



Member of Financial Accounting Standards Foundation

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

August 3, 2018

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): August 10, 2018

Scheduled date for commencement of dividend payments: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

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

1. Consolidated business results for the first three months of the fiscal year ending March 2019 (April 1, 2018 – June 30, 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 Three Months to June 2018	171,676	6.0	6,847	22.1	6,834	21.7	4,667	25.8	4,124	25.2	5,598	13.2
First Three Months to June 2017	161,924	1.1	5,608	85.7	5,617	126.9	3,711	159.2	3,295	229.2	4,945	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Three Months to June 2018	48.98		48.98	
First Three Months to June 2017	39.14		39.14	

(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 June 30, 2018	510,614	149,161	118,250	23.2
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	–				
Fiscal year ending March 2019 (Forecasts)		25.00	–	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 three months (2018/6): | 84,500,202 shares | Fiscal year (2018/3): | 84,500,202 shares |
| 2. Number of treasury stock | | | |
| First three months (2018/6): | 290,360 shares | Fiscal year (2018/3): | 290,203 shares |
| 3. Average number of shares during the period (First three months) | | | |
| First three months (2018/6): | 84,209,916 shares | First three months (2017/6): | 84,193,187 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 Three 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 Three Months of the Fiscal Year Ending March 2019

(1) Details of consolidated results

In the first three months under review (from April 1, 2018 to June 30, 2018), the global economy continued to grow moderately, despite concerns about the geopolitical risk and the escalation of trade friction stemming from protectionism in the United States. The U.S. economy remained firm, driven by the continued expansion of employment and consumer spending. The European economy continued to grow favorably, despite concerns regarding Brexit and the political situation in some countries. The Chinese economy and emerging Asian countries continued to enjoy stable growth in general, while they were affected by the monetary policy in the United States. The Japanese economy maintained its expansion thanks to growing capital investment and employment and a high level of corporate earnings following the solid domestic and overseas economies.

In this environment, the results of the Group for the first three months under review are as shown below.

Consolidated revenue rose ¥9,752 million (6.0%) year on year, to ¥171,676 million. Consolidated gross profit increased ¥1,505 million (6.3%) from a year earlier, to ¥25,456 million. Consolidated operating profit rose ¥1,239 million (22.1%) from a year earlier, to ¥6,847 million, due to the increase in gross profit. Profit before tax increased ¥1,217 million (21.7%) year on year, to ¥6,834 million. Profit attributable to owners of the parent rose ¥829 million (25.2%) year on year, to ¥4,124 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions were solid, primarily with the manufacturing and the service industries. The mobile business remained strong, reflecting the manifestation of synergies from the integration of mobile phone sales agent subsidiaries. In transactions related to electronic components and materials, sales for Asia were strong.

As a result of these conditions, revenue in the Electronics and Devices segment rose ¥1,491 million year on year, to ¥56,889 million. Operating profit climbed ¥10 million to ¥2,518 million.

(ii) Foods & Grain

The meat products business remained solid, following the stable market conditions. The feedstuff business remained strong due to the recovery of feedstuff prices in Japan. The food business also remained solid.

As a result, revenue in the Foods & Grain segment rose ¥3,518 million year on year, to ¥62,360 million. Operating profit climbed ¥293 million, to ¥1,716 million.

(iii) Steel, Materials & Plant

The oilfield tubing business improved in North America, given higher oil prices. The chemicals and energy businesses and transactions related to machine tools and industrial machinery also remained firm.

As a result, revenue in the Steel, Materials & Plant segment declined ¥837 million year on year, to ¥32,417 million. Operating profit climbed ¥500 million, to ¥988 million.

(iv) Motor Vehicles & Aerospace

In the aerospace business, mainly transactions of aircraft parts remained steady. The motor vehicles and parts business also remained solid.

As a result, revenue in the Motor Vehicles & Aerospace segment rose ¥5,767 million year on year, to ¥16,995 million. Operating profit climbed ¥510 million, to ¥1,364 million.

(v) Other

Revenue fell ¥186 million from a year earlier, to ¥3,013 million. Operating profit declined ¥82 million, to ¥254 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first quarter of the fiscal year under review declined ¥9,275 million from the end of the previous fiscal year, to ¥510,614 million.

Interest-bearing debt increased ¥741 million from the end of the previous fiscal year, to ¥138,067 million. Net interest-bearing debt after deducting cash and deposits rose ¥1,711 million from the end of the previous fiscal year, to ¥60,756 million.

In terms of equity, equity attributable to owners of the parent rose ¥2,238 million from the end of the previous fiscal year, to ¥118,250 million, mainly reflecting an increase in retained earnings.

As a result, the percentage of equity attributable to owners of the parent came to 23.2%. The net debt-equity ratio (“net DER”) was 0.5 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first quarter under review fell ¥953 million from the end of the previous fiscal year, to ¥76,778 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities in the first three months under review stood at ¥1,879 million (versus net cash provided of ¥570 million in the first three months of the previous fiscal year), primarily reflecting the accumulation of operating revenue.

(Cash flows from investing activities)

Net cash used in investing activities in the first three months under review stood at ¥604 million (versus net cash used of ¥512 million in the first three months of the previous fiscal year), mainly due to the acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities in the first three months under review came to ¥2,460 million (versus net cash used of ¥4,441 million in the first three months of the previous fiscal year), mainly due to cash dividends paid.

(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 June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	77,731	76,778
Trade and other receivables	220,583	199,296
Inventories	93,957	102,778
Other financial assets	2,433	2,869
Other current assets	19,955	25,655
Total current assets	414,662	407,378
Non-current assets		
Property, plant and equipment	21,900	21,850
Goodwill	6,571	6,659
Intangible assets	20,377	20,424
Investments accounted for using the equity method	5,169	5,280
Trade and other receivables	1,582	1,536
Other investments	37,969	37,261
Other financial assets	4,479	4,420
Deferred tax assets	3,696	2,312
Other non-current assets	3,478	3,490
Total non-current assets	105,226	103,235
Total assets	519,889	510,614

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	188,791	173,704
Bonds and borrowings	61,210	62,208
Other financial liabilities	7,009	7,653
Income taxes payable	3,773	1,661
Provisions	156	138
Other current liabilities	23,371	27,608
Total current liabilities	284,313	272,975
Non-current liabilities		
Bonds and borrowings	76,116	75,858
Other financial liabilities	2,853	2,831
Retirement benefits liabilities	6,340	6,326
Provisions	1,639	1,450
Deferred tax liabilities	641	873
Other non-current liabilities	933	1,136
Total non-current liabilities	88,525	88,477
Total liabilities	372,838	361,453
Equity		
Share capital	27,781	27,781
Capital surplus	26,810	26,810
Retained earnings	48,559	50,075
Treasury stock	(193)	(194)
Other components of equity		
Exchange differences on translation of foreign operations	1,275	1,914
Financial assets measured at fair value through other comprehensive income	12,684	12,184
Cash flow hedges	(905)	(322)
Total other components of equity	13,055	13,776
Total equity attributable to owners of the parent	116,012	118,250
Non-controlling interests	31,037	30,911
Total equity	147,050	149,161
Total liabilities and equity	519,889	510,614

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

(Million yen)

	FY2018 First three months (From April 1, 2017 to June 30, 2017)	FY2019 First three months (From April 1, 2018 to June 30, 2018)
Revenue	161,924	171,676
Cost of sales	(137,973)	(146,219)
Gross profit	23,951	25,456
Selling, general and administrative expenses	(18,537)	(19,003)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(38)	8
Other income	374	561
Other expenses	(141)	(176)
Total other income (expenses)	195	394
Operating profit	5,608	6,847
Finance income		
Interest income	94	80
Dividend income	430	455
Total finance income	524	535
Finance costs		
Interest expenses	(593)	(592)
Other finance costs	(21)	(39)
Total finance costs	(614)	(632)
Share of profit (loss) of investments accounted for using the equity method	99	84
Profit before tax	5,617	6,834
Income tax expense	(1,905)	(2,166)
Profit for the period	3,711	4,667
Profit attributable to:		
Owners of the parent	3,295	4,124
Non-controlling interests	416	542
Total	3,711	4,667
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	39.14	48.98
Diluted earnings per share (yen)	39.14	48.98

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

(Million yen)

	FY2018 First three months (From April 1, 2017 to June 30, 2017)	FY2019 First three months (From April 1, 2018 to June 30, 2018)
Profit for the period	3,711	4,667
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Financial assets measured at fair value through other comprehensive income	1,145	(566)
Remeasurement of retirement benefits liabilities defined benefit pension plans	107	5
Share of other comprehensive income of investments accounted for using the equity method	1	(3)
Total items that will not be reclassified to profit or loss	1,254	(565)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(51)	979
Cash flow hedges	82	544
Share of other comprehensive income of investments accounted for using the equity method	(51)	(28)
Total items that may be reclassified to profit or loss	(20)	1,495
Other comprehensive income for the period, net of tax	1,234	930
Total comprehensive income for the period	4,945	5,598
Total comprehensive income for the period attributable to:		
Owners of the parent	4,551	4,867
Non-controlling interests	394	730
Total	4,945	5,598

(3) Condensed consolidated statement of changes in equity

(Million yen)

	FY2018 First three months (From April 1, 2017 to June 30, 2017)	FY2019 First three months (From April 1, 2018 to June 30, 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	9	–
Equity transactions with non-controlling interests	(0)	(0)
Balance at the end of the period	26,806	26,810
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	(1,262)	(2,568)
Profit attributable to owners of the parent	3,295	4,124
Reclassification from other components of equity	126	20
Balance at the end of the period	36,738	50,075
Other components of equity		
Balance at the beginning of the period	11,416	13,055
Exchange differences on translation of foreign operations	(86)	639
Financial assets measured at fair value through other comprehensive income	1,150	(499)
Cash flow hedges	85	582
Remeasurement of defined benefit pension plans	107	19
Reclassification to retained earnings	(126)	(20)
Balance at the end of the period	12,546	13,776
Treasury stock		
Balance at the beginning of the period	(217)	(193)
Acquisition of treasury stock	(1)	(0)
Disposition of treasury stock	25	–
Balance at the end of the period	(193)	(194)
Total equity attributable to owners of the parent	103,680	118,250
Non-controlling interests		
Balance at the beginning of the period	29,506	31,037
Dividend payments to non-controlling interest shareholders	(691)	(856)
Equity transactions with non-controlling interests	(0)	(0)
Profit attributable to non-controlling interests	416	542
Other components of equity	(22)	187
Exchange differences on translation of foreign operations	(18)	274
Financial assets measured at fair value through other comprehensive income	(3)	(71)
Cash flow hedges	(0)	(0)
Remeasurement of defined benefit pension plans	–	(14)
Balance at the end of the period	29,208	30,911
Total Equity	132,888	149,161
Total comprehensive income for the period attributable to:		
Owners of the parent	4,551	4,867
Non-controlling interests	394	730
Total comprehensive income for the period	4,945	5,598

(4) Condensed consolidated statements of cash flows

(Million yen)

	FY2018 First three months (From April 1, 2017 to June 30, 2017)	FY2019 First three months (From April 1, 2018 to June 30, 2018)
Cash flows from operating activities:		
Profit for the period	3,711	4,667
Depreciation and amortization	766	817
Finance income and costs	90	97
Share of (profit) loss of investments accounted for using the equity method	(99)	(84)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	38	(8)
Income tax expense	1,905	2,166
(Increase) decrease in trade and other receivables	19,697	25,403
(Increase) decrease in inventories	(5,718)	(8,308)
Increase (decrease) in trade and other payables	(13,522)	(18,964)
Increase (decrease) in retirement benefit liabilities	(51)	(19)
Other	(3,142)	(1,311)
Sub total	3,675	4,455
Interest received	92	83
Dividends received	724	857
Interest paid	(411)	(489)
Income taxes paid	(3,511)	(3,026)
Net cash provided by (used in) operating activities	570	1,879
Cash flows from investing activities:		
Payments for property, plant and equipment	(447)	(696)
Proceeds from sales of property, plant and equipment	176	183
Payments for intangible assets	(39)	(72)
Purchases of other investments	(18)	(160)
Proceeds from sale of other investments	89	1
Proceeds from (payments for) acquisition of subsidiaries	–	(9)
Increase in loans receivable	(575)	(1)
Proceeds from collection of loans receivable	370	74
Other	(68)	76
Net cash provided by (used in) investing activities	(512)	(604)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(2,357)	696
Proceeds from long-term borrowings	–	169
Repayment of long-term borrowings	(203)	(118)
Dividends paid	(1,122)	(2,359)
Dividend payments to non-controlling interest shareholders	(691)	(790)
Other	(66)	(58)
Net cash provided by (used in) financing activities	(4,441)	(2,460)
Increase (decrease) in cash and cash equivalents, net	(4,384)	(1,185)
Cash and cash equivalents at the beginning of the period	77,566	77,731
Effect of exchange rate changes on cash and cash equivalents	(49)	232
Cash and cash equivalents at end of the period	73,132	76,778

(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.

The Consolidated Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the first three 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 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 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 constituent elements and recognizes revenue for each constituent element. 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 where the prior and existing accounting standards are applied, revenue and cost of sales have increased ¥99 million and ¥57 million, respectively, in the first three months under review in the condensed consolidated statements of income. In addition, at the end of the first three months under review in the condensed consolidated statement of financial position, trade and other receivables have increased ¥100 million, while inventories, provisions (non-current) and other current liabilities have decreased ¥72 million, ¥10 million and ¥4 million, respectively.

(Segment information)

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

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

I. Previous first three months (From April 1, 2017 to June 30, 2017)

(Million yen)

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

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

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

II. First three months under review (From April 1, 2018 to June 30, 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	56,889	62,360	32,417	16,995	168,663	3,013	–	171,676
Inter-segment	64	0	28	0	93	22	(116)	–
Total revenues	56,954	62,360	32,446	16,995	168,756	3,035	(116)	171,676
Segment profit (loss)	2,518	1,716	988	1,364	6,587	254	4	6,847

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

(Note 2) The adjustment of ¥4 million for segment profit (loss) includes an inter-segment elimination of ¥4 million.

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

(Million yen)

	FY2018 First three months (From April 1, 2017 to June 30, 2017)	FY2019 First three months (From April 1, 2018 to June 30, 2018)
Segment profit	5,608	6,847
Finance income and finance costs	(90)	(97)
Share of profit (loss) of investments accounted for using the equity method	99	84
Profit before tax	5,617	6,834

(Significant subsequent events)

Not applicable.

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

■ **Revenue and profits increased, started off on a good note with profit for the period (attributable to owners of the parent) increasing 25% year on year.**

◆ Revenue	171.7 billion yen	6.0% Up
◆ Operating profit	6.8 billion yen	22.1% Up
◆ Profit attributable to owners of the parent	4.1 billion yen	25.2% Up

Profit & loss statement							【Revenue】 Increased 9.8 billion yen centering around the Motor Vehicles & Aerospace and the Foods & Grain segments.
(Unit: billion yen)	Q1 of FY2018	Q1 of FY2019	Year-on-year		FY2019		
			Change	Change(%)	Forecast	Progress (%)	
Revenue	161.9	171.7	9.8	6.0%	760.0	22.6%	【Operating profit】 Increased 1.2 billion yen driven by the Motor Vehicles & Aerospace and the Steel, Materials & Plant segments.
Gross profit	24.0	25.5	1.5	6.3%	-	-	
Selling, general and administrative expenses	(18.5)	(19.0)	(0.5)	-	-	-	
Other income (expenses)	0.2	0.4	0.2	102.1%	-	-	【Profit attributable to owners of the parent】 Increased 0.8 billion yen due to a rise in operating profit.
Operating profit	5.6	6.8	1.2	22.1%	30.0	22.8%	
Interest income (expenses)	(0.5)	(0.5)	(0.0)	-	-	-	
Dividend income	0.4	0.5	0.0	-	-	-	【Revenue】 Increased 9.8 billion yen centering around the Motor Vehicles & Aerospace and the Foods & Grain segments.
Other finance income (costs)	(0.0)	(0.0)	(0.0)	-	-	-	
Finance income (costs)	(0.1)	(0.1)	(0.0)	-	-	-	
Share of profit (loss) of investments accounted for using the equity method	0.1	0.1	(0.0)	-	-	-	【Operating profit】 Increased 1.2 billion yen driven by the Motor Vehicles & Aerospace and the Steel, Materials & Plant segments.
Profit before tax	5.6	6.8	1.2	21.7%	29.0	23.6%	
Income tax expense	(1.9)	(2.2)	(0.3)	-	-	-	
Profit for the period	3.7	4.7	1.0	25.7%	-	-	【Profit attributable to owners of the parent】 Increased 0.8 billion yen due to a rise in operating profit.
Profit attributable to owners of the parent	3.3	4.1	0.8	25.2%	16.5	25.0%	
Earnings per share (yen)	39.14	48.98	9.84	25.2%	195.96	25.0%	

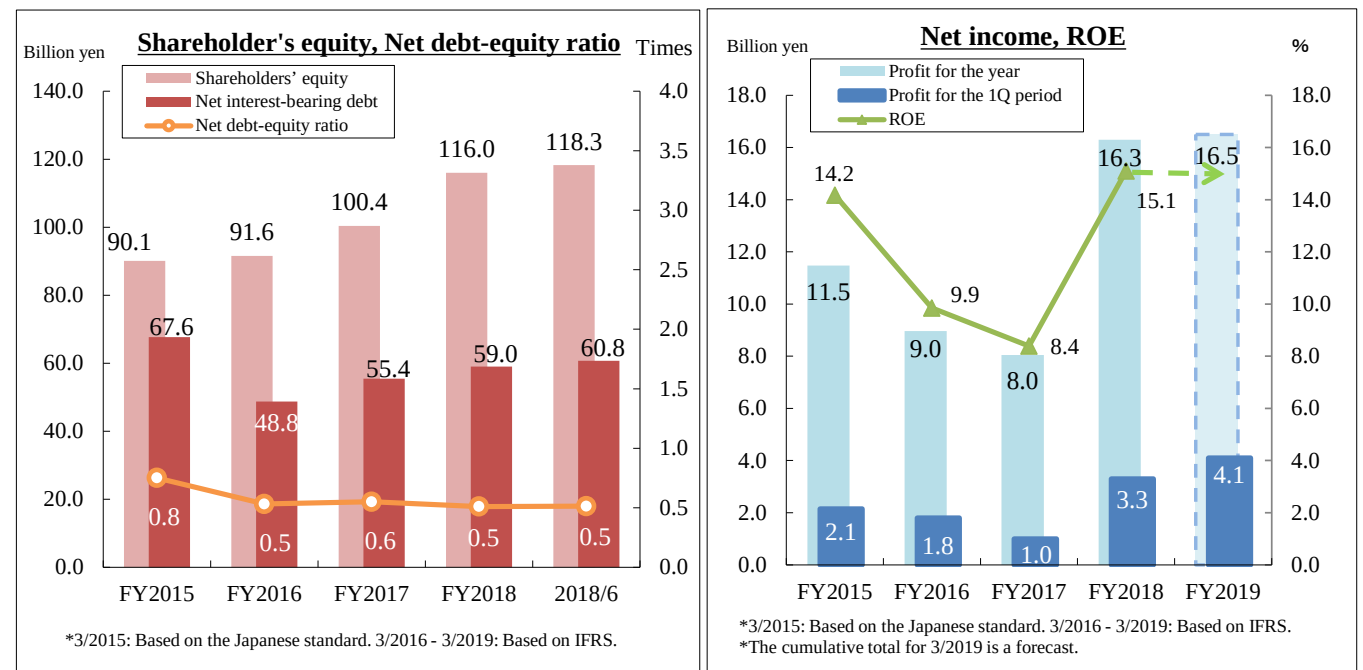
Segment information							【Electronics&Devices】 <u>An increase in revenue and profit</u>	
(Unit: billion yen)		Revenue			Operating profit			In the ICT solutions business, transactions mainly with the manufacturing and service industries remained solid. The mobile business remained strong, reflecting the manifestation of synergies from the integration of mobile phone sales agent subsidiaries. In transactions related to electronic components and materials, sales for Asia were strong.
		Q1 of FY2018	Q1 of FY2019	Change	Q1 of FY2018	Q1 of FY2019	Change	
	Electronics & Devices	55.4	56.9	1.5	2.5	2.5	0.0	【Foods&Grain】 <u>An increase in revenue and profit</u> The meat products business remained solid, following the stable market conditions. The feedstuff business remained strong due to the recovery of feedstuff prices in Japan. The food business also remained solid.
	Foods & Grain	58.8	62.4	3.5	1.4	1.7	0.3	
	Steel, Materials & Plant	33.3	32.4	(0.8)	0.5	1.0	0.5	
	Motor Vehicles & Aerospace	11.2	17.0	5.8	0.9	1.4	0.5	
Total for reportable segments		158.7	168.7	9.9	5.3	6.6	1.3	【Steel, Materials & Plant】 <u>A decline in revenue and profit</u> The oilfield tubing business improved significantly in North America, given higher oil prices. The chemicals and energy businesses as well as transactions related to machine tools and industrial machinery also remained firm.
Other (including adjustment)		3.2	3.0	(0.2)	0.3	0.3	(0.1)	
Grand total		161.9	171.7	9.8	5.6	6.8	1.2	

Assets and Liabilities					【Total assets】 Declined 9.3 billion yen mainly due to a fall in trade receivables. 【Interest-bearing debt】 Net interest-bearing debt rose 1.7 billion yen. 【Shareholders' equity】 Increased 2.2 billion yen, mainly reflecting an increase in retained earnings. The equity ratio was 23%, and the net debt-equity ratio was 0.5 times.
(Unit: billion yen)	3/2018	6/2018	Comparison with 3/2018		
			Change	Change(%)	
Total assets	519.9	510.6	(9.3)	(1.8%)	
Gross interest-bearing debt	137.3	138.1	0.7	0.5%	
Net interest-bearing debt	59.0	60.8	1.7	2.9%	
Shareholders' equity (Note 1)	116.0	118.3	2.2	1.9%	
Retained earnings	48.6	50.1	1.5	3.1%	
Other components of equity	13.1	13.8	0.7	5.5%	
Equity ratio (Note 2)	22.3%	23.2%	0.9pt up	-	
Net debt-equity ratio (Note 3)	0.51times	0.51times	Almost same	-	

(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

Cash Flows			
	Q1 of FY2018	Q1 of FY2019	【CF from operating activities】 Net cash provided by operating activities stood at 1.9 billion yen, mainly reflecting the accumulation of operating revenue.
(Unit: billion yen)			
CF from operating activities	0.6	1.9	【CF from investing activities】 Net cash used in investing activities was 0.6 billion yen mainly due to the acquisition of property, plant and equipment.
CF from investing activities	(0.5)	(0.6)	
Free cash flows	0.1	1.3	
CF from financing activities	(4.4)	(2.5)	【CF from financing activities】 Net cash used in financing activities was 2.5 billion yen mainly due to cash dividends paid.
Increase (decrease) in cash and cash equivalents	(4.4)	(1.2)	

Dividends			
【FY2018】			
Interim	17.5 yen per share		
Year-end	30.5 yen per share		
Annual	48.0 yen per share		
【FY2019】			
Interim (Plan)	25.0 yen per share		
Year-end (Plan)	25.0 yen per share		
Annual (Plan)	50.0 yen per share		
(Note) The amount of the dividend for the previous interim period is calculated on the assumption that the consolidation of shares has been carried out at the beginning of the previous term.			
Annual	FY2017	FY2018	FY2019 (Plan)
Consolidated payout ratio	31.4%	24.8%	25.5%



* 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