

FAQ (Frequently Asked Questions and Answers)
Third Quarter Earnings for Fiscal Year 2024 (February 6, 2024)

***Detailed breakdown of operating profit and profit attributable to owners of the parent by sub-segment is provided in the attachment.**

■ **FY2024 Outlook**

Q. Please explain the rationale behind revising the full-year forecasts and share your view on the prospects for achieving them.

A. We have revised operating profit upward from the initial forecasts of 40.5 billion yen to 42.5 billion yen, reflecting the positive progress made. Profit attributable to owners of the parent remains unchanged mainly due to impairment losses related to equity method investments. The progress rate of profit attributable to owners of the parent against the full-year projection was 70%, and we believe it will continuously proceed in line with the forecasts.

Q. What is your view on the outlook of the steel tubing business and energy business, both of which performed well in the previous fiscal year?

A. Despite initial expectations of decline due to energy price spikes last fiscal year, we now anticipate a more resilient demand in both businesses.

Q. What is your view on the outlook of the mobile business?

A. We expect the mobile business to continue performing solidly given the 83% progress rate against the full-year forecasts in the first nine months of the fiscal year. This was attributable to the improved earnings achieved through the closure of unprofitable stores, as well as the positive impact of the directly managing second-tier sales agencies and expanding our sales network.

Q. What is your view on the outlook of the ICT solutions business?

A. We expect the business environment to remain solid on the back of the growing demands for security measures and for digital transformation.

Q. Could you provide more information about the impairment loss on equity method investments?

A. The impairment loss we incurred relates to our equity method investments within the Steel, Materials & Plant segment, specifically in the steel business.

Q. What is the progress of synergy between KEL (Kanematsu Electronics) and KSU (Kanematsu Sustech Corporation) after the TOBs?

A. Since the TOBs, we have taken significant steps to foster synergy between KEL and KSU. Notably, we established the Group Strategy Office, directly reporting to the President, on October 1, 2023. This office is actively engaged in promoting the expansion of overseas business, particularly in Asia, as well as facilitating business investments, M&As, and personnel development and exchanges. Leveraging the extensive global network of Kanematsu, we are strategically exploring various pathways for growth.

In terms of personnel development, we have initiated programs to cultivate talent specializing in digital technologies, aligning with the evolving needs of the market. Furthermore, both the DX (Digital Transformation) Committee and the GX (Green Transformation) Committee have been instrumental in driving initiatives aimed at digital and environmental transformation, respectively. These committees operate under joint promotion structures with KEL, KSU, and other Group companies, fostering collaboration and synergy across the organization.

Q. Given the depreciation of yen continues, what is the exchange rate you used to make projections and what impact FOREX fluctuations would have on Kanematsu's business performance?

A. The impact of foreign exchange fluctuations on our performance is generally neutral. Our foreign currency-denominated transactions, primarily in the Foods, Meat & Grain segment, are predominantly imports. We mitigate foreign exchange risk through the use of forward contracts, ensuring stability in yen prices for their sale. Regarding our balance sheet, a fluctuation of 1 yen against the US dollar equates to an impact of approximately 100-200 million yen on foreign translations in shareholders' equity. For our projections, we use an exchange rate of 135 yen to 1 US dollar.

Q. How would you manage the interest-bearing debt which increased due to the TOBs?

A. The net DER (debt-to-equity ratio) for the quarter under review stands at 1.22 times. We intend to continue making strategic investments while maintaining an awareness of financial discipline. Specifically, our aim is to exercise careful control over our net DER, targeting a level of around 1.0 times during the next medium-term plan spanning from FY 2025 to FY2027.

Q. What are the direct and indirect effects of the situation in the Middle East?

A. We perceive minimal direct impact from the situation in the Middle East. However, there is a potential for indirect effects if crude oil prices remain high, potentially leading to our customers in Japan holding off purchases, or disruptions occurring in logistics and supply chains.

■ Investment

Q. Could you provide an overview of the investment progress achieved during 3Q?

A. In the 3Q of the fiscal year ending March 31, 2024, we made a business investment in JM Technology Inc., which sells and maintains semiconductor equipment, and Nippon Trends Food Service, Inc., a ramen noodle manufacturing company in North America.

Q. What is the purpose behind investing in JM Technology Inc.?

A. Given the growing demand within the domestic semiconductor market, partnering with JM Technology Inc. enables us to effectively meet the evolving needs of our customers and expand our business footprint accordingly.

Q. What is the purpose behind investing in Nippon Trends Food Service, Inc.?

A. Our primary aim in investing in Nippon Trends Food Service, Inc. is to bolster ingredient supply to the company. This strategic investment aligns with our broader goal of enhancing added value within the food business value chain in the North American market.

Q. What is the purpose behind investing in Spiber Inc.?

A. Our primary aim in investing in Spiber Inc. is to advance the development of applications for biomass-derived chemicals, food additives, fiber raw materials, among others, utilizing the artificial structural protein materials produced by Spiber Inc., known as "Brewed Protein™". Leveraging our extensive network, we intend to market Brewed Protein™ materials as raw materials and further develop and market products incorporating Brewed Protein™ materials. In addition, we foresee this investment playing a key role in advancing our GX initiatives.

■ Shareholders Return

Q. Is there an upper or lower limit for the annual dividend amount?

A. Under our fundamental policy of ensuring continuous and stable dividends while maintaining a balance between investment and shareholder returns, we aim to steadily enhance the annual dividend by leveraging profit growth. Despite the challenges posed by the COVID-19 pandemic, we have maintained dividend stability throughout the fiscal years ending March 2020 and 2021, without stipulating a specific lower threshold.

Q. What is your policy on share buyback?

A. Given our current financial standing, we plan to prioritize delivering shareholder returns through dividends rather than share buybacks, at least for the foreseeable future.

■ Next Medium-Term Plan

Q. Could you provide an update on the development of your next medium-term plan?

A. We are currently in the process of internally shaping our medium-term plan, preparing for its release. While our current medium-term plan covers a span of six years, we intend to shorten the timeframe to three years for the upcoming plan, reflecting the considerable shifts observed in the external business environment.

■ GX

Q. Could you provide details on Kanematsu's initiatives and ideas for GX and decarbonization?

A. In June 2021, we affirmed our commitment to the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. In June 2022, we established the GX Committee, led by our officer in charge of promoting GX initiatives. This committee is dedicated to driving environmental endeavors such as renewable energy, carbon credit trading, and forest preservation, aligning our efforts with the goal of decarbonization. As the Kanematsu Group refrains from high-impact environmental businesses like resource extraction and coal-fired power generation, our carbon dioxide emissions remain low. We transparently disclose our CO2 emission calculations and aspire to achieve carbon neutrality/carbon negativity, with details available on our official website.

Recent GX initiatives include:

- Collaborating with Spiber to develop applications for Brewed Protein™ materials in January 2024.
- Forming a business alliance with Aozora Bank to promote GX in corporate supply chains in November 2023.
- Investing in Samsara Eco, an Australian environmental technology startup with innovative enzyme recycling technology for plastics, aimed at reducing CO2 emissions in July 2023.
- Initiating discussions with CARBON FLY, Inc. and F.C.C. Co., Ltd. regarding the joint creation of a carbon recycling business in June 2023.

Q. Could you elaborate on the business alliance established with Aozora Bank Ltd. to foster GX of corporate supply chains?

A. In November 2023, we solidified a strategic partnership with Aozora Bank Ltd. to bolster support for corporate carbon neutrality initiatives. This collaboration integrates the resources of Aozora Bank Ltd. with our solutions and expertise, aiming to develop a robust framework for effectively managing corporate decarbonization.

■ DX

Q. Could you provide an update on the progress of groupwide DX promotion, as outlined in the medium-term vision *future 135* as a priority initiative?

A. The Kanematsu Group established the DX Committee in July 2021 to drive DX initiatives. Comprising executive officers from Kanematsu and KEL, this committee is focused on advancing DX across our businesses and developing a shared IT infrastructure for the Group

Recent DX initiatives include:

- Participating in the TNFD (Taskforce on Nature-related Financial Disclosures) Forum in January 2024.
- Providing our inventory management service “KG ZAICO” free of charge for a limited period to support local governments aiding individuals affected by the Noto Peninsula Earthquake in January 2024.
- Implementation of the DAISY system to digitize accounting processes and reduce paper dependency in December 2024.
- Revamping of the company homepage, including the establishment of a new business introduction page to enhance information dissemination about our businesses and services in November 2023.
- Personnel exchanges and joint projects with KEL.
- Employee DX training and promotion of IT passport certifications.
- Launch of “KG Q Navi,” a troubleshooting application for stores/facilities in September 2023.
- Introduction of “KG NEXT ENGINE,” a centralized web-based order management system in July 2023.

Disclaimer:

The forward-looking statements, including results forecasts, provided in this document (and its attachment) are based on information obtained by Kanematsu Corporation (the Company) and certain reasonable assumptions made by the Company. The Company does not guarantee their achievement, and actual results may differ from forecasts due to various factors. This information is subject to change without prior notice, and users are advised to utilize this document alongside information acquired through other sources and exercise their own discretion. The Company bears no liability or responsibility for any loss or damage resulting from the use of this material. Additionally, as the figures presented are rounded off to the nearest 1 billion yen, the total may not precisely match the sum of each item.

Attachment

■ Operating profit and profit attributable to owners of the parent by sub-segment

(Unit: Bn JPY)	Operating Profit			Profit Attributable to Owners of the Parent			
	FY2023 3Q	FY2024 3Q	YoY	FY2023 3Q	FY2024 3Q	YoY	FY2024 Revised forecast
ICT Solution	8.9	8.4	(0.6)	3.4	5.6	+2.1	9.3
Mobile	2.4	4.0	+1.7	1.5	2.7	+1.2	3.2
Others	2.1	1.8	(0.3)	0.7	0.8	+0.1	1.6
Electronics & Devices	13.4	14.2	+0.8	5.6	9.0	+3.3	14.1
Foods	0.7	1.5	+0.8	0.5	0.9	+0.5	0.9
Meat Products	1.6	2.4	+0.8	1.0	1.1	+0.1	0.9
Grain, Oilseeds & Feedstuff	3.2	3.3	+0.2	2.2	1.6	(0.6)	1.8
Others	(0.0)	0.1	+0.1	(0.0)	0.0	+0.1	0.0
Foods, Meat & Grain	5.5	7.4	+1.9	3.6	3.6	(0.0)	3.6
Machine Tools & Industrial Machinery	1.1	1.0	(0.2)	0.8	0.6	(0.2)	1.0
Overseas	3.6	4.1	+0.6	1.4	1.6	+0.2	2.0
Others including Steel and Energy	4.5	3.2	(1.3)	3.1	(0.4)	(3.5)	0.4
Steel, Materials & Plant	9.2	8.3	(0.9)	5.3	1.8	(3.5)	3.4
Aerospace	0.4	1.7	+1.3	0.2	0.8	+0.7	0.8
Motor Vehicles & Parts	0.4	0.9	+0.5	0.4	0.6	+0.2	0.9
Others	0.1	0.1	+0.0	0.1	0.0	(0.0)	0.0
Motor Vehicles & Aerospace	0.8	2.7	+1.9	0.6	1.5	+0.9	1.7
Others	0.7	0.6	(0.1)	0.3	0.6	+0.3	0.7
Total	29.6	33.1	+3.5	15.5	16.6	+1.0	23.5

The primary factors behind fluctuations in profit attributable to owners of the parent include:

- **ICT Solution:** Increased mainly due to the impact of the acquisition of all the shares of Kanematsu Electronics and solid network and security related transactions against the background of the growing demands for security measures and DX.
- **Mobile:** Increased year on year mainly due to continued effects from branch restructuring.
- **Foods:** Increased year on year mainly due to robust sales of frozen fruits and beverage ingredients and the overseas processed food business.
- **Meat Products:** Despite the impact of higher market prices in overseas and weaker yen, net profit remained flat compared to the same period last year.
- **Grain, Oilseeds & Feedstuff:** Major grain prices remained weak, and profits decreased compared to the same period of the previous year, which performed well.
- **Machine Tools & Industrial Machinery:** Decreased due to the rising purchase costs and selling, general and administrative expenses.
- **Steel Tubing (included in "Overseas" in the Steel, Materials & Plant segment):** Increased due to strong transactions in North America supported by solid energy demand.
- **Steel (included in "Others" in the Steel, Materials & Plant segment):** Decreased year on year mainly due to impairment loss on equity method investments.
- **Energy (included in "Others" in the Steel, Materials & Plant segment):** Decreased from the same period of the previous year when a strong performance was recorded, due to the impact of the falling domestic demand.
- **Aerospace:** Increased year on year due to robust transactions of aircraft/vessel related parts.
- **Motor Vehicles & Parts:** Increased year-on-year due to the improved market conditions.