FAQ (Frequently Asked Questions and Answers)

First Quarter Results for the Fiscal Year Ended March 31, 2027 (August 4, 2026)

■ FY2027 Outlook

Q. **Despite the strong first-quarter progress, with achievement rates of 32% for operating profit and 33% for quarterly profit against the full-year forecast, why has the Company not revised its full-year guidance?**

A. In the first quarter, both operating profit and quarterly profit progressed steadily, supported by strong performance in the ICT Solution, Aerospace, and Meat Products businesses. However, first-quarter results also included foreign exchange and derivative valuation gains related to beef and chicken transactions in the meat products business and soybean and feed grain transactions in the Food business. In addition, deliveries of certain transactions, including aircraft parts transactions in the Aerospace business, were completed ahead of schedule. Furthermore, in the Energy business, uncertainty remains due to geopolitical risks and fluctuations in the supply-demand balance of petroleum-related products arising from developments in the Middle East. Taking these factors into account, we have maintained our full-year earnings forecast.

Q. **What is the outlook for the ICT Solution segment?**

A. Demand in the services and security fields is expected to remain firm, supported by the growing need for security measures and digital transformation (DX). Demand from the manufacturing sector is also expected to grow, particularly in the defense and semiconductor industries. On the other hand, supply constraints and price increases in the semiconductor memory market, driven by expanding AI-related demand, continue to create a certain degree of uncertainty in the procurement environment for servers, storage systems, and other related equipment. Taking these business conditions into consideration comprehensively, we have decided to maintain our full-year earnings forecast.

Q. **What is the outlook for the Mobile business?**

A. The Mobile business continues to perform steadily, supported by the expansion of directly operated stores and the enhancement of value-added services and products. On the other hand, in the previous fiscal year, demand was boosted by replacement purchases associated with the termination of NTT Docomo's 3G services, as well as last-minute demand ahead of the introduction of new pricing plans. As a result, unit sales in the first quarter of the current fiscal year were below the level of the same period of the previous year due to a reactionary decline in demand. In addition, we are cautiously monitoring future sales trends, as changes in the timing of new product launches and potential increases in handset prices may affect demand. Taking these factors into account, we have maintained our full-year earnings forecast.

Q. **What is the outlook for the defense-related business?**

A. Against the backdrop of growing defense demand both in Japan and overseas, demand is expected to increase over the medium to long term. In particular, with regard to the next primary trainer aircraft program awarded by the Acquisition, Technology & Logistics Agency (ATLA), we expect demand related to future aircraft deliveries as well as ground training equipment. In addition, further expansion of opportunities in adjacent systems-related fields through collaboration with the ICT Solutions business is anticipated. Furthermore, we are expanding existing defense-related transactions while steadily building a pipeline of new projects that will serve as a foundation for future earnings. Accordingly, we intend to strengthen the defense-related business as a medium- to long-term growth area.

Q. **What is the outlook for the Steel Tubing business?**

A. In addition to the prolonged demand slowdown that has persisted since the year before last, the business had been adversely affected by rising material costs. However, signs are emerging that customer hesitation toward purchases stemming from U.S. tariff measures is beginning to subside. As a result, we expect market conditions to gradually recover going forward.

■ External Environment

Q. **What is the impact of U.S. tariff policies on the Company's businesses, including refunds of the "reciprocal tariffs" based on the International Emergency Economic Powers Act (IEEPA), which were invalidated?**

A. In principle, tariff increases are passed on to selling prices. Accordingly, if refunds are made for tariffs that are eligible for reimbursement, such refunds will be attributable to customers. As a result, we expect the impact on our earnings to be limited.

Q. **What is the impact of the situation in the Middle East and the closure of the Strait of Hormuz on the Company's businesses?**

A. Transactions with the Middle East account for only a limited portion of the Group's overall business, and there has been no significant direct impact. We will continue to closely monitor future developments, including indirect impacts such as rising crude oil prices and shortages of petroleum-related products.

■ The Medium-term Management Plan, "integration 1.1" (FY2025–FY2027)

Q. **Please provide an update and outlook on the ¥60.0 billion growth investment plan.**

A. We executed approximately ¥3.0 billion of investments in the first quarter, bringing cumulative investments during the Medium-Term Management Plan period to approximately ¥26.0 billion. With respect to the ¥60.0 billion growth investment allocation under our cash allocation framework, we are currently reviewing multiple opportunities in DX-related fields centered on ICT Solution, as well as in our areas of strength. We are carefully evaluating each opportunity from the perspectives of business synergies, investment returns, and valuation.

Q. **What are the ROIC targets for each segment?**

A. Under the current Medium-Term Management Plan, we have not set ROIC targets by segment, but have established an ROIC target of 8% for the Group as a whole. Actual ROIC for the fiscal year ended March 31, 2026 was 9.1%. Although ROIC varies by segment depending on the characteristics of each business, we aim to improve ROIC in each.

■ Investment

Q. **What are the major investments made in the fiscal year ending March 31, 2027 to date?**

A. We acquired a mobile-phone sales agency and made investments in companies including Foundation

Alloy, a developer and manufacturer of next-generation metallic materials.

■ Finance

Q. **What is the impact of foreign exchange fluctuations on earnings?**

A. Our foreign currency-denominated transactions, mainly imports in the Foods, Meat & Grain segment, are largely hedged through foreign exchange forward contracts and sold at yen prices. As a result, the impact on profit and loss is generally neutral. However, a fluctuation of 1 yen in the exchange rate is estimated to have an impact of approximately ¥300 million on foreign currency translation adjustments within shareholders' equity. For our earnings forecast, we are assuming an exchange rate of 150 yen to the U.S. dollar.

Q. **With net D/E ratio standing at 0.51x in the first quarter, are there any changes to the targets under the Medium-Term Management Plan "integration 1.1"?**

A. Net DER stands at 0.51x, compared with 0.45x at the end of the fiscal year ended March 31, 2026, reflecting cash inflows from the sale of policy shareholdings, as well as our prudent evaluation of investment opportunities from the perspectives of valuation and strategic synergies. We will continue to execute growth investments to achieve sustainable growth and enhance corporate value, while maintaining financial discipline. Under the Medium-Term Management Plan, we intend to maintain a net D/E ratio at around 1.0x as a guideline.

■ Shareholder Return

Q. **What is Kanematsu's policy on shareholder return?**

A. We have set a target shareholder return of 30%–35% in the medium-term management plan "integration 1.1." With a core principle of ensuring continuous and stable dividends, we aim to increase the annual dividend through growth in net profit.

Q. **What is Kanematsu's policy regarding share buyback?**

A. For the time being, we intend to prioritize growth investments that contribute to business expansion and the enhancement of corporate value, and to steadily execute the growth investments outlined in our Medium-Term Management Plan. With regard to shareholder returns, our basic policy is to provide stable and continuous dividends rather than conduct share buybacks.

■ DX

Q. **What are the examples of recent DX initiatives?**

A. Recent examples:

- Launched the cloud-based inventory management software "KG ZAICO" in Mexico (July 2026)
- Launched "KG Sekai Cart," a B2B web-based ordering system (March 2026)
- Acquired 100% of the shares of Root Riff Systems, a provider of IT infrastructure services (Oct 2025)
- Second investment of the Nippon Cybersecurity Fund: Constella Security Japan Inc. (Oct 2025)
- First investment of the Nippon Cybersecurity Fund: LRM Inc. (Sep 2025)
- Launched "Hay Portal," a digital platform for feed (hay) imports (Aug 2025)
- Established strategic IT subsidiary "Kanematsu Seed Port Corporation" (April 2025)

■ GX

Q. **What is the GX strategy of Kanematsu?**

A. With the GX Promotion Committee and the group-wide organization GX Accelerator at its core, we are driving initiatives focused on strategic planning for monetization, setting both quantitative and qualitative objectives, and pursuing specific business endeavors. Our strategic focus is on four key areas: “Renewable energy,” “Agriculture and Food,” “Materials,” and “Circular Economy.” These areas are deeply embedded in the supply chains of industries we operate in, enabling us to identify challenges and develop solutions directly on-site.

In the fiscal year ended March 2025, we achieved ahead of schedule the greenhouse gas (GHG) reduction targets set in 2022—carbon neutrality by 2025 and carbon negativity of minus 1,000,000 t-CO2 by 2030 and 2050. Following this achievement, we have formulated a new basic approach and policies on climate change, as well as updated GHG indicators and targets. For more information on our new climate guidelines, please refer to the news release on our corporate website.

Q. **What are the specific examples of GX initiatives?**

A. Recent examples:

- Started a demonstration project using EF Polymer, a 100% natural and biodegradable water-retention polymer (July 2026)
- Conducted a feeding trial of Bovaer®, a methane-reducing feed additive (February 2026)
- Began supplying Skylark Co., Ltd. with a package of domestically produced rice and associated environmental value attributes (December 2025)
- Began supplying FAME-blended biofuel for ocean-going vessels together with Idemitsu Kosan Co., Ltd. (December 2025)
- A solar power generation system was installed by Alam Energy Indonesia at our food processing plant in Indonesia (November 2025)
- Investment in Alam Energy Indonesia (Sep 2025)
- Began initiatives with dsm-firmenich (Netherlands) to reduce environmental impact of livestock products using methane-reducing cattle feed (Jul 2025)
- Formulated new climate guidelines aimed at achieving a decarbonized society (June 2025)
- Invested in TOWING Co., Ltd. and launched a pilot project for the high-performance biochar “Soratan” (May 2025)

Note:

In this document, “Operating Profit” refers to profit from operating activities, “Net Profit” refers to profit attributable to owners of the parent, and “Quarterly Profit” refers to profit attributable to owners of the parent for the quarter.

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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.

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