividends					Annual total of dividend	Payout ratio (Consolidated)	Dividend on equity attributable to owners of the parent (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2017	—	3.00	—	3.00	6.00	2,527	31.4	2.6
Fiscal year ended March 2018	—	3.50	—	30.50	—	4,043	24.8	3.7
Fiscal year ending March 2019 (Forecasts)	—	25.00	—	25.00	50.00		25.5	

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

2. The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. The Company states an amount before taking into account the impact of the consolidation of shares for the interim dividend per share in the fiscal year ended March 2018, and states annual dividends as "—" If the consolidation of shares is taken into account, the interim dividend per share in the fiscal year ended March 2018 will be ¥17.50, and the annual dividend per share will be ¥48. If the impact of the consolidation of shares is taken account, the annual dividend per share in the fiscal year ended March 2017 will be ¥30.

3. Forecasts for consolidated results ending March 2019 (April 1, 2018 – March 31, 2019)

(%: Changes from the previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	760,000	6.3	30,000	14.7	29,000	11.4	16,500	1.1	195.96	

* Notes

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

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

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

(3) Number of outstanding shares (common shares)

- | | | | |
|--|-------------------|-----------------------|-------------------|
| 1. Number of outstanding shares including treasury stock | | | |
| Fiscal year (2018/3): | 84,500,202 shares | Fiscal year (2017/3): | 84,500,202 shares |
| 2. Number of treasury stock | | | |
| Fiscal year (2018/3): | 290,203 shares | Fiscal year (2017/3): | 322,593 shares |
| 3. Average number of shares during the period | | | |
| Fiscal year (2018/3): | 84,202,473 shares | Fiscal year (2017/3): | 84,164,360 shares |

(Note) The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. "Number of outstanding shares," "number of treasury stock" and "average number of shares during the period" are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(Reference) Overview of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(1) Non-consolidated business results (%: Change from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2018	443,507	7.8	3,142	6.5	10,560	33.4	10,114	76.5
Fiscal year ended March 2017	411,436	(4.9)	2,949	203.1	7,915	10.0	5,730	(25.8)

	Profit for the year per share	Diluted profit for the year per share
	Yen	Yen
Fiscal year ended March 2018	120.05	—
Fiscal year ended March 2017	68.01	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	277,858	93,258	33.6	1,106.98
As of March 31, 2017	274,443	85,204	31.0	1,011.32

(Reference) Shareholders' equity 93,258 million yen for the fiscal year ended March 2018
85,204 million yen for the fiscal year ended March 2017

* Consolidated financial summaries are not subject to audit by a certified public accountant or an audit corporation.

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

- The results forecasts and forward-looking statements included in this document are based on information that the Consolidated Group has obtained on the date of the announcement and certain assumptions that the Consolidated Group considers reasonable. The Consolidated Group makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to "1. Overview of Business Results, Etc., (1) Overview of business results in the fiscal year ended March 2018, (ii) Future outlook" on page 3 of accompanying materials for further information on results forecasts.
- The Company operates its businesses on a consolidated basis. The Company produces no forecast for non-consolidated business results.
- The Company plans to hold a results briefing for institutional investors and analysts on Wednesday, May 16, 2018. Results briefing materials distributed at the results briefing will be posted on the Company's website immediately after it is held.

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1. Overview of Business Results, Etc.

(1) Overview of business results in the fiscal year ended March 2018

(i) Review of operations in the fiscal year ended March 2018

In the fiscal year under review, the global economy continued to grow moderately, despite uncertainties such as the geopolitical risk. The U.S. economy remained firm, driven by the continued expansion of production activities of companies and consumer spending. The European economy continued to grow favorably, despite concerns regarding Brexit. The Chinese economy continued to grow, reflecting solidly expanding consumption, despite concerns about protectionist trade policies in the United States, and emerging Asian countries remained generally favorable.

The Japanese economy maintained its expansion thanks to growing capital investment and employment and a high level of corporate earnings following the solid domestic and overseas economies.

In this environment, the results of the Group in the fiscal year under review are as shown below.

Consolidated revenue rose ¥39,211 million (5.8%) year on year, to ¥714,790 million. Consolidated gross profit increased ¥6,232 million (6.2%) from a year earlier, to ¥106,371 million. Consolidated operating profit rose ¥3,527 million (15.6%) year on year, to ¥26,160 million, reflecting the increase in gross profit. Profit before tax increased ¥8,168 million (45.7%) year on year, to ¥26,043 million, mainly as a result of a decrease in financial costs and an improvement in the share of profit (loss) of investments accounted for using the equity method. Profit attributable to owners of the parent rose ¥8,268 million (102.7%) year on year, to ¥16,317 million.

Results for each business segment are described below.

(Electronics & Devices)

In the ICT solutions business, transactions remained strong, primarily with the manufacturing and the service industries. The mobile business performed well, partly due to the integration effect of mobile phone distribution subsidiaries. In the semiconductors manufacturing equipment business, sales to China increased, contributing to an improvement from the previous fiscal year.

As a result of these conditions, revenue in the Electronics and Devices segment rose ¥9,030 million year on year, to ¥263,310 million. Operating profit climbed ¥3,208 million, to ¥17,556 million.

(Foods & Grain)

The food business turned in a solid performance. The meat products business slowed down in the second half of the year. The feedstuff business remained almost flat.

As a result, revenue in the Foods & Grain segment increased ¥3,496 million year on year, to ¥231,260 million. Operating profit decreased ¥340 million, to ¥2,149 million.

(Steel, Materials & Plant)

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

As a result, revenue in the Steel, Materials & Plant segment increased ¥21,874 million year on year, to ¥153,075 million. Operating profit rose ¥1,110 million, to ¥3,930 million.

(Motor Vehicles & Aerospace)

In the motor vehicles and parts business, exports to the Middle East remained steady. The aerospace business also maintained a strong performance, mainly due to the strong performance of transactions of aerospace-related products and aircraft parts.

As a result, revenue in the Motor Vehicles & Aerospace segment increased ¥4,034 million year on year, to ¥54,453 million. Operating profit rose ¥318 million, to ¥2,541 million.

(Other)

Revenue increased ¥777 million from a year earlier, to ¥12,691 million. Operating profit declined ¥776 million, to an operating loss of ¥20 million, partly due to the impairment of fixed assets associated with the transfer of the golf business.

(ii) Future outlook

In the next consolidated fiscal year, the global economy is expected to see the economic expansion continuing in the United States driven by increases in capital investment and exports partly backed by the fiscal policy, and the relatively strong growth is also anticipated to continue in emerging countries in Asia due to firm domestic demand. However, the global economic outlook is likely to remain uncertain, given factors such as the protectionist policy pressure in developed countries, the risk of a change of tone in the financial market, and the geopolitical tension in the Middle East and Asia.

The Japanese economy is expected to maintain a gradual economic recovery trend, underpinned by strong corporate earnings and improved employment and income environments backed by the worldwide economic expansion.

In this environment, the Company forecasts consolidated revenue of ¥760 billion, operating profit of ¥30 billion, profit before tax of ¥29 billion and profit attributable to owners of the parent of ¥16.5 billion for the fiscal year ending March 31, 2019.

(Assumptions for the calculation of results forecast)

- Exchange rate: 1 US dollar = 110 yen
- Interest rates: Interest rates are expected to remain unchanged.

* Note on forward-looking statements:

The above statements on future performance, such as the results forecasts, have been made based on information available to the Company at the time of the announcement and certain assumptions that the Company considers reasonable. The Company does not guarantee that the forecasts will be achieved. Actual results may differ materially from forecasts due to a number of factors.

(2) Overview of financial position in the fiscal year ended March 2018

(i) Assets, liabilities and equity

Total assets at the end of the fiscal year under review increased ¥40,172 million from the end of the previous fiscal year, to ¥519,889 million. Interest-bearing debt increased ¥3,482 million from the end of the previous fiscal year, to ¥137,326 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, rose ¥3,616 million from the end of the previous fiscal year, to ¥59,045 million.

In terms of equity, equity attributable to owners of the parent rose ¥15,655 million from the end of the previous fiscal year, to ¥116,012 million, mainly reflecting an increase in retained earnings as a result of a profit for the period attributable to owners of the parent and an increase in financial assets measured at fair value attributable to other comprehensive income from a rise in stock prices.

As a result, the ratio of equity attributable to owners of the parent came to 22.3%. The net debt-equity ratio ("net DER") was 0.5 times.

(ii) Cash flows

Net cash provided by operating activities was ¥434 million (versus ¥11,852 million provided in the previous fiscal year), mainly due to the accumulation of operating revenue, offsetting increases in trade receivables and inventories. Net cash provided by investing activities was ¥1,103 million (versus ¥14,691 million used in the previous fiscal year), mainly due to proceeds from sales of other financial assets and the transfer of fixed assets. Net cash used in financial activities amounted to ¥824 million (versus ¥6,904 million used in the previous fiscal year), mainly reflecting cash dividends paid and repayments of loans payable, which was partly offset by proceeds from the issuance of bonds.

As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥77,731 million, up ¥165 million from the end of the previous fiscal year.

(3) Basic policy for distribution of profits and dividends in the fiscal year ended March 2018 and the fiscal year ending March 2019

The Company regards the distribution of profits to shareholders as a critical management issue. It adopts a basic policy for dividends of taking into consideration factors such as operating results and the balance with appropriate internal reserves for growth investments in the future.

Under VISION-130, the Company's medium-term vision, the Company has set a goal of stable and continuous dividend payments with a consolidated dividend payout ratio of 25% as a rough indication. In the fiscal year under review, we paid an interim dividend of ¥17.5 per share (¥3.5 based on the dividend before the consolidation of shares). Given that we plan to pay a year-end dividend of ¥30.5 per share, the annual dividend will be ¥48 per share.

As for the dividends in the next fiscal year, we will increase the annual dividend by ¥2 to ¥50 per share (interim dividend ¥25 and year-end dividend ¥25), given that the strong business performance is expected to continue and that we have set a total return ratio of 25%-30% as a goal in the new medium-term vision "future 135" that we have announced today.

(Note) The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017.

2. Basic Approach to Selection of Accounting Standards

The Company decided to voluntarily adopt International Financial Reporting Standards (IFRS), in place of the Japanese GAAP used previously, beginning with its consolidated financial statements in the annual securities report for the fiscal year ended March 31, 2016 (122nd Term), to improve the global comparability of financial information in capital markets

3. Consolidated Financial Statements and Major Notes

(1) Consolidated statement of financial position

(Million yen)

	End of Fiscal 2017 (March 31, 2017)	End of Fiscal 2018 (March 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	77,566	77,731
Trade and other receivables	191,193	220,583
Inventories	80,662	93,957
Other financial assets	3,705	2,433
Other current assets	18,200	19,955
Total current assets	371,329	414,662
Non-current assets		
Property, plant and equipment	26,858	21,900
Goodwill	6,304	6,571
Intangible assets	20,935	20,377
Investments accounted for using the equity method	4,885	5,169
Trade and other receivables	1,169	1,582
Other investments	34,112	37,969
Other financial assets	5,295	4,479
Deferred tax assets	5,018	3,696
Other non-current assets	3,807	3,478
Total non-current assets	108,388	105,226
Total assets	479,717	519,889

(Million yen)

	End of Fiscal 2017 (March 31, 2017)	End of Fiscal 2018 (March 31, 2018)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,011	188,791
Bonds and borrowings	64,643	61,210
Other financial liabilities	5,255	7,009
Income taxes payable	4,226	3,773
Provisions	28	156
Other current liabilities	26,291	23,371
Total current liabilities	265,455	284,313
Non-current liabilities		
Bonds and borrowings	69,201	76,116
Other financial liabilities	6,118	2,853
Retirement benefits liabilities	6,641	6,340
Provisions	1,397	1,639
Deferred tax liabilities	424	641
Other non-current liabilities	614	933
Total non-current liabilities	84,398	88,525
Total liabilities	349,854	372,838
Equity		
Share capital	27,781	27,781
Capital surplus	26,797	26,810
Retained earnings	34,579	48,559
Treasury stock	(217)	(193)
Other components of equity		
Exchange differences on translation of foreign operations	2,349	1,275
Financial assets measured at fair value through other comprehensive income	9,455	12,684
Cash flow hedges	(388)	(905)
Total other components of equity	11,416	13,055
Total equity attributable to owners of the parent	100,357	116,012
Non-controlling interests	29,506	31,037
Total equity	129,863	147,050
Total liabilities and equity	479,717	519,889

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

(Million yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Revenue	675,579	714,790
Cost of sales	(575,440)	(608,419)
Gross profit	100,139	106,371
Selling, general and administrative expenses	(76,163)	(78,420)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	384	(250)
Impairment loss on property, plant and equipment and intangible assets	(866)	(2,148)
Other income	1,400	1,560
Other expenses	(2,261)	(950)
Total other income (expenses)	(1,343)	(1,790)
Operating profit	22,633	26,160
Finance income		
Interest income	421	363
Dividend income	1,116	1,073
Other finance income	—	10
Total finance income	1,537	1,447
Finance costs		
Interest expenses	(2,304)	(2,414)
Other finance costs	(2,000)	(730)
Total finance costs	(4,304)	(3,144)
Share of profit (loss) of investments accounted for using the equity method	(1,990)	1,579
Profit before tax	17,875	26,043
Income tax expense	(7,589)	(6,384)
Profit for the year	10,286	19,658
Profit for the year attributable to:		
Owners of the parent	8,049	16,317
Non-controlling interests	2,237	3,341
Total	10,286	19,658
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	95.64	193.79
Diluted earnings per share (yen)	95.64	193.79

(Consolidated statements of comprehensive income)

(Million yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Profit for the year	10,286	19,658
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,671	3,402
Remeasurement of retirement benefits liabilities defined benefit pension plans	(284)	307
Share of other comprehensive income of investments accounted for using the equity method	24	0
Total items that will not be reclassified to profit or loss	2,412	3,710
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(829)	(1,427)
Cash flow hedges	984	(485)
Share of other comprehensive income of investments accounted for using the equity method	109	(57)
Total items that may be reclassified to profit or loss	265	(1,970)
Other comprehensive income for the year, net of tax	2,678	1,740
Total comprehensive income for the year	12,965	21,398
Total comprehensive income for the year attributable to:		
Owners of the parent	10,720	18,354
Non-controlling interests	2,244	3,044
Total	12,965	21,398

(3) Consolidated statement of changes in equity

(Million yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Equity		
Share capital		
Balance at the beginning of the year	27,781	27,781
Balance at the end of the year	27,781	27,781
Capital surplus		
Balance at the beginning of the year	26,463	26,797
Disposition of treasury stock	3	13
Equity transactions with non-controlling interests	4	(0)
Other changes	326	—
Balance at the end of the year	26,797	26,810
Retained earnings		
Balance at the beginning of the year	29,103	34,579
Dividends	(2,314)	(2,736)
Profit for the year attributable to owners of the parent	8,049	16,317
Reclassification from other components of equity	(259)	398
Balance at the end of the year	34,579	48,559
Other components of equity		
Balance at the beginning of the year	8,486	11,416
Exchange differences on translation of foreign operations	(562)	(1,073)
Financial assets measured at fair value through other comprehensive income	2,613	3,351
Cash flow hedges	1,004	(516)
Remeasurement of defined benefit pension plans	(384)	275
Reclassification to retained earnings	259	(398)
Balance at the end of the year	11,416	13,055
Treasury stock		
Balance at the beginning of the year	(235)	(217)
Acquisition of treasury stock	(5)	(6)
Disposition of treasury stock	22	30
Balance at the end of the year	(217)	(193)
Total equity attributable to owners of the parent	100,357	116,012
Non-controlling interests		
Balance at the beginning of the year	29,107	29,506
Dividend payments to non-controlling interest shareholders	(1,324)	(1,511)
Equity transactions with non-controlling interests	(36)	(1)
Other changes	(484)	—
Profit for the year attributable to non-controlling interests	2,237	3,341
Other components of equity	6	(297)
Exchange differences on translation of foreign operations	(178)	(378)
Financial assets measured at fair value through other comprehensive income	82	50
Cash flow hedges	1	(0)
Remeasurement of defined benefit pension plans	100	32
Balance at the end of the year	29,506	31,037
Total Equity	129,863	147,050
Total comprehensive income for the year attributable to:		
Owners of the parent	10,720	18,354
Non-controlling interests	2,244	3,044
Total comprehensive income for the year	12,965	21,398

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities:		
Profit for the year	10,286	19,658
Depreciation and amortization	2,885	3,145
Impairment loss on property, plant and equipment and intangible assets	866	2,148
Finance income and costs	2,767	1,696
Share of (profit) loss of investments accounted for using the equity method	1,990	(1,579)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	(384)	250
Income tax expense	7,589	6,384
(Increase) decrease in trade and other receivables	(10,613)	(33,261)
(Increase) decrease in inventories	200	(13,729)
Increase (decrease) in trade and other payables	6,861	23,798
Increase (decrease) in retirement benefit liabilities	(120)	(297)
Other	(1,437)	(1,395)
Sub total	20,890	6,821
Interest received	436	358
Dividends received	1,503	2,159
Interest paid	(2,291)	(2,381)
Income taxes paid	(8,686)	(6,523)
Net cash provided by (used in) operating activities	11,852	434
Cash flows from investing activities:		
Payments for property, plant and equipment	(4,188)	(2,136)
Proceeds from sales of property, plant and equipment	3,424	1,365
Payments for intangible assets	(605)	(544)
Purchases of other investments	(986)	(117)
Proceeds from sale of other investments	733	292
Proceeds from sale of other financial assets	–	1,010
Proceeds from (payments for) acquisition of subsidiaries	(12,786)	(362)
Proceeds from (payments for) sale of subsidiaries	(6)	(22)
Proceeds from transfer of business	–	1,452
Increase in loans receivable	(1,835)	(1,522)
Proceeds from collection of loans receivable	1,952	1,378
Other	(392)	309
Net cash provided by (used in) investing activities	(14,691)	1,103
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	7,044	2,510
Proceeds from long-term borrowings	18,786	15,508
Repayment of long-term borrowings	(28,857)	(24,229)
Proceeds from issuance of bonds	–	9,928
Dividends paid	(2,308)	(2,730)
Payments for the acquisition of ownership interests in subsidiaries from non-controlling interest shareholders	(30)	–
Dividend payments to non-controlling interest shareholders	(1,277)	(1,542)
Other	(262)	(285)
Net cash provided by (used in) financing activities	(6,904)	(842)
Increase (decrease) in cash and cash equivalents, net	(9,743)	694
Cash and cash equivalents at the beginning of the year	87,466	77,566
Effect of exchange rate changes on cash and cash equivalents	(156)	(529)
Cash and cash equivalents at the end of the year	77,566	77,731

(5) Notes on the consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Segment information)

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

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

Fiscal 2017 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	254,280	227,764	131,201	50,419	663,664	11,914	–	675,579
Inter-segment	359	4	54	0	419	62	(481)	–
Total revenues	254,640	227,769	131,256	50,419	664,084	11,977	(481)	675,579
Segment profit (loss)	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 expenditure	1,548	376	164	2,537	4,627	129	213	4,970

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

(Note 2) Adjustments are as follows.

- (1) The adjustment of -¥5 million for segment profit (loss) includes an inter-segment elimination of -¥5 million.
- (2) Adjustment for segment assets amounting to ¥41,412 million includes inter-segment elimination of negative ¥13,794 million and Group assets of ¥55,206 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.
- (3) Adjustment for depreciation and amortization amounting to negative ¥15 million includes inter-segment elimination of negative ¥15 million.
- (4) Adjustment for investments accounted for using the equity method amounting to ¥385 million includes intersegment elimination of negative ¥2 million and Group assets of ¥387 million that have not been distributed to reportable segments.
- (5) Adjustment for capital expenditure amounting to ¥213 million includes inter-segment elimination of negative ¥22 million and Group assets of ¥235 million that have not been distributed to reportable segments. These Group assets consist mainly of leased equipment, etc. for systems of subsidiaries.

Fiscal 2018 (From April 1, 2017 to March 31, 2018)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	263,310	231,260	153,075	54,453	702,099	12,691	–	714,790
Inter-segment	277	4	80	11	374	62	(436)	–
Total revenues	263,587	231,265	153,155	54,464	702,473	12,753	(436)	714,790
Segment profit (loss)	17,556	2,149	3,930	2,541	26,179	(20)	2	26,160
Other profit or loss:								
Depreciation and amortization	1,205	562	838	425	3,032	135	(21)	3,145
Share of profit (loss) of investments accounted for using the equity method	361	62	19	33	476	1,102	0	1,579
Segment assets	194,788	118,829	121,456	42,898	477,972	9,112	32,803	519,889
Other assets:								
Investments accounted for using the equity method	873	1,337	83	326	2,620	2,552	(3)	5,169
Capital expenditure	1,359	600	486	384	2,831	120	153	3,105

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

(Note 2) Adjustments are as follows.

- (1) The adjustment of ¥2 million for segment profit (loss) includes an inter-segment elimination of ¥2 million.
- (2) Adjustment for segment assets amounting to ¥32,803 million includes inter-segment elimination of negative ¥15,610 million and Group assets of ¥48,414 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.
- (3) Adjustment for depreciation and amortization amounting to negative ¥21 million includes inter-segment elimination of negative ¥21 million.
- (4) Adjustment for share of profit (loss) of investments accounted for using the equity method amounting to ¥0 includes inter-segment elimination of ¥0 million.
- (5) Adjustment for investments accounted for using the equity method amounting to negative ¥3 million includes intersegment elimination of negative ¥3 million.
- (6) Adjustment for capital expenditure amounting to ¥153 million includes inter-segment elimination of negative ¥0 million and Group assets of ¥153 million that have not been distributed to reportable segments. These Group assets consist mainly of leased equipment, etc. for systems of subsidiaries.

Adjustments from segment income (operating profit) to income before tax on the consolidated statements of income are as follows.

(Million yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Segment profit	22,633	26,160
Finance income and finance costs	(2,767)	(1,696)
Share of profit (loss) of investments accounted for using the equity method	(1,990)	1,579
Profit before tax	17,875	26,043

(Matters related to business combinations, etc.)

Business combinations that took place in the previous fiscal year (from April 1, 2016 to March 31, 2017) are as follows.

(1) Details of the business combination

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

(2) Main reasons for carrying out the business combination

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

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

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

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

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

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

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

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

(Million yen)

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

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

(6) Impacts of the business combination on cash flows

Payment of acquisition cost:	-¥17,400 million
Cash and cash equivalents on the acquisition date:	4,613 million
Payments for acquisition of subsidiaries shares:	-¥12,786 million

(7) Period for the operating results of the acquired company that are included in the consolidated financial statements

The operating results for the period between April 1, 2016 and March 31, 2017 are included.

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

Revenue: ¥27,800 million

Profit for the year: ¥161 million

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

No major business combinations took place in the fiscal year under review (from April 1, 2017 to March 31, 2018).

(Per share information)

(i) Basic earnings per share (yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Basic earnings per share (yen)	95.64	193.79

The amount of diluted earnings per share is the same as the basic earnings per share because there are no potential shares.

(ii) Basis for the calculation of basic earnings per share

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Profit attributable to owners of the parent (million yen)	8,049	16,317
Amount not attributable to common shareholders of the parent (million yen)	—	—
Profit used to calculate basic earnings per share (million yen)	8,049	16,317
Weighted average number of common shares (thousand shares)	84,164	84,202

(Note) The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on October 1, 2017. “Earnings per share attributable to owners of the Parent” is calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(Significant subsequent events)

Not applicable.

Highlights of Consolidated Financial Results for the Fiscal Year Ending March 2018 (IFRS)

■ **Revenue and profits increased. Profit attributable to owners of parent increased by 8.3 billion yen, or doubled, year on year.**

◇ **Revenue** **714.8 billion yen** **5.8% Up**

◇ **Operating profit** **26.2 billion yen** **15.6% Up**

◇ **Profit attributable to owners of the parent** **16.3 billion yen** **102.7% Up**

■ **15 billion yen, the target for profit set under VISION-130, the Company's medium-term vision, was achieved one year ahead of schedule.**

■ **The year-end dividend forecast has been revised upward, to 30.5 yen per share (48.0 yen for the annual dividend forecast).**

Assets and Liabilities					Comparison with 3/2017
(Unit: billion yen)	3/2017	3/2018	Change	Change(%)	
Total assets	479.7	519.9	40.2	8.4%	
Gross interest-bearing debt	133.8	137.3	3.5	2.6%	
Net interest-bearing debt	55.4	59.0	3.6	6.5%	
Shareholders' equity (Note 1)	100.4	116.0	15.7	15.6%	
Retained earnings	34.6	48.6	14.0	40.3%	
Other components of equity	11.4	13.1	1.6	14.4%	
Equity ratio (Note 2)	20.9%	22.3%	1.4pt up	-	
Net debt-equity ratio (Note 3)	0.55times	0.51times	0.04pt down	-	

【Total assets】
Increased 40.2 billion yen, mainly due to increases in trade receivables and inventories.

【Interest-bearing debt】
Net interest-bearing debt increased 3.6 billion yen.

【Shareholders' equity】
Shareholders' equity increased 15.7 billion yen, mainly due to increase in retained earnings.

As a result, the equity ratio stood at 22.3%, and net DER came to 0.51 times.

((Note 1)Shareholder's equity = Total equity attribute to owners of the parent (Note 2)Equity ratio = Shareholder's equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital

Profit & loss statement							【Revenue】 Increased 39.2 billion yen for all segments, particularly in the Steel, Materials & Plant segment.	
(Unit: billion yen)		FY2017	FY2018	Year-on-year		FY2019		
				Change	Change(%)	Forecast	YoY Change (%)	
Revenue		675.6	714.8	39.2	5.8%	760.0	6.3%	【Operating profit】 Increased 3.5 billion yen, driven mainly by the Electronics & Devices and the Steel, Materials & Plant segments.
Gross profit		100.1	106.4	6.2	6.2%	-	-	
Selling, general and administrative expenses		(76.2)	(78.4)	(2.3)	-	-	-	【Profit attributable to owners of the parent】 Increased 8.3 billion yen, due to improvement in the share of profit (loss) of investments accounted for using the equity method and improvement in income tax expense associated with the transfer of fixed assets, in addition to the increase in operating profit.
Other income (expenses)		(1.3)	(1.8)	(0.4)	-	-	-	
Operating profit		22.6	26.2	3.5	15.6%	30.0	14.7%	(Note) Earnings per share: Calculated on the assumption that the share consolidation (of one for five shares), which was implemented on October 1, 2017, was carried out at the beginning of the previous fiscal term.
	Interest income (expenses)	(1.9)	(2.1)	(0.2)	-	-	-	
	Dividend income	1.1	1.1	(0.0)	-	-	-	
	Other finance income (costs)	(2.0)	(0.7)	1.3	-	-	-	
Finance income (costs)		(2.8)	(1.7)	1.1	-	-	-	
Share of profit (loss) of investments accounted for using the equity method		(2.0)	1.6	3.6	-	-	-	
Profit before tax		17.9	26.0	8.2	45.7%	29.0	11.4%	
Income tax expense		(7.6)	(6.4)	1.2	-	-	-	
Profit for the year		10.3	19.7	9.4	91.1%	-	-	
Profit attributable to owners of the parent		8.0	16.3	8.3	102.7%	16.5	1.1%	
Earnings per share (yen)		95.64	193.79	98.15	102.6%	195.96	1.1%	

Cash Flows			【CF from operating activities】 Net cash provided by operating activities stood at 0.4 billion yen, mainly reflecting an accumulation of operating revenue, which was partly offset by the cash outflow due to increases in trade receivables and inventories.
(Unit:billion yen)	FY2017	FY2018	【CF from investing activities】 Net cash provided by investing activities stood at 1.1 billion yen, mainly due to proceeds from the transfer of fixed assets.
CF from operating activities	11.9	0.4	
CF from investing activities	(14.7)	1.1	【CF from financing activities】 Net cash used in financing activities was 0.8 billion yen, mainly due to cash dividends paid and repayments of loans payable, which was partly offset by proceeds from issuance of bonds.
Free cash flows	(2.8)	1.5	
CF from financing activities	(6.9)	(0.8)	
Increase (decrease) in cash and cash equivalents	(9.7)	0.7	

Dividends			
【FY2017】			
Interim	15.0 yen per share		
Year-end	15.0 yen per share		
Annual	30.0 yen per share		
【FY2018】			
Interim	17.5 yen per share		
Year-end (plan)	30.5 yen per share		
Annual(plan)	48.0 yen per share		
(Note) The amounts of the dividends for the previous term and the interim period under review are calculated on the assumption that the consolidation of shares was carried out at			
Annual	FY2016	FY2017	FY2018 (plan)
Consolidated payout ratio	23.5%	31.4%	24.8%

Segment information							【Electronics&Devices】 <u>Increase in revenue and profit</u> In the ICT solutions business, transactions mainly with the manufacturing and service industries remained strong. The mobile business also remained strong, reflecting synergies from the integration of mobile phone sales agent subsidiaries. The semiconductor manufacturing equipment business improved year on year, driven by the expansion of sales to China.	
(Unit: billion yen)		Revenue			Operating profit			
		FY2017	FY2018	Change	FY2017	FY2018	Change	
	Electronics & Devices	254.3	263.3	9.0	14.3	17.6	3.2	【Foods&Grain】 <u>Increase in revenue and decline in profit</u> The food business continued to grow. The meat products business slowed down in the second half of the year. The foodstuff business remained almost flat.
	Foods & Grain	227.8	231.3	3.5	2.5	2.1	(0.3)	
	Steel, Materials & Plant	131.2	153.1	21.9	2.8	3.9	1.1	
	Motor Vehicles & Aerospace	50.4	54.5	4.0	2.2	2.5	0.3	
Total for reportable segments		663.7	702.1	38.4	21.9	26.2	4.3	【Steel, Materials & Plant】 <u>Increase in revenue and profit</u> The oilfield tubing business improved significantly in North America, given the higher oil prices. The functional chemicals and the plant and infrastructure businesses also continued to grow.
Other (including adjustment)		11.9	12.7	0.8	0.8	(0.0)	(0.8)	
Grand total		675.6	714.8	39.2	22.6	26.2	3.5	
								【Motor Vehicles & Aerospace】 <u>Increase in revenue and profit</u> The motor vehicles and parts business for the Middle and Near East remained steady. The aerospace business maintained strong performance, mainly attributable to the strong performance of transactions of aerospace-related products and aircraft parts.

