Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the FY 2019 Ended March 31, 2019 (IFRS)

May 10, 2019

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange
Stock code: 8020 URL: http://www.kanematsu.co.jp
Representative: President, Kaoru Tanigawa
Contact: General Manager of Accounting Dept., Reiki Fujii
TEL (03) 5440-8111
Scheduled date for the Ordinary General Meeting of Shareholders: June 21, 2019
Scheduled date for commencement of dividend payments: June 3, 2019
Scheduled date for the submission of financial statements: June 21, 2019
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 2019 (April 1, 2018 – March 31, 2019)

(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 2019	723,849	1.3	30,349	16.0	29,177	12.0	20,449	4.0	16,605	1.8	19,108	(10.7)
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

	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 2019	198.22	198.15	13.8	5.5
Fiscal year ended March 2018	193.79	193.79	15.1	5.2

(Reference) Share of profit (loss) of investments accounted for using the equity method: 363 million yen for the fiscal year ended March 2019
1,579 million yen for the fiscal year ended March 2018

(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, 2019	549,459	158,698	125,246	22.8	1,499.86
As of March 31, 2018	519,889	147,050	116,012	22.3	1,377.66

(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 2019	24,698	(6,575)	(7,158)	88,941
Fiscal year ended March 2018	434	1,103	(842)	77,731

2. Dividends

	Annual dividends					Annual total of dividend	Payout ratio (Consolidated)	Dividend on equity attributable to owners of the parent (Consolidated)
(Record date)	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 2018	–	3.50	–	30.50	–	4,043	24.8	3.7
Fiscal year ended March 2019	–	25.00	–	35.00	60.00	5,054	30.3	4.2
Fiscal year ending March 2020 (Forecasts)	–	30.00	–	30.00	60.00		29.6	

(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.

3. Forecasts for consolidated results ending March 2020 (April 1, 2019 – March 31, 2020)

(%: 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	740,000	2.2	31,000	2.1	30,000	2.8	17,000	2.4	202.93

* 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

(3) Number of outstanding shares (common shares)
1. Number of outstanding shares including treasury stock
   Fiscal year (2019/3): 84,500,202 shares Fiscal year (2018/3): 84,500,202 shares
2. Number of treasury stock
   Fiscal year (2019/3): 994,666 shares Fiscal year (2018/3): 290,203 shares
3. Average number of shares during the period
   Fiscal year (2019/3): 83,773,300 shares Fiscal year (2018/3): 84,202,473 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 2019 (April 1, 2018 – March 31, 2019)
(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 2019	408,393	(7.9)	697	(77.8)	9,703	(8.1)	7,189	(28.9)
Fiscal year ended March 2018	443,507	7.8	3,142	6.5	10,560	33.4	10,114	76.5

	Profit for the year per share	Diluted profit for the year per share
	Yen	Yen
Fiscal year ended March 2019	85.79	–
Fiscal year ended March 2018	120.05	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	279,751	93,925	33.6	1,124.43
As of March 31, 2018	277,858	93,258	33.6	1,106.98

(Reference) Shareholders' equity 93,925 million yen for the fiscal year ended March 2019
93,258 million yen for the fiscal year ended March 2018

* 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
1. 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 2019, (ii) Future outlook" on page 3 of accompanying materials for further information on results forecasts.
2. The Company operates its businesses on a consolidated basis. The Company produces no forecast for non-consolidated business results.
3. The Company plans to hold a results briefing for institutional investors and analysts on Thursday, May 16, 2019. Results briefing materials distributed at the results briefing will be posted on the Company's website immediately after it is held.

Accompanying Materials – Contents

1. Overview of Business Results, Etc.

(1) Overview of business results in the fiscal year ended March 2019
(i) Review of operations in the fiscal year ended March 2019
In the fiscal year under review, the global economy continued to grow moderately, despite concerns about irregularities in the financial market and the escalation of trade friction.
The U.S. economy was in a sustainable expansionary phase, anticipating the longest period of economic expansion in the post-war era, driven by firm consumer spending, 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. However, in the European economy, Brexit, a slowdown in Germany's economy and Italy's financial instability gave cause for concern. Emerging Asian countries also experienced a modest downturn mainly due to interest rate rises and 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 firm corporate earnings, while it was also affected by the global economy.

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

Profit decreased in the energy business, which was affected by falling crude oil prices, and in the motor vehicles and parts business, where transactions in the Middle East declined due to the U.S. economic sanctions. Both revenue and profit fell in the semiconductor parts and manufacturing equipment business, which was affected by the U.S.-China trade friction. However, the overall results were driven by the businesses that recorded increases in both revenue and profit in business domains such as the ICT solutions business, which profited from strong IT investment demand, the mobile business, where synergies from the integration of mobile phone sales agent subsidiaries continued, the feedstuff business, which benefited from stable mixed fixed feed, and the aerospace business, where aircraft parts transactions with public offices and overseas were strong.

Consolidated revenue rose ¥9,059 million (1.3%) year on year, to ¥723,849 million. Consolidated gross profit increased ¥3,643 million (3.4%) from a year earlier, to ¥110,014 million. Consolidated operating profit rose ¥4,189 million (16.0%) from a year earlier, to ¥30,349 million, due chiefly to an increase in gross profit. Profit before tax increased ¥3,134 million (12.0%) year on year, to ¥29,177 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 from a year earlier. Profit attributable to owners of the parent climbed ¥288 million (1.8%) year on year, to ¥16,605 million. The ratio of profit attributable to owners of the parent to equity attributable to owners of the parent or equity capital (ROE) stood at 13.8%.

Results for each business segment are described below.

(Electronics & Devices)
The ICT solutions business continued to perform solidly due to IT investment demand in the server and storage markets mainly from the manufacturing and service industries and government ministries and agencies. The mobile business remained strong, reflecting the continued manifestation of synergies from the integration of mobile phone sales agent subsidiaries. In the electronics components business, the results were enhanced chiefly by large orders, which were recorded in the fourth quarter, at a card printer business that the Company made into a wholly-owned subsidiary in December last year. The semiconductor parts and manufacturing equipment business struggled due to a decline in demand.
As a result of these conditions, revenue in the Electronics and Devices segment rose ¥2,220 million year on year, to ¥265,530 million. Operating profit climbed ¥977 million, to ¥18,533 million.

(Foods & Grain)
In the feedstuff business, feedstuff prices in Japan were stable, and livestock feed and aquafeed performed strongly. The food business was robust supported by the raw material market where transactions involving agricultural processed products stabilized, as well as by growing demand for our products due to rising health awareness. The meat products business remained firm, despite some fluctuation in prices.
As a result, revenue in the Foods & Grain segment rose ¥13,599 million year on year, to ¥244,859 million. Operating profit increased ¥1,802 million, to ¥3,951 million.

(Steel, Materials & Plant)

The energy business faced a hard time due to a temporary fall in oil prices. In the iron and steel business, some exports were adversely affected by trade issues, but domestic transactions were steady on the back of firm domestic demand. The oilfield tubing business in North America remained strong on the back of strong demand for drilling. The machine tools and industrial machinery business remained strong thanks to firm demand, especially in Japan. In the chemicals business, transactions of pharmaceuticals also remained strong.

As a result, revenue in the Steel, Materials & Plant segment declined ¥13,639 million year on year, to ¥139,436 million. Operating profit rose ¥507 million, to ¥4,437 million.

(Motor Vehicles & Aerospace)

In the aerospace business, the aircraft parts business, the main business, was steady. Rocket launching was added to the business. In the motor vehicles and parts business, transactions in the Middle East declined, but the parts business, the main business, remained firm on the back of the expansion of the Asian market. In reaction to advanced technologies in the age of CASE and MaaS, a base for investment was established in Silicon Valley in North America.

As a result, revenue in the Motor Vehicles & Aerospace segment increased ¥7,610 million year on year, to ¥62,063 million. Operating profit rose ¥8 million, to ¥2,549 million.

(Other)

Revenue fell ¥731 million from a year earlier, to ¥11,960 million. Operating profit increased ¥870 million, to ¥850 million, because an impairment loss on fixed assets due to the transfer of the golf business had been posted in the previous fiscal year.

(ii) Future outlook

In the next consolidated fiscal year, the employment environment and personal spending are expected to be firm in the United States. Meanwhile, there is concern about fewer effects of tax cuts and changes in financial markets. In Europe, Brexit and the political conditions in some countries will remain causes for concern. China's economy will continue to be affected by trade tensions, and emerging countries in Asia will also be hit by the economic slowdown in China. Accordingly, the global economic outlook is likely to remain uncertain.

In Japan, demand for capital expenditure is expected to be firm, and the employment environment will likely remain favorable. However, there is concern about the effects of trends in the global economy and the consumption tax hike planned for October.

In this environment, the Company forecasts consolidated revenue of ¥740 billion, operating profit of ¥31 billion, profit before tax of ¥30 billion and profit attributable to owners of the parent of ¥17 billion for the fiscal year ending March 31, 2020.

(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 2019

(i) Assets, liabilities and equity

Total assets at the end of the fiscal year under review increased ¥29,570 million from the end of the previous fiscal year, to ¥549,459 million. Interest-bearing debt increased ¥2,178 million from the end of the previous fiscal year, to ¥139,504 million. Net interest-bearing debt after deducting cash and deposits fell ¥9,076 million from the end of the previous fiscal year, to ¥49,969 million.

In terms of equity, equity attributable to owners of the parent rose ¥9,234 million from the end of the previous fiscal year, to ¥125,246 million, mainly reflecting an increase in retained earnings.

As a result, the ratio of equity attributable to owners of the parent came to 22.8%. The net debt-equity ratio ("net DER") was 0.4 times.

(ii) Cash flows

Net cash provided by operating activities stood at ¥24,698 million (versus ¥434 million provided in the previous fiscal year), chiefly reflecting the accumulation of operating income. Net cash used in investing activities was ¥6,575 million (versus ¥1,103 million provided in the previous fiscal year), mainly due to the purchase of property, plant and equipment, G-Printec, Inc. becoming a consolidated subsidiary, and investments in equity method subsidiaries. Net cash used in financial activities amounted to ¥7,158 million (versus ¥842 million used in the previous fiscal year), mainly reflecting the redemption of bonds, cash dividends paid and the acquisition of treasury stock by the stock delivery trust based on the performance-linked stock compensation plan.

As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥88,941 million, up ¥11,210 million from the end of the previous fiscal year.

(3) Basic policy for distribution of profits and dividends in the fiscal year ended March 2019 and the fiscal year ending March 2020

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 "future 135," the Company's medium-term vision, the Company aims for a payout ratio (total return ratio) of 25% to 30%. In the fiscal year under review, we paid an interim dividend of ¥25 per share. Given that we plan to pay a year-end dividend of ¥35 per share, the annual dividend will be ¥60 per share. The payout ratio is estimated to be 30.3%.

As for the dividends in the next fiscal year, we plan for the annual dividend of ¥60 per share (interim dividend ¥30 and year-end dividend ¥30), given that the strong business performance is expected to continue. The total return ratio is expected to be 29.6%.

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 2018 (March 31, 2018)	End of Fiscal 2018 (March 31, 2019)
Assets		
Current assets		
Cash and cash equivalents	77,731	88,941
Trade and other receivables	220,583	227,300
Inventories	93,957	96,232
Other financial assets	2,433	3,546
Other current assets	19,955	28,420
Total current assets	414,662	444,443
Non-current assets		
Property, plant and equipment	21,900	22,090
Goodwill	6,571	8,810
Intangible assets	20,377	23,051
Investments accounted for using the equity method	5,169	6,867
Trade and other receivables	1,582	1,449
Other investments	37,969	32,416
Other financial assets	4,479	4,216
Deferred tax assets	3,696	2,609
Other non-current assets	3,478	3,504
Total non-current assets	105,226	105,016
Total assets	519,889	549,459

(Million yen)

	End of Fiscal 2018 (March 31, 2018)	End of Fiscal 2019 (March 31, 2019)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	188,791	196,054
Bonds and borrowings	61,210	74,316
Other financial liabilities	7,009	6,093
Income taxes payable	3,773	3,469
Provisions	156	189
Other current liabilities	23,371	32,321
Total current liabilities	284,313	312,443
Non-current liabilities		
Bonds and borrowings	76,116	65,188
Other financial liabilities	2,853	2,636
Retirement benefits liabilities	6,340	6,555
Provisions	1,639	1,368
Deferred tax liabilities	641	1,362
Other non-current liabilities	933	1,205
Total non-current liabilities	88,525	78,317
Total liabilities	372,838	390,760
Equity		
Share capital	27,781	27,781
Capital surplus	26,810	26,882
Retained earnings	48,559	60,748
Treasury stock	(193)	(1,318)
Other components of equity		
Exchange differences on translation of foreign operations	1,275	1,865
Financial assets measured at fair value through other comprehensive income	12,684	9,580
Cash flow hedges	(905)	(293)
Total other components of equity	13,055	11,153
Total equity attributable to owners of the parent	116,012	125,246
Non-controlling interests	31,037	33,451
Total equity	147,050	158,698
Total liabilities and equity	519,889	549,459

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

(Consolidated statements of income)

(Million yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Revenue	714,790	723,849
Cost of sales	(608,419)	(613,834)
Gross profit	106,371	110,014
Selling, general and administrative expenses	(78,420)	(80,393)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(250)	(238)
Impairment loss on property, plant and equipment and intangible assets	(2,148)	(111)
Other income	1,560	2,669
Other expenses	(950)	(1,592)
Total other income (expenses)	(1,790)	727
Operating profit	26,160	30,349
Finance income		
Interest income	363	371
Dividend income	1,073	1,189
Other finance income	10	–
Total finance income	1,447	1,561
Finance costs		
Interest expenses	(2,414)	(2,662)
Other finance costs	(730)	(434)
Total finance costs	(3,144)	(3,096)
Share of profit (loss) of investments accounted for using the equity method	1,579	363
Profit before tax	26,043	29,177
Income tax expense	(6,384)	(8,728)
Profit for the year	19,658	20,449
Profit for the year attributable to:		
Owners of the parent	16,317	16,605
Non-controlling interests	3,341	3,844
Total	19,658	20,449
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	193.79	198.22
Diluted earnings per share (yen)	193.79	198.15

(Consolidated statements of comprehensive income)

(Million yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Profit for the year	19,658	20,449
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,402	(3,031)
Remeasurement of defined benefit pension plans	307	199
Share of other comprehensive income of investments accounted for using the equity method	0	(23)
Total items that will not be reclassified to profit or loss	3,710	(2,855)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,427)	948
Cash flow hedges	(485)	584
Share of other comprehensive income of investments accounted for using the equity method	(57)	(19)
Total items that may be reclassified to profit or loss	(1,970)	1,514
Other comprehensive income for the year, net of tax	1,740	(1,341)
Total comprehensive income for the year	21,398	19,108
Total comprehensive income for the year attributable to:		
Owners of the parent	18,354	15,003
Non-controlling interests	3,044	4,104
Total	21,398	19,108

(3) Consolidated statement of changes in equity

(Million yen)

	Equity attributable to owners of the parent						
				Other components of equity			
	Share capital	Capital surplus	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement of defined benefit pension plans
Balance as of April 1, 2017	27,781	26,797	34,579	2,349	9,455	(388)	–
Profit			16,317				
Other comprehensive income				(1,073)	3,351	(516)	275
Total comprehensive income for the year	–	–	16,317	(1,073)	3,351	(516)	275
Dividends			(2,736)				
Dividends paid to non-controlling shareholders							
Acquisition of treasury stock							
Disposition of treasury stock		13					
Equity transactions with non-controlling interests		(0)					
Total transactions with owners	–	13	(2,736)	–	–	–	–
Transfer from other components of equity to retained earnings			398		(123)		(275)
Balance as of March 31, 2018	27,781	26,810	48,559	1,275	12,684	(905)	–
Cumulative effects of changes in accounting policies			(61)				
Restated balance	27,781	26,810	48,498	1,275	12,684	(905)	–
Profit			16,605				
Other comprehensive income				589	(2,940)	612	137
Total comprehensive income for the year	–	–	16,605	589	(2,940)	612	137
Dividends			(4,655)				
Dividends paid to non-controlling shareholders							
Acquisition of treasury stock							
Disposition of treasury stock		8					
Equity transactions with non-controlling interests		(0)					
Share-based payment transactions		64					
Total transactions with owners	–	72	(4,655)	–	–	–	–
Transfer from other components of equity to retained earnings			300		(163)		(137)
Balance as of March 31, 2019	27,781	26,882	60,748	1,865	9,580	(293)	–

	Equity attributable to owners of the parent			Non-controlling interests	Total equity
	Other components of equity	Treasury stock	Total equity attributable to owners of the parent		
	Total other components of equity				
Balance as of April 1, 2017	11,416	(217)	100,357	29,506	129,863
Profit	–		16,317	3,341	19,658
Other comprehensive income	2,037		2,037	(297)	1,740
Total comprehensive income for the year	2,037	–	18,354	3,044	21,398
Dividends	–		(2,736)		(2,736)
Dividends paid to non-controlling shareholders	–		–	(1,511)	(1,511)
Acquisition of treasury stock	–	(6)	(6)		(6)
Disposition of treasury stock	–	30	43		43
Equity transactions with non-controlling interests	–		(0)	(1)	(1)
Total transactions with owners	–	23	(2,698)	(1,512)	(4,211)
Transfer from other components of equity to retained earnings	(398)		–		–
Balance as of March 31, 2018	13,055	(193)	116,012	31,037	147,050
Cumulative effects of changes in accounting policies	–		(61)		(61)
Restated balance	13,055	(193)	115,951	31,037	146,989
Profit	–		16,605	3,844	20,449
Other comprehensive income	(1,601)		(1,601)	260	(1,341)
Total comprehensive income for the year	(1,601)	–	15,003	4,104	19,108
Dividends	–		(4,655)		(4,655)
Dividends paid to non-controlling shareholders	–		–	(1,689)	(1,689)
Acquisition of treasury stock	–	(1,128)	(1,128)		(1,128)
Disposition of treasury stock	–	4	12		12
Equity transactions with non-controlling interests	–		(0)	(0)	(1)
Share-based payment transactions	–		64		64
Total transactions with owners	–	(1,124)	(5,708)	(1,690)	(7,398)
Transfer from other components of equity to retained earnings	(300)		–		–
Balance as of March 31, 2019	11,153	(1,318)	125,246	33,451	158,698

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities:		
Profit for the year	19,658	20,449
Depreciation and amortization	3,145	3,274
Impairment loss on property, plant and equipment and intangible assets	2,148	111
Finance income and costs	1,696	1,535
Share of (profit) loss of investments accounted for using the equity method	(1,579)	(363)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	250	238
Income tax expense	6,384	8,728
(Increase) decrease in trade and other receivables	(33,261)	(6,295)
(Increase) decrease in inventories	(13,729)	(1,132)
Increase (decrease) in trade and other payables	23,798	(2,067)
Increase (decrease) in retirement benefit liabilities	(297)	(285)
Other	(1,395)	7,632
Sub total	6,821	31,826
Interest received	358	375
Dividends received	2,159	1,579
Interest paid	(2,381)	(2,639)
Income taxes paid	(6,523)	(6,442)
Net cash provided by (used in) operating activities	434	24,698
Cash flows from investing activities:		
Payments for property, plant and equipment	(2,136)	(3,128)
Proceeds from sales of property, plant and equipment	1,365	443
Payments for intangible assets	(544)	(419)
Purchases of other investments	(117)	(3,109)
Proceeds from sale of other investments	292	1,490
Payments for other financial assets	–	(0)
Proceeds from sale of other financial assets	1,010	15
Proceeds from (payments for) acquisition of subsidiaries	(362)	(1,729)
Proceeds from (payments for) sale of subsidiaries	(22)	–
Proceeds from transfer of business	1,452	–
Increase in loans receivable	(1,522)	(62)
Proceeds from collection of loans receivable	1,378	296
Other	309	(369)
Net cash provided by (used in) investing activities	1,103	(6,575)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	2,510	5,708
Proceeds from long-term borrowings	15,508	13,871
Repayment of long-term borrowings	(24,229)	(14,035)
Proceeds from issuance of bonds	9,928	–
Redemption of bonds	–	(5,000)
Dividends paid	(2,730)	(4,643)
Purchase of treasury stock	(7)	(1,130)
Dividend payments to non-controlling interest shareholders	(1,542)	(1,709)
Other	(277)	(220)
Net cash provided by (used in) financing activities	(842)	(7,158)
Increase (decrease) in cash and cash equivalents, net	694	10,964
Cash and cash equivalents at the beginning of the year	77,566	77,731
Effect of exchange rate changes on cash and cash equivalents	(529)	245
Cash and cash equivalents at the end of the year	77,731	88,941

(5) Notes on the consolidated financial statements

(Notes on the going concern assumption)
Not applicable.

(Changes in accounting policies)
Important accounting policies applied to the 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 fiscal year 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 identifiable performance obligation in a single contract, the contract is divided into each performance obligations, and revenue is recognized 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 other current assets of ¥1 million, other non-current assets of ¥4 million and other current liabilities of ¥46 million, and other non-current liabilities of ¥228 million at the beginning of the fiscal year under review in the 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.
Revenue, costs, and other expenses decreased ¥103 million, ¥118 million, and ¥25 million, respectively, compared with those if the prior accounting standard was applied, in the consolidated statement of profit or loss in the consolidated fiscal year under review. In addition, in the consolidated statements of financial position at the end of the fiscal year 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, ¥2 million, ¥5 million, ¥54 million and ¥216 million, respectively, while inventories and provisions (non-current liabilities) decreased ¥23 million and ¥230 million, respectively.

(Changes in presentation method)

(Consolidated statements of cash flows)

"Purchase of treasury stock," which was included in "Other" of "Cash flows from financing activities" in the previous fiscal year, is presented separately in the fiscal year under review because its significance in terms of value has increased. Associated with this, -¥285 million presented in "Other" of "Cash flows from financing activities" in the consolidated statements of cash flows in the previous fiscal year has been reclassified into "Purchase of treasury stock" of -¥7 million and "Other" of -¥277 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.

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 and geotech 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 million 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.

Fiscal 2019 (From April 1, 2018 to March 31, 2019)

(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	265,530	244,859	139,436	62,063	711,888	11,960	–	723,849
Inter-segment	282	1	66	24	374	103	(478)	–
Total revenues	265,812	244,860	139,502	62,087	712,262	12,064	(478)	723,849
Segment profit (loss)	18,533	3,951	4,437	2,549	29,472	850	26	30,349
Other profit or loss:								
Depreciation and amortization	1,345	579	864	390	3,179	116	(21)	3,274
Share of profit (loss) of investments accounted for using the equity method	(78)	53	28	32	35	327	–	363
Segment assets	197,389	124,172	133,762	48,296	503,621	9,520	36,318	549,459
Other assets:								
Investments accounted for using the equity method	–	1,407	2,521	350	4,279	2,591	(3)	6,867
Capital expenditure	1,377	335	1,101	701	3,516	251	415	4,183

(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) Adjustments are as follows.

(1) The adjustment of ¥26 million for segment profit (loss) includes an inter-segment elimination of ¥26 million.

(2) Adjustment for segment assets amounting to ¥36,318 million includes inter-segment elimination of negative ¥10,141 million and Group assets of ¥46,459 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 investments accounted for using the equity method amounting to negative ¥3 million includes intersegment elimination of negative ¥3 million.

(5) Adjustment for capital expenditure amounting to ¥415 million includes Group assets of ¥415 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 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Segment profit	26,160	30,349
Finance income and finance costs	(1,696)	(1,535)
Share of profit (loss) of investments accounted for using the equity method	1,579	363
Profit before tax	26,043	29,177

(Matters related to business combinations, etc.)

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

The major business combination that took place in the fiscal year under review (April 1, 2018 to March 31, 2019) 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 (Million yen)

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

(4) Gain from remeasurement relating to business combinations

Gain from remeasurement relating to business combinations of ¥610 million is recorded in “Other income” in the 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) Estimated fair values of assets acquired and liabilities assumed at the date of acquisition and amount of goodwill recognized

(Million yen)

Items	Amounts
Fair values of assets acquired and liabilities assumed	
Cash and cash equivalents	439
Trade receivables	845
Inventories	301
Other current assets	91
Property, plant and equipment	124
Intangible assets	2,856
Other non-current assets	25
Current liabilities	(1,740)
Non-current liabilities	(1,831)
Amount of goodwill recognized	2,485
Total	3,600

(Note) The details of goodwill are mainly excess earning power and synergy effects with the existing businesses. The amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(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

Operating results at the acquired company from the date of acquisition to March 31, 2019 are as follows:

Revenue	¥1,628 million
Profit	¥287 million

Pro-forma information (unaudited information) concerning consolidated operating results in the fiscal year under review in the case that the business combination is assumed to be conducted at the beginning of the period is revenue of ¥726,220 million and profit attributable to owners of the parent of ¥16,760 million yen.

(Per share information)

(i) Profit for the year per share (yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Basic earnings per share (yen)	193.79	198.22
Diluted earnings per share (yen)	193.79	198.15

The amount of diluted earnings per share is calculated by deeming the shares authorized to be issued subject to conditions which are expected to be provided under the performance-linked stock compensation plan as potential shares.

(ii) Basis for calculation of basic earnings per share and diluted earnings per share

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of the parent (million yen)	16,317	16,605
Amount not attributable to common shareholders of the parent (million yen)	–	–
Profit used to calculate basic earnings per share (million yen)	16,317	16,605
Profit used to calculate diluted earnings per share (million yen)	16,317	16,605
Weighted average number of common shares (thousand shares)	84,202	83,773
Increase due to performance-linked stock compensation plan (thousand shares)	–	31
Weighted average number of shares adjusted for dilution (thousand shares)	84,202	83,804

(Note 1) 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.

(Note 2) In the calculation of the basic earnings per share, the shares of the Company owned by the stock issuance trust for officers below are included in the treasury stock which is deducted in the calculation of average number of shares during the fiscal year:

Previous consolidated fiscal year – shares
Consolidated fiscal year under review 437,846 shares

(Significant subsequent events)

Not applicable.

[Supplementary material]

May 10, 2019
Kanematsu Corporation

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

■Both revenue and profits increased. Profit before tax reached a record high.

◇Revenue	723.8 billion yen	1.3% up
◇Operating profit	30.3 billion yen	16.0% up
◇Profit before tax	29.2 billion yen	12.0% up
◇Profit attributable to owners of the parent	16.6 billion yen	1.8% up

■Year-end dividend plan to increase to 35 yen. (Annual dividend forecast of FY2020 is 60 yen.)

Profit & loss statement

(Unit: billion yen)	FY2018	FY2019	Year-on-year Change	Year-on-year Change(%)	FY2020 Forecast	FY2020 YoY Change (%)
Revenue	714.8	**723.8**	9.1	1.3%	740.0	2.2%
Gross profit	106.4	**110.0**	3.6	3.4%	-	-
Selling, general and administrative expenses	(78.4)	**(80.4)**	(2.0)	-	-	-
Other income (expenses)	(1.8)	**0.7**	2.5	-	-	-
Operating profit	26.2	**30.3**	4.2	16.0%	31.0	2.1%
Interest income (expenses)	(2.1)	**(2.3)**	(0.2)	-	-	-
Dividend income	1.1	**1.2**	0.1	-	-	-
Other finance income (costs)	(0.7)	**(0.4)**	0.3	-	-	-
Finance income (costs)	(1.7)	**(1.5)**	0.2	-	-	-
Share of profit (loss) of investments accounted for using the equity method	1.6	**0.4**	(1.2)	-	-	-
Profit before tax	26.0	**29.2**	3.1	12.0%	30.0	2.8%
Income tax expense	(6.4)	**(8.7)**	(2.3)	-	-	-
Profit for the year	19.7	**20.4**	0.8	4.0%	-	-
Profit attributable to owners of the parent	16.3	**16.6**	0.3	1.8%	17.0	2.4%
Earnings per share (yen)	193.79	**198.22**	4.43	2.3%	202.93	2.4%

【Revenue】
Increased 9.1 billion yen, driven mainly by the Foods & Grain and Motor Vehicles & Aerospace segments.

【Operating profit】
Increased 4.2 billion yen, driven mainly by the Foods & Grain and Electronics & Devices segments.

【Profit before tax】
Increased 3.1 billion yen due to increase in operating profit despite deterioration in share of profit (loss) of investments accounted for using the equity method from previous fiscal year.

【Profit attributable to owners of the parent】
Increased 0.3 billion yen due to the extinction of a temporary factor improving income tax expenses the previous fiscal year.

Segment information

(Unit: billion yen)	Revenue FY2018	Revenue FY2019	Revenue Change	Operating profit FY2018	Operating profit FY2019	Operating profit Change
Electronics & Devices	263.3	**265.5**	2.2	17.6	**18.5**	1.0
Foods & Grain	231.3	**244.9**	13.6	2.1	**4.0**	1.8
Steel, Materials & Plant	153.1	**139.4**	(13.6)	3.9	**4.4**	0.5
Motor Vehicles & Aerospace	54.5	**62.1**	7.6	2.5	**2.5**	0.0
Total for reportable segments	702.1	**711.9**	9.8	26.2	**29.5**	3.3
Other (including adjustment)	12.7	**12.0**	(0.7)	(0.0)	**0.9**	0.9
Grand total	714.8	**723.8**	9.1	26.2	**30.3**	4.2

【Electronics&Devices】 <u>Increase in revenue and profit</u>
The ICT solutions business continued to perform solidly, mainly in business with the manufacturing and service industries. The mobile business remained strong, reflecting continued synergies from the integration of mobile phone sales agent subsidiaries. In the electronic equipment business, large projects at a company in the card printer business which was made into a wholly owned subsidiary raised the overall performance. However, the semiconductor parts and manufacturing systems business struggled as a result of weaker demand.

【Foods&Grain】 <u>Increase in revenue and profit</u>
The feedstuff business performed strongly reflecting stable feedstuff prices in Japan. The meat products business remained firm, despite some fluctuation in prices. The food business performed well.

【Steel, Materials & Plant】 <u>Decline in revenue and increase in profit</u>
The energy business faced a hard time due to temporary decline in oil prices. The oilfield tubing business in North America performed strongly due to a high level of drilling demand. The machine tools and industrial machinery business performed well, bolstered by firm demand in Japan.

【Motor Vehicles & Aerospace】 <u>Increase in revenue and profit</u>
The aerospace business performed well, especially the aircraft parts business. The business domain expanded, with participation in the rocket launch business. In the motor vehicles and parts business, transactions with the Middle East declined but parts business was solid as a result of expansion of the Asian market.

Assets, Liabilities and Net Assets

(Unit: billion yen)	3/2018	3/2019	Comparison with 3/2018 Change	Comparison with 3/2018 Change(%)
Total assets	519.9	**549.5**	29.6	5.7%
Gross interest-bearing debt	137.3	**139.5**	2.2	1.6%
Net interest-bearing debt	59.0	**50.0**	(9.1)	(15.4%)
Shareholders' equity (Note 1)	116.0	**125.2**	9.2	8.0%
Retained earnings	48.6	**60.7**	12.2	25.1%
Other components of equity	13.1	**11.2**	(1.8)	(14.1%)
Equity ratio (Note 2)	22.3%	**22.8%**	0.5pt up	-
Net debt-equity ratio (Note 3)	0.51 times	**0.40 times**	0.11pt down	-

(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 29.6 billion yen mainly due to an increase in current assets.

【Interest-bearing debt】
Net interest-bearing debt fell 9.1 billion yen.

【Shareholders' equity】
Increased 9.2 billion yen, mainly reflecting the accumulation of retained earnings.

The equity ratio was 22.8%, and the net debt-equity ratio was 0.4 times

Cash Flows

(Unit:billion yen)	FY2018	FY2019
CF from operating activities	0.4	**24.7**
CF from investing activities	1.1	**(6.6)**
Free cash flows	1.5	**18.1**
CF from financing activities	(0.8)	**(7.2)**
Increase (decrease) in cash and cash equivalents	0.7	**11.0**

[CF from operating activities]
Net cash provided by operating activities stood at 24.7 billion yen, mainly reflecting the accumulation of operating revenue.

[CF from investing activities]
Net cash used in investing activities was 6.6 billion yen mainly due to the acquisition of subsidiaries and investment in associates accounted for using the equity method.

[CF from financing activities]
Net cash used in financing activities was 7.2 billion yen, mainly due to the redemption of bonds.

Dividends

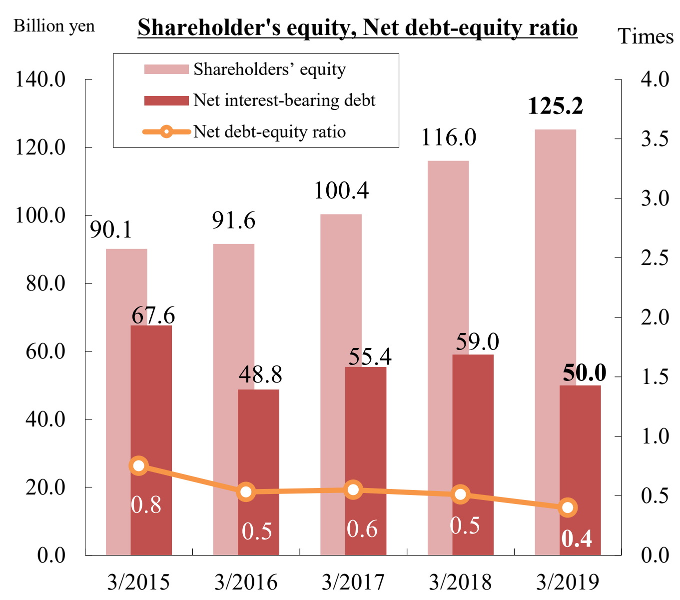
[FY2019]

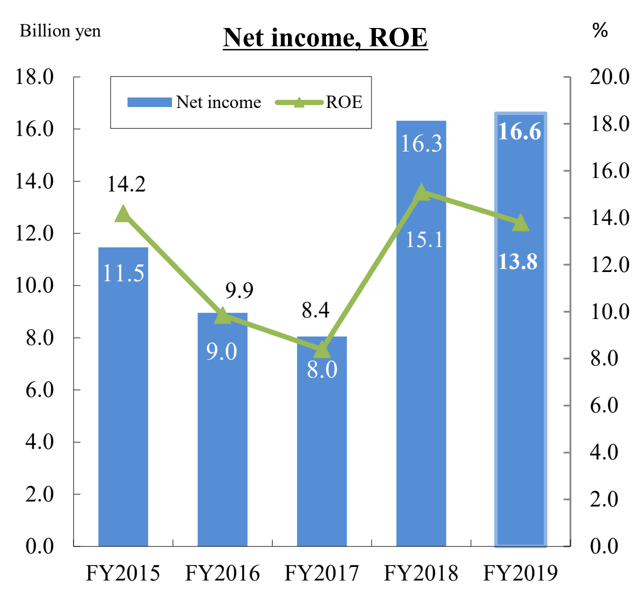
Interim	25.0 yen per share
Year-end (plan)	35.0 yen per share
Annual (plan)	60.0 yen per share

[FY2020]

Interim (forecast)	30.0 yen per share
Year-end (forecast)	30.0 yen per share
Annual (forecast)	60.0 yen per share

Annual	FY2018	FY2019	FY2020
Consolidated payout ratio	24.8%	30.3%	29.6%





* FY2015: Based by Japanese Standard , FY2016-FY2019: Based by IFRS

* 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.