FAQ (Frequently Asked Questions and Answers)
Second Quarter Results for the Fiscal Year 2027 (November 5, 2026)

■ FY2027 Outlook

Q. Why did the Company revise its full-year earnings forecast upward, raising profit attributable to owners of the parent (net profit) from ¥35.0 billion to ¥38.5 billion?

A. We have revised our full-year net profit forecast upward by ¥3.5 billion to ¥38.5 billion, taking into account the factors described below. In the first half, in addition to the strong performance of the ICT Solution business, the Semiconductor Parts & Equipment, Electronic Devices & Materials, Foods, Meat Products, and Energy businesses performed above our initial expectations. However, first-half results also benefited from the following factors: the reversal of the previous fiscal year's valuation losses on futures transactions in the Energy business; higher prices of semiconductor parts and electronic materials amid supply constraints in the semiconductor memory market; higher chicken prices in the Meat Products business; and earlier-than-scheduled deliveries of aircraft parts in the Aerospace business and of fishmeal & fish oil in the Grain, Oilseeds & Feedstuff business. In the second half, we anticipate uncertainty about the outlook, including a pullback from the rush to secure products amid the situation in the Middle East, as well as investment-related expenses.

Q. Why does the current earnings forecast not reflect the impact of the sale of shares in Global Security Experts Inc. ("GSX"), which was disclosed on October 30, 2026?

A. Because the sale of the GSX shares is subject to the completion of the tender offer for the GSX shares (the "Tender Offer") and remains uncertain at this time, the impact of the sale has not been reflected in the Company's consolidated earnings forecast. As described in the timely disclosure dated October 30, 2026, "Notice Regarding Expected Recognition of Share of Profit of Investments Accounted for Using the Equity Method in Connection with the Sale of Shares Following a Tender Offer and Impact on Consolidated Financial Results," if the Tender Offer is successfully completed at the tender offer price and Kanematsu Electronics Ltd. ("Kanematsu Electronics"), a consolidated subsidiary of the Company, sells its GSX shares, profit attributable to owners of the parent in the Company's consolidated financial results for FY2027 is expected to increase by approximately ¥14.5 billion. If the sale of the GSX shares is finalized and a revision to the earnings forecast becomes necessary, we will promptly make an announcement.

Q. Please tell us about the upcoming schedule of the Tender Offer for GSX and when the gain on the sale will be recognized.

A. The Tender Offer was announced on October 30, 2026, and the Tender Offer period is scheduled to run from November 2 through December 15, 2026. If the Tender Offer is completed, following the required procedures at GSX, including an extraordinary general meeting of shareholders concerning a share consolidation, Kanematsu Electronics plans to participate in a share buyback to be conducted by GSX and sell its GSX shares around the end of March 2027. The investment gain is expected to be recognized when the share sale is executed.

■ Growth Investments and IDAJ

Q. Please tell us about the progress of the ¥60.0 billion in growth investments under the medium-term management plan "integration 1.1" (¥40.0 billion for DX-related investments centered on ICT solutions and ¥20.0 billion for business areas in which we have strengths).

A. Investments executed in the second quarter were approximately ¥4.6 billion, bringing cumulative investments from April 2024, when the medium-term management plan started, through the end of September 2026 to approximately ¥30.0 billion. Following the acquisition of shares of IDAJ Co., Ltd. ("IDAJ") for ¥49.8 billion in October, cumulative investments during the medium-term management plan period are approximately ¥100.0 billion as of now.

Q. Growth investments now exceed ¥60.0 billion. Does the Company intend to continue making growth investments?

A. We intend to continue making growth investments to achieve sustainable growth and enhance corporate value. Going forward, we will carefully examine business synergies, investment returns, valuations, and other factors, and consider agile and selective investments under our policy of maintaining a net D/E ratio of around 1.0x as a guideline.

Q. What kind of company is IDAJ? Please tell us about its business and strengths.

A. IDAJ is a technology consulting company established in 1994 that provides design and analysis solutions. It operates mainly in the "Design and Development DX" field, including MBD (model-based development), CAE (computer-aided engineering), MBSE (model-based systems engineering), and PLM (product lifecycle management), providing software sales, technical support, commissioned analysis, and consulting services to manufacturing customers, mainly in the automotive industry. Its strength lies in its advanced technological capabilities and specialized personnel in product design and development, which are the upstream processes of manufacturing. In addition, IDAJ has strengths in initiatives that combine AI with the simulation technology it has cultivated over many years. By leveraging high-quality data through simulation, together with its deep knowledge of products and physical phenomena, IDAJ is also working to advance design and analysis processes through AI.

Q. What synergies do you expect from the acquisition of shares of IDAJ?

A. We position this as a strategic investment that gives concrete form to our evolution into a "Solutions Provider," as outlined in the medium-term management plan "integration 1.1." In the short term, we will leverage the complementary customer bases of both companies to pursue cross-selling and joint proposals. In the medium to long term, we will combine the strengths of IDAJ in design and analysis, an upstream field, with the strengths of Kanematsu Electronics, which operates the ICT Solution business, in IT, PLM, production, and manufacturing, and expand our offerings into "Design and Development DX" that provides end-to-end support from design through manufacturing. By rolling this out not only to manufacturing industries such as automotive, semiconductor, defense, heavy industry, and electrical and electronics, but also to the Kanematsu Group's customer base of 20,000 companies, we aim to drive growth.

Q. Please tell us about the financing for the acquisition of shares of IDAJ.

A. We plan to finance the acquisition through the issuance of straight bonds and borrowings.

Q. Interest-bearing debt will increase due to the acquisition of shares of IDAJ. Is there any concern about financial soundness?

A. Following the acquisition of IDAJ shares, the gross D/E ratio as of the end of March 2027 is expected to be approximately 1.0x, and the net D/E ratio is expected to be approximately 0.8x. Although interest-bearing debt will increase as a result of the acquisition, the net D/E ratio will remain within our guideline of around 1.0x under the medium-term management plan. We believe this is a level that maintains financial soundness while securing the financial capacity for future growth investments.

■ Outlook by Business

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

A. The business environment remains solid, backed by strong DX demand. In addition to growing demand for AI-related data centers and cybersecurity, we expect further growth, mainly in the manufacturing sector, following the addition of IDAJ to the Group. Meanwhile, we will continue to closely monitor rising costs associated with human capital investments to secure talent, as well as higher prices of equipment and components.

Q. What is the outlook for the Mobile business?

A. Backed by the expansion of sales channels and an expanded lineup of value-added services and products, the business as a whole continues to perform steadily. However, cumulative unit sales through the second quarter were below the same period of the previous year, mainly reflecting the absence of the replacement demand seen in the previous fiscal year following the termination of 3G services, as well as higher handset prices. We are cautiously monitoring the future sales outlook.

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) in December 2025, in addition to conventional aircraft procurement, we anticipate comprehensive and long-term support in related areas, including ground training equipment for pilot training and collaboration with the ICT Solution business. In addition, we are building up new projects that will serve as a foundation for future earnings, such as collaboration with startups with an eye toward space defense.

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

A. The business has continued to face challenging conditions due to sluggish demand over the past two years and higher costs associated with rising material prices. However, there are signs that customers are beginning to ease their cautious stance on purchases in response to U.S. tariffs, and we expect the business to gradually recover.

Q. What is the outlook for the Energy business?

A. Reflecting the situation in the Middle East, the business performed well, mainly in marine fuel transactions. However, uncertainty remains due to geopolitical risks and a potential pullback in demand for petroleum-related products amid the situation in the Middle East.

Q. What is the outlook for the Meat Products business?

A. The business performed well in the first half, mainly driven by chicken trading. In the second half, we expect performance to slow from the first-half pace, reflecting factors such as a pullback in market prices.

■ External Environment

Q. What is the impact of the expansion of AI and the data center market on the Group's businesses?

A. We view it as a tailwind that will lead to growth for the ICT Solution business. The spread of AI and the expansion of the data center market are expected to increase demand for IT infrastructure such as servers, storage, and networks. In addition, demand for cybersecurity measures is on an upward trend, particularly in the financial sector and in the public sector centered on infrastructure, and we expect it to expand across a variety of industries going forward.

Q. What is the impact of supply constraints and rising prices of semiconductors and memory on the Company's earnings?

A. We are closely monitoring the impact on procurement costs and supply of servers, storage, and other products from price increases and supply constraints in semiconductors and memory driven by growing demand for AI. At the same time, because expanding AI-related investment will also lead to higher demand for IT infrastructure, we view it as a growth opportunity for the ICT Solution business over the medium to long term.

■ Finance and Shareholder Return

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

A. The impact on profit and loss is generally neutral, as 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. 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. What is Kanematsu's policy on shareholder return?

A. Under the current medium-term management plan, our basic approach is to expand businesses and enhance corporate value through disciplined growth investments, with a focus on expanding businesses that can sustainably generate returns exceeding the cost of capital. Regarding shareholder return, our basic policy is to increase dividends in line with profit growth, and we maintain a progressive dividend policy with a target total payout ratio of 30%–35%. At the same time, we recognize that maintaining capital efficiency, with a target ROE (return on equity) of 16%–18%, is also an important management issue, and we will consider appropriate shareholder return while balancing capital accumulation with growth investments.

Q. How does the Company view shareholder return with regard to the one-time gain from the sale of GSX shares?

A. The share sale is contingent on the completion of the tender offer and is not yet certain at this time. Once the tender offer is completed and the sale of GSX shares becomes foreseeable after the required procedures, we will consider this together with the revision of the forecast.

Disclaimer: The forward-looking statements, including results forecasts, provided in this document 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 ¥100 million, the total may not precisely match the sum of each item.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.