Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the First Nine Months of the Fiscal Year Ending March 2019 (IFRS)

February 5, 2019

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Stock Exchange listing: Tokyo Stock Exchange
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): February 8, 2019
Scheduled date for commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated business results for the first nine months of the fiscal year ending March 2019 (April 1, 2018 – December 31, 2018)

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

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Nine Months to December 2018	536,931	3.1	21,677	15.4	20,895	14.1	14,305	0.0	11,789	(3.5)	11,583	(41.7)
First Nine Months to December 2017	520,914	5.5	18,781	23.5	18,308	30.6	14,304	61.5	12,214	68.0	19,884	55.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Nine Months to December 2018	140.60	140.60
First Nine Months to December 2017	145.07	145.07

(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
	Million yen	Million yen	Million yen	%
As of December 31, 2018	535,752	151,157	119,124	22.2
As of March 31, 2018	519,889	147,050	116,012	22.3

2. Dividends

	Annual dividends				
(Record date)	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2018	–	3.50	–	30.50	–
Fiscal year ending March 2019	–	25.00	–		
Fiscal year ending March 2019 (Forecasts)				25.00	50.00

(Notes) 1. Revisions to dividend forecasts published most recently: None
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.

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

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

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: Yes
2. Changes in accounting policies other than 1.: None
3. Changes in accounting estimates: None

(Note) Refer to "2. Condensed Consolidated Financial Statements and Major Notes, (5) Notes on condensed consolidated financial statements (Changes in accounting policies)" on page 10 of the accompanying materials for further information.

(3) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock

First nine months (2018/12):	84,500,202 shares	Fiscal year (2018/3):	84,500,202 shares

2. Number of treasury stock

First nine months (2018/12):	1,001,225 shares	Fiscal year (2018/3):	290,203 shares

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

First nine months (2018/12):	83,853,964 shares	First nine months (2017/12):	84,200,683 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.

* Quarterly consolidated financial summaries are not subject to quarterly review 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 "(3) Information on the future outlook, including consolidated business performance forecasts" in "1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 2019" on page 3 of accompanying materials for further information on results forecasts.

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1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 2019

(1) Details of consolidated results

During the first nine months under review (from April 1, 2018 to December 31, 2018), the global economy continued to grow moderately, despite concerns about irregularities in the financial market and the escalation of trade wars.
The U.S. economy was in a sustainable expansionary phase, anticipating the longest period of economic expansion in the post-war era, driven by improvements in employment and income conditions and the effect of tax cuts derived from tax reforms, while it faced irregularities in the financial market evolved from the monetary policy of the FRB. The European economy continued to grow relatively favorably, despite concerns regarding Brexit and the political situation in some countries. While emerging Asian countries continued to enjoy a generally strong economy, growth in the Chinese economy decelerated due to the intensified trade friction.
The Japanese economy continued to grow moderately due to the expansion of capital investment and employment and a high level of corporate earnings following solid economies in Japan and overseas.

In this environment, the results of the Group for the first nine months under review are as shown below.
Consolidated revenue rose ¥16,017 million (3.1%) year on year, to ¥536,931 million. Consolidated gross profit increased ¥3,046 million (4.0%) from a year earlier, to ¥79,343 million. Consolidated operating profit rose ¥2,896 million (15.4%) from a year earlier, to ¥21,677 million, due to an increase in gross profit. Profit before tax increased ¥2,587 million (14.1%) year on year, to ¥20,895 million, as a result of an improvement in finance income, offsetting the deterioration of the share of profit (loss) of investment accounted for using the equity method. Profit attributable to owners of the parent declined ¥425 million (3.5%) year on year, to ¥11,789 million, due to an increase in tax expenses.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions continued to be solid, primarily with the manufacturing and service industries. The mobile business remained strong, reflecting the continued manifestation of synergies from the integration of mobile phone sales agent subsidiaries.
As a result of these conditions, revenue in the Electronics & Devices segment rose ¥1,989 million year on year, to ¥187,760 million. Operating profit climbed ¥837 million to ¥12,407 million.

(ii) Foods & Grain

The feedstuff business showed continued strength with the recovery of feedstuff prices in Japan. The food business also remained solid. The meat products business remained firm, despite some backlash to the strong performance in the previous fiscal year.
As a result, revenue in the Foods & Grain segment rose ¥8,978 million year on year, to ¥183,695 million. Operating profit climbed ¥396 million, to ¥3,275 million.

(iii) Steel, Materials & Plant

While the energy business faced a hard time on the back of falling oil prices, the oilfield tubing business in North America, the plant business and transactions related to machine tools and industrial machinery remained strong.
As a result, revenue in the Steel, Materials & Plant segment declined ¥3,517 million year on year, to ¥106,479 million. Operating profit climbed ¥839 million, to ¥3,162 million.

(iv) Motor Vehicles & Aerospace

In the aerospace business, aircraft parts is particular held steady. The motor vehicles and parts business also remained solid.
As a result, revenue in the Motor Vehicles & Aerospace segment rose ¥9,102 million year on year, to ¥49,634 million. Operating profit fell ¥44 million, to ¥2,129 million.

(v) Other

Revenue fell ¥533 million from a year earlier, to ¥9,362 million. Operating profit increased ¥846 million, to ¥684 million, because an impairment loss on fixed assets due to the transfer of the golf business had been posted in the previous fiscal year.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first nine months of the fiscal year under review increased ¥15,863 million from the end of the previous fiscal year, to ¥535,752 million.

Interest-bearing debt increased ¥10,213 million from the end of the previous fiscal year, to ¥147,539 million. Net interest-bearing debt after deducting cash and deposits rose ¥8,435 million from the end of the previous fiscal year, to ¥67,480 million.

In terms of equity, equity attributable to owners of the parent rose ¥3,112 million from the end of the previous fiscal year, to ¥119,124 million, mainly reflecting an increase in retained earnings.

As a result, the ratio of equity attributable to owners of the parent came to 22.2%. The net debt-equity ratio ("net DER") was 0.6 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first nine months under review rose ¥1,820 million from the end of the previous fiscal year, to ¥79,551 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities in the first nine months under review stood at ¥5,097 million (versus net cash used of ¥1,147 million in the first nine months of the previous fiscal year), primarily reflecting the accumulation of operating income.

(Cash flows from investing activities)

Net cash used in investing activities in the first nine months under review stood at ¥4,550 million (versus net cash used of ¥1 million in the first nine months of the previous fiscal year), mainly reflecting the acquisition of property, plant and equipment and the conversion of G-Printec, Inc. into a consolidated subsidiary.

(Cash flows from financing activities)

Net cash provided by financing activities in the first nine months under review was ¥990 million (versus net cash used of ¥3,877 million in the first nine months of the previous fiscal year), mainly due to an increase in borrowings, despite cash dividends paid and the acquisition of treasury stock by the stock delivery trust based on the performance-linked stock compensation plan.

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

We have not changed the forecasts for consolidated results that we announced on May 9, 2018.

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

2. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated statement of financial position

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	77,731	79,551
Trade and other receivables	220,583	220,919
Inventories	93,957	98,555
Other investments	–	1,010
Other financial assets	2,433	2,694
Other current assets	19,955	31,238
Total current assets	414,662	433,970
Non-current assets		
Property, plant and equipment	21,900	22,090
Goodwill	6,571	10,880
Intangible assets	20,377	20,374
Investments accounted for using the equity method	5,169	4,521
Trade and other receivables	1,582	1,449
Other investments	37,969	31,304
Other financial assets	4,479	4,417
Deferred tax assets	3,696	3,273
Other non-current assets	3,478	3,470
Total non-current assets	105,226	101,782
Total assets	519,889	535,752

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	188,791	188,889
Bonds and borrowings	61,210	67,640
Other financial liabilities	7,009	7,569
Income taxes payable	3,773	1,045
Provisions	156	161
Other current liabilities	23,371	25,843
Total current liabilities	284,313	291,150
Non-current liabilities		
Bonds and borrowings	76,116	79,899
Other financial liabilities	2,853	2,823
Retirement benefits liabilities	6,340	6,843
Provisions	1,639	1,463
Deferred tax liabilities	641	1,201
Other non-current liabilities	933	1,215
Total non-current liabilities	88,525	93,445
Total liabilities	372,838	384,595
Equity		
Share capital	27,781	27,781
Capital surplus	26,810	26,860
Retained earnings	48,559	55,661
Treasury stock	(193)	(1,321)
Other components of equity		
Exchange differences on translation of foreign operations	1,275	1,882
Financial assets measured at fair value through other comprehensive income	12,684	8,729
Cash flow hedges	(905)	(469)
Total other components of equity	13,055	10,142
Total equity attributable to owners of the parent	116,012	119,124
Non-controlling interests	31,037	32,032
Total equity	147,050	151,157
Total liabilities and equity	519,889	535,752

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

(Condensed consolidated statements of income)

(First nine months)

(Million yen)

	Previous first nine months (From April 1, 2017 to December 31, 2017)	First nine months under review (From April 1, 2018 to December 31, 2018)
Revenue	520,914	536,931
Cost of sales	(444,616)	(457,588)
Gross profit	76,297	79,343
Selling, general and administrative expenses	(57,402)	(58,533)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(94)	(14)
Impairment loss on property, plant and equipment and intangible assets	(1,059)	–
Other income	1,496	1,882
Other expenses	(457)	(1,000)
Total other income (expenses)	(114)	867
Operating profit	18,781	21,677
Finance income		
Interest income	284	280
Dividend income	603	696
Other finance income	10	–
Total finance income	897	976
Finance costs		
Interest expenses	(1,813)	(1,949)
Other finance costs	(966)	(122)
Total finance costs	(2,780)	(2,071)
Share of profit (loss) of investments accounted for using the equity method	1,409	313
Profit before tax	18,308	20,895
Income tax expense	(4,004)	(6,590)
Profit for the period	14,304	14,305
Profit attributable to:		
Owners of the parent	12,214	11,789
Non-controlling interests	2,089	2,515
Total	14,304	14,305
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	145.07	140.60
Diluted earnings per share (yen)	145.07	140.60

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

(Million yen)

	Previous first nine months (From April 1, 2017 to December 31, 2017)	First nine months under review (From April 1, 2018 to December 31, 2018)
Profit for the period	14,304	14,305
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	4,832	(4,075)
Remeasurement of defined benefit pension plans	76	5
Share of other comprehensive income of investments accounted for using the equity method	7	(9)
Total items that will not be reclassified to profit or loss	4,915	(4,079)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	652	1,006
Cash flow hedges	50	411
Share of other comprehensive income of investments accounted for using the equity method	(38)	(59)
Total items that may be reclassified to profit or loss	664	1,358
Other comprehensive income for the period, net of tax	5,580	(2,721)
Total comprehensive income for the period	19,884	11,583
Total comprehensive income for the period attributable to:		
Owners of the parent	17,616	8,906
Non-controlling interests	2,268	2,677
Total	19,884	11,583

(3) Condensed consolidated statement of changes in equity

(Million yen)

	Previous first nine months (From April 1, 2017 to December 31, 2017)	First nine months under review (From April 1, 2018 to December 31, 2018)
Equity		
Share capital		
Balance at the beginning of the period	27,781	27,781
Balance at the end of the period	27,781	27,781
Capital surplus		
Balance at the beginning of the period	26,797	26,810
Disposition of treasury stock	13	2
Equity transactions with non-controlling interests	0	(0)
Other changes	–	48
Balance at the end of the period	26,811	26,860
Retained earnings		
Balance at the beginning of the period	34,579	48,559
Cumulative effects of changes in accounting policies	–	(61)
Restated balance	34,579	48,498
Dividends	(2,736)	(4,655)
Profit attributable to owners of the parent	12,214	11,789
Reclassification from other components of equity	183	29
Balance at the end of the period	44,241	55,661
Other components of equity		
Balance at the beginning of the period	11,416	13,055
Exchange differences on translation of foreign operations	508	606
Financial assets measured at fair value through other comprehensive income	4,766	(3,945)
Cash flow hedges	51	435
Remeasurement of defined benefit pension plans	76	19
Reclassification to retained earnings	(183)	(29)
Balance at the end of the period	16,635	10,142
Treasury stock		
Balance at the beginning of the period	(217)	(193)
Acquisition of treasury stock	(6)	(1,128)
Disposition of treasury stock	30	1
Balance at the end of the period	(193)	(1,321)
Total equity attributable to owners of the parent	115,275	119,124
Non-controlling interests		
Balance at the beginning of the period	29,506	31,037
Dividend payments to non-controlling interest shareholders	(1,274)	(1,682)
Equity transactions with non-controlling interests	(1)	(0)
Profit attributable to non-controlling interests	2,089	2,515
Other components of equity	178	162
Exchange differences on translation of foreign operations	103	315
Financial assets measured at fair value through other comprehensive income	73	(139)
Cash flow hedges	0	0
Remeasurement of defined benefit pension plans	–	(14)
Balance at the end of the period	30,498	32,032
Total equity	145,774	151,157
Total comprehensive income for the period attributable to:		
Owners of the parent	17,616	8,906
Non-controlling interests	2,268	2,677
Total comprehensive income for the period	19,884	11,583

(4) Condensed consolidated statements of cash flows

(Million yen)

	Previous first nine months (From April 1, 2017 to December 31, 2017)	First nine months under review (From April 1, 2018 to December 31, 2018)
Cash flows from operating activities:		
Profit for the period	14,304	14,305
Depreciation and amortization	2,383	2,398
Impairment loss on property, plant and equipment and intangible assets	1,059	–
Finance income and costs	1,882	1,094
Share of (profit) loss of investments accounted for using the equity method	(1,409)	(313)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	94	14
Income tax expense	4,004	6,590
(Increase) decrease in trade and other receivables	(25,516)	4,035
(Increase) decrease in inventories	(16,265)	(3,807)
Increase (decrease) in trade and other payables	27,175	(10,506)
Increase (decrease) in retirement benefit liabilities	19	1
Other	(3,530)	(2,642)
Sub total	4,201	11,171
Interest received	281	266
Dividends received	1,866	1,409
Interest paid	(1,647)	(1,819)
Income taxes paid	(5,850)	(5,930)
Net cash provided by (used in) operating activities	(1,147)	5,097
Cash flows from investing activities:		
Payments for property, plant and equipment	(1,516)	(2,171)
Proceeds from sales of property, plant and equipment	1,278	642
Payments for intangible assets	(208)	(328)
Purchases of other investments	(91)	(512)
Proceeds from sale of other investments	242	13
Payments for other financial assets	–	(0)
Proceeds from sale of other financial assets	1,010	–
Proceeds from (payments for) acquisition of subsidiaries	(362)	(1,729)
Increase in loans receivable	(1,412)	(732)
Proceeds from collection of loans receivable	1,216	242
Other	(157)	27
Net cash provided by (used in) investing activities	(1)	(4,550)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(577)	9,056
Proceeds from long-term borrowings	2,093	7,051
Repayment of long-term borrowings	(11,214)	(7,628)
Proceeds from issuance of bonds	9,928	–
Dividends paid	(2,636)	(4,529)
Purchase of treasury stock	(7)	(1,129)
Dividend payments to non-controlling interest shareholders	(1,257)	(1,657)
Other	(205)	(172)
Net cash provided by (used in) financing activities	(3,877)	990
Increase (decrease) in cash and cash equivalents, net	(5,026)	1,537
Cash and cash equivalents at the beginning of the period	77,566	77,731
Effect of exchange rate changes on cash and cash equivalents	135	282
Cash and cash equivalents at end of the period	72,675	79,551

(5) Notes on condensed consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Changes in accounting policies)

Important accounting policies applied to the condensed consolidated financial statements of the Consolidated Group are the same as the accounting policies applied to the consolidated financial statements for the previous fiscal year, except for the following.

(IFRS 15 "Revenue from Contracts with Customers")

The Consolidated Group has adopted IFRS 15 "Revenue from Contracts with Customers" from the first nine months under review. On the occasion of adopting IFRS 15, the Consolidated Group has adopted a method of recognizing the cumulative effects of adopting this standard on the commencement date of adoption, which is accepted as a transitional measure.

(1) Recognition of revenue

Associated with the adoption of IFRS 15, the Consolidated Group recognizes revenue based on the following five-step approach.

Step 1: Identifying the contracts with customers

Step 2: Identifying the performance obligations in the contracts

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to the performance obligations in the contracts

Step 5: Recognizing revenue when (or as) an entity satisfies the performance obligations

The Consolidated Group's principal business is to sell goods in the four segments of Electronics & Devices, Foods & Grain, Steel, Materials & Plant, and Motor Vehicles & Aerospace. It recognizes revenue from the sale of these goods at the time when performance obligations are delivered because customers obtain control of the goods and the performance obligations are satisfied at the time of delivery in many cases. In the provision of some services, the Consolidated Group recognizes revenue in accordance with the performance obligations that will be satisfied within a certain period of time according to the progress of individual contracts.

The Consolidated Group also measures revenue at an amount obtained by deducting discounts, rebates and returned goods from the promised consideration in the contract with the customer. If there is more than one performance obligation in a single transaction, the Consolidated Group divides the transaction into performance obligations and recognizes revenue for each performance obligation. In addition, if an economic reality is not presented unless multiple contracts are considered as one, the Consolidated Group recognizes revenue by combining the multiple contracts.

If the Consolidated Group receives compensation from the customer before satisfying the performance obligations, the Consolidated Group recognizes it as a contract liability.

As a result of identifying contracts with customers and performance obligations and determining the transaction prices based on the five-step approach above and comparing revenue based on this approach with revenue recognized based on the prior and existing accounting standards, a difference has occurred in the time of recognizing the satisfaction of the performance obligations in some transactions.

(2) Presentation of revenues

If the Consolidated Group conducts a transaction as a party involved, the Consolidated Group presents revenue at the total amount of consideration received from the customer. If the Consolidated Group conducts a transaction as a proxy for a third party, the Consolidated Group presents revenue at the net amount of the commission.

When the Consolidated Group determines whether it conducts a transaction as a party involved or as a proxy for a third party, the Consolidated Group takes the following indicators into account.

- Whether the other party has the principal responsibility for fulfilling the contract.
- Whether a Kanematsu Group company has the inventory risk both when goods are shipped and when goods are returned before and after the customer places an order for the goods.
- Whether the benefits that a Kanematsu Group company can receive from the goods or services of the other party are limited because the Kanematsu Group company does not have discretion over the setting of the price of the goods or services of the other party.

As a result of reversing a provision (non-current) of ¥209 million and recognizing contract assets of ¥5 million and contract liabilities of ¥275 million at the beginning of the first three months under review in the condensed consolidated statement of financial position in comparison with the case where the prior and existing accounting standards are applied, retained earnings have decreased ¥61 million.

In comparison with the case in which the previous accounting standards were adopted, revenue and cost of sales increased ¥52 million and ¥14 million, respectively, in the condensed consolidated statements of income for the first nine months under review. In addition, in the condensed consolidated statements of financial position at the end of the first nine months under review, trade and other receivables (current assets), other current assets, other non-current assets, other current liabilities and other non-current liabilities increased ¥35 million, ¥16 million, ¥4 million, ¥51 million and ¥214 million, respectively, while inventories and provisions (non-current liabilities) decreased ¥38 million and ¥224 million, respectively.

(Changes in presentation method)

(Condensed consolidated statements of cash flows)

“Purchase of treasury stock,” which was included in “Other” of “Cash flows from financing activities” in the first nine months of the previous fiscal year, is presented separately in the first nine months under review because its significance in terms of value has increased. Associated with this, -¥212 million presented in “Other” of “Cash flows from financing activities” in the condensed consolidated statements of cash flows in the first nine months of the previous fiscal year has been reclassified into “Purchase of treasury stock” of -¥7 million and “Other” of -¥205 million.

(Segment information)

Income figures for reportable segments are based on operating profit for the segments.
Inter-segment revenue and transfers are determined according to transaction prices with outside customers.

I. Previous first nine months (From April 1, 2017 to December 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	185,771	174,717	109,996	40,532	511,018	9,895	–	520,914
Inter-segment	178	4	53	11	248	47	(295)	–
Total revenues	185,950	174,722	110,050	40,543	511,266	9,943	(295)	520,914
Segment profit (loss)	11,570	2,879	2,323	2,173	18,947	(162)	(3)	18,781

(Note 1) “Other” is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and geotech business, etc.
(Note 2) The adjustment of -¥3 million for segment profit (loss) includes an inter-segment elimination of -¥3 million.

II. First nine months under review (From April 1, 2018 to December 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	187,760	183,695	106,479	49,634	527,569	9,362	–	536,931
Inter-segment	198	1	57	23	280	68	(349)	–
Total revenues	187,959	183,696	106,536	49,657	527,850	9,431	(349)	536,931
Segment profit (loss)	12,407	3,275	3,162	2,129	20,974	684	17	21,677

(Note 1) “Other” is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and geotech business, etc.
(Note 2) The adjustment of ¥17 million for segment profit (loss) includes an inter-segment elimination of ¥17 million.

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

(Million yen)

	Previous first nine months (From April 1, 2017 to December 31, 2017)	First nine months under review (From April 1, 2018 to December 31, 2018)
Segment profit	18,781	21,677
Finance income and finance costs	(1,882)	(1,094)
Share of profit (loss) of investments accounted for using the equity method	1,409	313
Profit before tax	18,308	20,895

(Matters related to business combinations, etc.)

There was no major business combination in the first nine months of the previous fiscal year (from April 1, 2017 to December 31, 2017).

The major business combination that took place in the first nine months under review (from April 1, 2018 to December 31, 2018) was as follows.

(1) Details of the business combination

Name of the acquired company:	G-Printec, Inc.
Business of the acquired company:	Development, manufacture and sale of card printers and related devices
Acquisition date:	December 3, 2018
Legal form of the business combination:	Acquisition of shares with cash as consideration
Name of the controlling entity after the business combination:	G-Printec, Inc.
Percentage share of voting rights acquired:	Percentage share of voting rights owned immediately before the acquisition date 40.0%
	Percentage share of voting rights additionally acquired on the acquisition date 60.0%
	Percentage share of voting rights after acquisition 100.0%

(2) Main reasons for carrying out the business combination

The card printer business, one of the key businesses in the Electronics & Devices segment, has been focusing on the distribution of card printers for many years. We position G-Printec, Inc. as an important strategic function to further enhance the added value of the card printer business, and we have decided that the acquisition of the printer design and development functions of G-Printer, Inc. will contribute to the enhancement of the corporate value of the Consolidated Group, because it will enable us to mutually generate synergistic effects by meeting even more diversified customer needs.

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

Consideration for acquisition	
Fair value on the acquisition date of shares of the acquired company held immediately before the acquisition date	¥1,440 million
Fair value of shares of the acquired company additionally acquired on the acquisition date	¥2,160 million
Acquisition cost	¥3,600 million

(4) Gain on step acquisitions

Gain on step acquisitions of ¥610 million is recorded in “Other income” in the condensed consolidated statements of income as a result of re-measuring the fair value on the acquisition date of equity interest in the acquired company held immediately before the acquisition date.

(5) Fair value of assets and liabilities acquired

(Million yen)

Items	Amounts
Cash and cash equivalents	439
Trade receivables	845
Inventories	301
Other current assets	91
Property, plant and equipment	124
Intangible assets	52
Other non-current assets	879
Current liabilities	(1,740)
Non-current liabilities	(1,742)
Goodwill	4,347
Total	3,600

(Notes) 1. Assets and liabilities acquired are amounts calculated provisionally, because the allocation of the acquisition cost is not yet completed.
2. Goodwill arises from excess earning power that is expected in the future. The amount of goodwill is calculated provisionally.

(6) Impacts of the business combination on cash flows

Payment of acquisition cost:	-¥2,160 million
Cash and cash equivalents of the acquired company:	439 million
Net payment for acquisition of subsidiaries:	-¥1,720 million

(7) Impact on the operating results of the Consolidated Group

Business results of the acquired company from the acquisition date to December 31, 2018 were not significant.

Assuming that the business combination was effective at the beginning of the period, revenue and profit for the year attributable to owners of the parent in pro forma information (unaudited) are ¥539,303 million and ¥11,944 million respectively.

(Significant subsequent events)

Not applicable.

[Supplementary material]

February 5, 2019
Kanematsu Corporation

Highlights of Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 2019 (IFRS)

■Revenue increased but profits declined. Operating profit increased 15.4% year on year.

◇Revenue	536.9 billion yen	3.1% up
◇Operating profit	21.7 billion yen	15.4% up
◇Profit attributable to owners of the parent	11.8 billion yen	3.5% down

Profit & loss statement

(Unit: billion yen)	Q3 of FY2018	**Q3 of FY2019**	Year-on-year Change	Year-on-year Change(%)	FY2019 Forecast	FY2019 Progress (%)
Revenue	520.9	**536.9**	16.0	3.1%	760.0	70.6%
Gross profit	76.3	**79.3**	3.0	4.0%	-	-
Selling, general and administrative expenses	(57.4)	**(58.5)**	(1.1)	-	-	-
Other income (expenses)	(0.1)	**0.9**	1.0	-	-	-
Operating profit	18.8	**21.7**	2.9	15.4%	30.0	72.3%
Interest income (expenses)	(1.5)	**(1.7)**	(0.1)	-	-	-
Dividend income	0.6	**0.7**	0.1	-	-	-
Other finance income (costs)	(1.0)	**(0.1)**	0.8	-	-	-
Finance income (costs)	(1.9)	**(1.1)**	0.8	-	-	-
Share of profit (loss) of investments accounted for using the equity method	1.4	**0.3**	(1.1)	-	-	-
Profit before tax	18.3	**20.9**	2.6	14.1%	29.0	72.1%
Income tax expense	(4.0)	**(6.6)**	(2.6)	-	-	-
Profit for the period	14.3	**14.3**	0.0	0.0%	-	-
Profit attributable to owners of the parent	12.2	**11.8**	(0.4)	(3.5%)	16.5	71.5%
Earnings per share (yen)	145.07	**140.60**	(4.47)	–	195.96	–

【Revenue】
Increased 16.0 billion yen, driven mainly by the Motor Vehicles & Aerospace and the Foods & Grain segments.

【Operating profit】
Increased 2.9 billion yen, driven mainly by the Steel, Materials & Plant and the Electronics & Devices segments.

【Profit attributable to owners of the parent】
Decreased 0.4 billion yen mainly due to the extinction of a temporary factor to improve income tax expenses included in the previous fiscal year, despite an increase in profit before tax.

Segment information

(Unit: billion yen)	Revenue Q3 of FY2018	Revenue **Q3 of FY2019**	Revenue Change	Operating profit Q3 of FY2018	Operating profit **Q3 of FY2019**	Operating profit Change
Electronics & Devices	**185.8**	**187.8**	2.0	**11.6**	**12.4**	0.8
Foods & Grain	**174.7**	**183.7**	9.0	**2.9**	**3.3**	0.4
Steel, Materials & Plant	**110.0**	**106.5**	(3.5)	**2.3**	**3.2**	0.8
Motor Vehicles & Aerospace	**40.5**	**49.6**	9.1	**2.2**	**2.1**	(0.0)
Total for reportable segments	**511.0**	**527.6**	16.6	**18.9**	**21.0**	2.0
Other (including adjustment)	**9.9**	**9.4**	(0.5)	**(0.2)**	**0.7**	0.8
Grand total	520.9	**536.9**	16.0	**18.8**	**21.7**	2.9

【Electronics&Devices】 An increase in revenue and profit
In the ICT solutions business, transactions mainly with the manufacturing and service industries remained solid. The mobile business remained strong, reflecting the continuing synergies from the integration of mobile phone sales agent subsidiaries.

【Foods&Grain】 An increase in revenue and profit
The feedstuff business remained strong due to the recovery of feedstuff prices in Japan. The food business also remained solid. The meat products business remained firm despite some reaction to the strong performance of the previous fiscal year.

【Steel, Materials & Plant】 A decline in revenue and increase in profit
While the energy business faced a hard time on the back of falling oil prices, the oilfield tubing business in North America, the plant business and transactions related to machine tools and industrial machinery remained strong.

【Motor Vehicles & Aerospace】Revenue increased and profits remained the same.
In the aerospace business, primarily transactions of aircraft parts remained steady. The motor vehicles and parts business also remained strong.

Assets and Liabilities

(Unit: billion yen)	3/2018	**12/2018**	Comparison with 3/2018 Change	Comparison with 3/2018 Change(%)
Total assets	519.9	**535.8**	15.9	3.1%
Gross interest-bearing debt	137.3	**147.5**	10.2	7.4%
Net interest-bearing debt	59.0	**67.5**	8.4	14.3%
Shareholders' equity (Note 1)	116.0	**119.1**	3.1	2.7%
Retained earnings	48.6	**55.7**	7.1	14.6%
Other components of equity	13.1	**10.1**	(2.9)	(22.3%)
Equity ratio (Note 2)	22.3%	**22.2%**	0.1pt down	-
Net debt-equity ratio (Note 3)	0.51times	**0.57times**	0.06pt up	-

(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

【Total assets】
Increased 15.9 billion yen due to an increase in current assets, etc.

【Interest-bearing debt】
Net interest-bearing debt rose 8.4 billion yen.

【Shareholders' equity】
Increased 3.1 billion yen, mainly reflecting an increase in retained earnings.

The equity ratio was 22.2%, and the net debt-equity ratio was 0.6 times.

Cash Flows

(Unit: billion yen)	Q3 of FY2018	**Q3 of FY2019**
CF from operating activities	**(1.1)**	**5.1**
CF from investing activities	**(0.0)**	**(4.6)**
Free cash flows	**(1.1)**	**0.5**
CF from financing activities	**(3.9)**	**1.0**
Increase (decrease) in cash and cash equivalents	**(5.0)**	**1.5**

【CF from operating activities】
Net cash provided by operating activities stood at 5.1 billion yen, mainly reflecting the accumulation of operating revenue.

【CF from investing activities】
Net cash used in investing activities was 4.6 billion yen mainly due to the acquisition of property, plant and equipment and subsidiaries.

【CF from financing activities】
Net cash provided by financing activities was 1.0 billion yen, mainly due to an increase in borrowings, despite cash dividends paid and the acquisition of treasury stock under the performance-linked stock compensation plan.

Dividends

【FY2018】

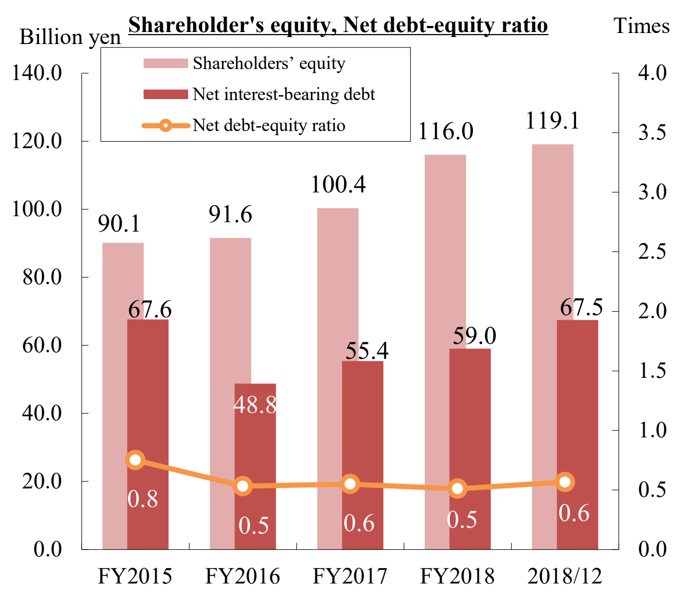
Interim	**17.5 yen per share**
Year-end	**30.5 yen per share**
Annual	**48.0 yen per share**

【FY2019】

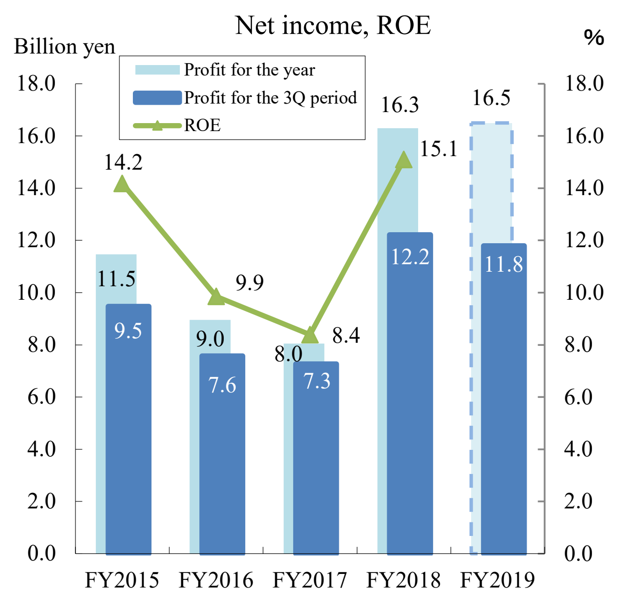
Interim	**25.0 yen per share**
Year-end (Plan)	**25.0 yen per share**
Annual (Plan)	**50.0 yen per share**

The interim dividend for the fiscal year ended March 31, 2018 reflects the impact of stock consolidation on October 1, 2017

Annual	FY2017	FY2018	FY2019 (Plan)
Consolidated payout ratio	31.4%	24.8%	25.5%



*FY2015: Based on the Japanese standard. FY2016 -2018/12: Based on IFRS



*FY2015: Based on the Japanese standard. FY2016 - FY2019: Based on IFRS.
*The cumulative total for FY2019 is a forecast.

* The forward-looking statements, including results forecasts, included in this material are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not promise to achieve them. Actual results might differ materially from the forecasts due to a number of factors.
* Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.
* FY2019 = The fiscal year ended March 31, 2019