



Overview of Results for FY2020



May 8, 2020
KANEMATSU CORPORATION

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

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Since the figures shown are rounded off to the nearest 1 billion yen, the sum of each item and the total may differ.

1. Overview of results for FY2020

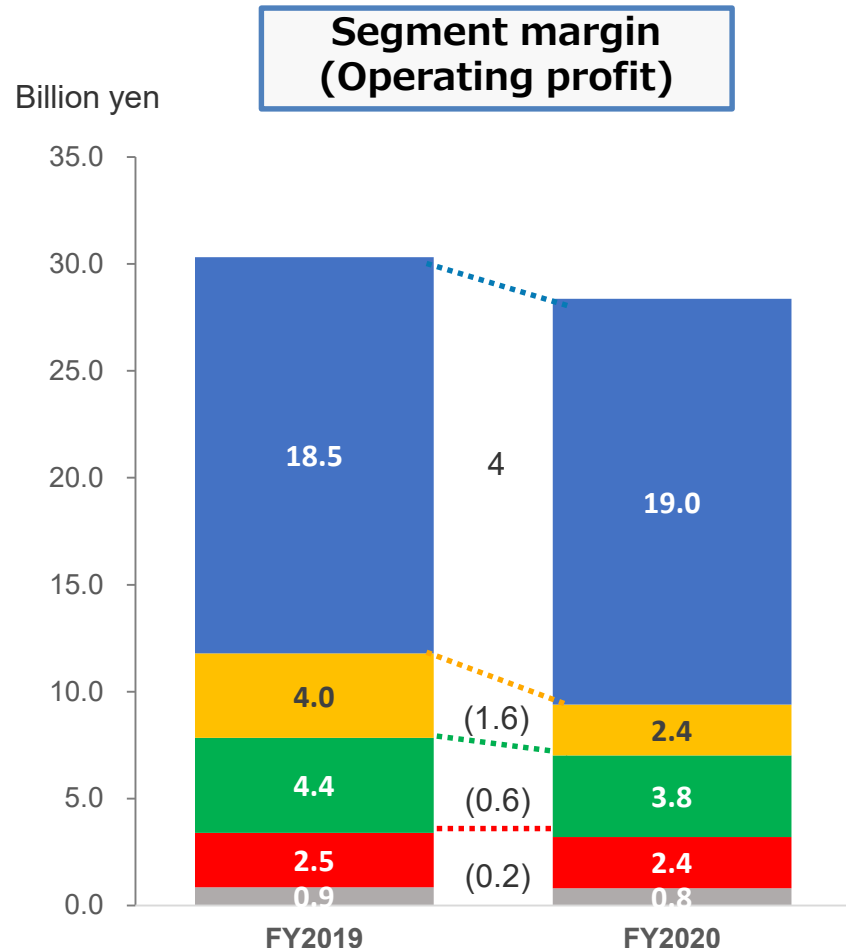
1-1. FY2020 Highlight (P/L)

✓ Both revenue and profits decreased.

(Unit: billion yen) .	FY2018	FY2019	Year-on-year	
			Change	Change(%)
Revenue	723.8	721.8	(2.0)	(0.3%)
Gross profit	110.0	110.9	0.9	0.8%
Operating profit	30.3	28.4	(2.0)	(6.6%)
Finance income (costs)	(1.5)	(1.8)	(0.3)	-
Share of profit (loss) of investments accounted for using the equity method	0.4	0.4	0.0	-
Profit before tax	29.2	26.9	(2.2)	(7.7%)
Profit for the year attributable to owner of the parent	16.6	14.4	(2.2)	(13.3%)

1-2. FY2020 Highlight (Segment margin)

✓ Overall operating profit declined by 2.0 billion yen, largely due to the Foods & Grain segment.



Electronics & Devices

<Decline in revenue and increase in profit>

The ICT solutions business remained strong due to IT investment demand for servers and storage, as well as in the virtualization and security markets. The mobile business performed well mainly due to improvement in the efficiency of store operations and growth in corporate business. The semiconductor and LCD manufacturing equipment business was affected by the COVID-19 coronavirus outbreak in China.

Foods & Grain

<Increase in revenue and decline in profit>

In the food business, transactions involving agricultural processed products held firm thanks to the procurement of raw materials that matched consumer needs and product development. The meat products business remained robust despite price volatility caused by global demand and supply imbalances. However, the feedstuff business struggled due to a slump mainly in pet-related transactions and transactions involving aquafeed.

Steel, Materials & Plant

<Decline in revenue and profit>

The energy business performed strongly, driven by domestic transactions. The oilfield tubing business slowed down under the impact of falling oil prices. The machine tools and industrial machinery business also experienced a slump in overseas transactions mainly in the China and the U.S., and the plant infrastructure business also reported lower profit due to the suspension of transactions with the Middle East.

Motor Vehicles & Aerospace

<Increase in revenue and decline in profit>

In the aerospace business, core transactions involving aircraft parts held firm. The motor vehicles and parts business had a strong showing overall but reported lower profit due to the suspension of transactions with the Middle East.

1-3. FY2019 Highlight (Segment margin)

- ✓ Overall profit attributable to owner of the parent declined by 2.2 billion yen largely due to the Foods & Grain segment.

<Profit for the year attributable to owner of the parent>

(Unit: billion yen)	FY2019	FY2020	Year-on-year	
			Change	Change(%)
Electronics & Devices	9.5	9.3	(0.2)	(2.2%)
Foods and Grain	2.5	1.3	(1.2)	(49.6%)
Steel, Materials & Plant	2.6	2.3	(0.4)	(14.0%)
Motor Vehicles & Aerospace	1.9	1.7	(0.2)	(11.9%)
Others	0.1	(0.1)	(0.2)	-
Total	16.6	14.4	(2.2)	(13.3%)

1-4. FY2020 Highlight (B/S)

✓ The equity ratio rose due to the increase in retained earnings.

(Unit: Billion yen)	FY2019 results	FY2020 results
Total assets	549.5	551.7
Shareholders' Equity (Note 1)	125.2	130.8
BPS(yen)	1,500	1,567
Equity ratio (Note 2)	22.8%	23.7%

(Unit: Billion yen)	FY2019 results	FY2020 results
Gross interest-bearing debt (Note 3)	139.5	143.4
Net interest-bearing debt	50.0	51.8
Net D/E ratio (Note 4)	0.40 times	0.40 times
ROE	13.8%	11.2%

(Note 1) Shareholder's equity = Total equity attributable to owners of the parent

(Note 2) Equity ratio = Shareholder's equity / Total assets

(Note 3) Gross interest-bearing debt = Total amount of bonds and loans minus lease liabilities

(Note 4) Net debt-equity ratio = Net interest-bearing debt / Shareholder's equity

1-5. FY2020 Highlight (Segment ROIC)

- ✓ Set 7% ROIC target as operating target for achieving ROE 13-15%.
- ✓ Aiming to improve consolidated ROE through segment management of ROIC.

	FY2019			FY2020			Change
	Profit for the year	Invested capital	ROIC	Profit for the year	Invested capital	ROIC	
Electronics & Devices	9.5	85.2	11.2%	9.3	87.0	10.7%	(0.5%)
Foods and Grain	2.5	51.1	4.9%	1.3	50.9	2.5%	(2.4%)
Steel, Materials & Plant	2.6	54.3	4.8%	2.3	55.3	4.1%	(0.8%)
Motor Vehicles & Aerospace	1.9	31.5	6.0%	1.7	33.5	5.0%	(1.0%)
Others	0.1	37.0	0.2%	(0.1)	42.8	(0.2%)	(0.4%)
Total	16.6	259.0	6.4%	14.4	269.5	5.3%	(1.1%)

*Invested capital = Total assets – (Total liabilities + Non-controlling interests – Interest-bearing debt)
= Shareholders' equity + Gross interest-bearing debt (excluding lease liabilities)

*ROIC = Profit for the year attributable to owner of the parent / Invested capital

2. FY2021 forecast

2-1. FY2021 forecast

- ✓ FY2021 forecast are expected to be mostly unchanged from FY2020 results.
- ✓ Forecast assumes that the COVID-19 coronavirus pandemic will impact results until the end of June, 2020.

(Unit: billion yen)	FY2020 results	FY2021 forecast	Year-on-year	
			Change	Change(%)
Revenue	721.8	700.0	(21.8)	(3.0%)
Operating Profit	28.4	27.0	(1.4)	(4.8%)
Profit before tax	26.9	26.0	(0.9)	(3.5%)
Profit for the year attributable to owners of the parent	14.4	14.5	0.1	0.7%

2-2. FY2021 forecast (Segment margin)

- ✓ Overall operating profit is expected to be mostly unchanged, with recovery in the Foods & Grain segment offset by continued weakness in the Steel, Materials & Plant segment.

<Operating profit>

(Unit: billion yen)	FY2020 results	FY2021 forecast	Year-on-year	
			Change	Change(%)
Electronics & Devices	19.0	18.6	(0.4)	(1.9%)
Foods and Grain	2.4	3.6	1.2	51.2%
Steel, Materials & Plant	3.8	1.8	(2.0)	(52.9%)
Motor Vehicles & Aerospace	2.4	2.2	(0.2)	(7.7%)
Others	0.8	0.8	(0.0)	-
Total	28.4	27.0	(1.4)	(4.8%)

2-3. FY2021 forecast (Segment margin)

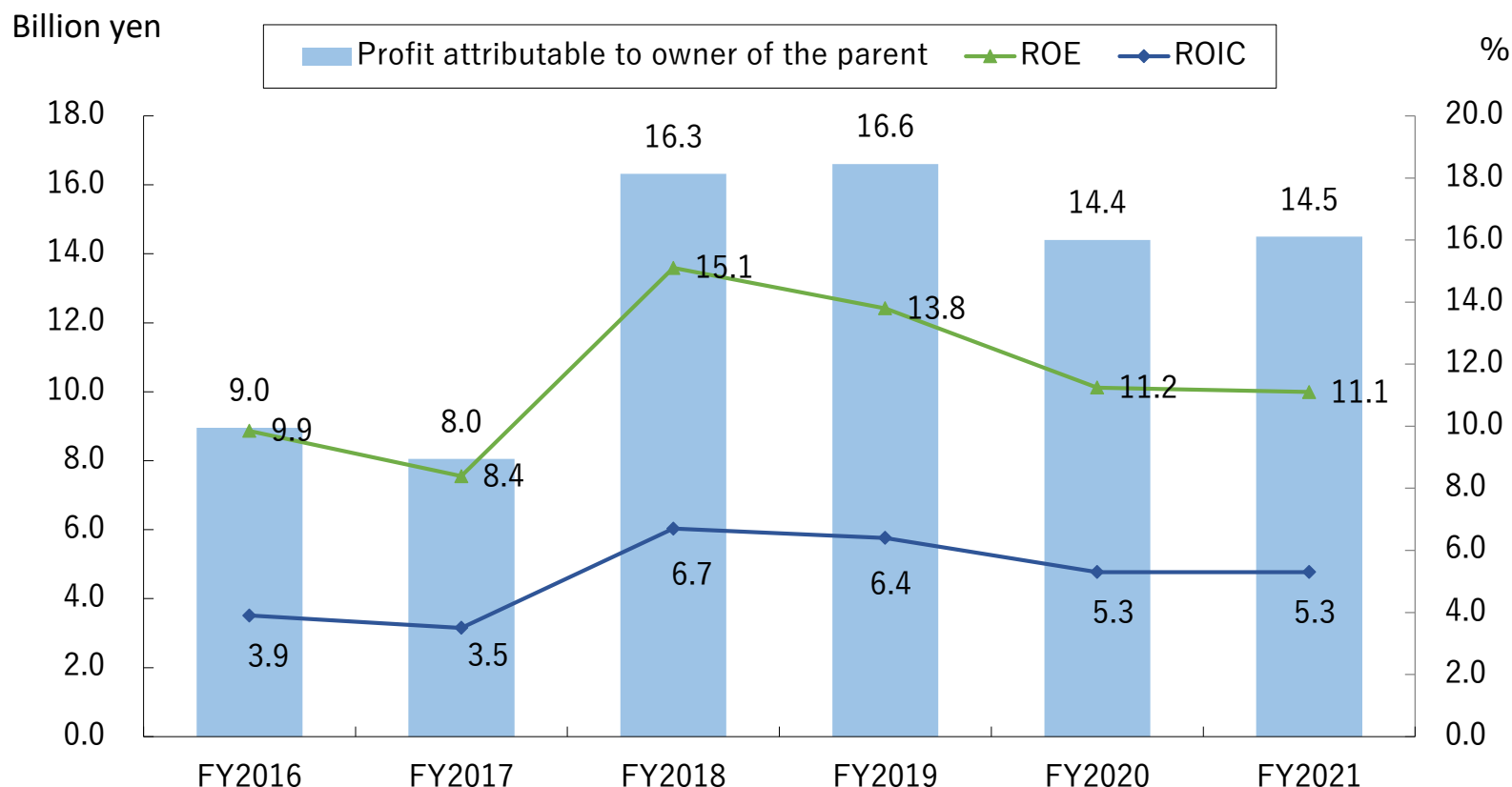
- ✓ Overall profit attributable to owner of the parent is expected to be mostly unchanged, with recovery in the Foods & Grain segment offset by continued weakness in the Steel, Materials & Plant segment.

<Profit for the year attributable to owner of the parent>

(Unit: billion yen)	FY2020 results	FY2021 forecast	Year-on-year	
			Change	Change(%)
Electronics & Devices	9.3	9.0	(0.3)	(3.5%)
Foods and Grain	1.3	1.9	0.6	51.5%
Steel, Materials & Plant	2.3	1.4	(0.9)	(37.9%)
Motor Vehicles & Aerospace	1.7	1.5	(0.2)	(10.0%)
Others	(0.1)	0.7	0.8	-
Total	14.4	14.5	0.1	0.7%

2-4. FY2021 forecast (Profit attributable to owner of the parent, ROE, ROIC)

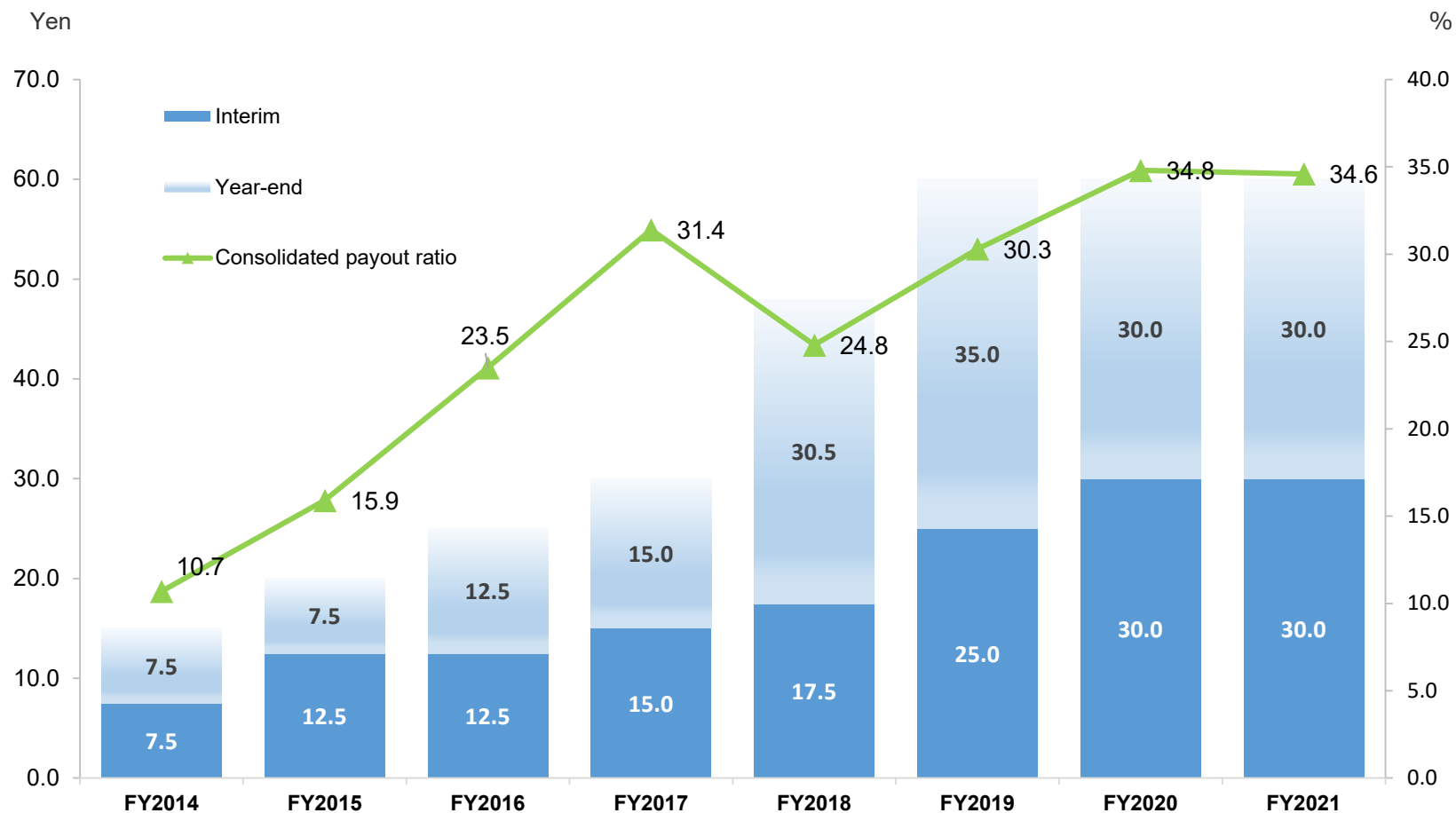
- ✓ Profit attributable to owner of the parent is expected to stay flat in FY2021.
- ✓ The Group will continue to pursue capital efficiency.



*ROIC = Profit attributable to owner of the parent / Invested capital (Invested capital = Shareholders' equity + Interest-bearing debt)

2-5. FY2021 forecast (Dividend Policy)

- ✓ Pay stable and continuous dividends.
- ✓ Plan to pay an annual dividend of 60 yen for FY2020.

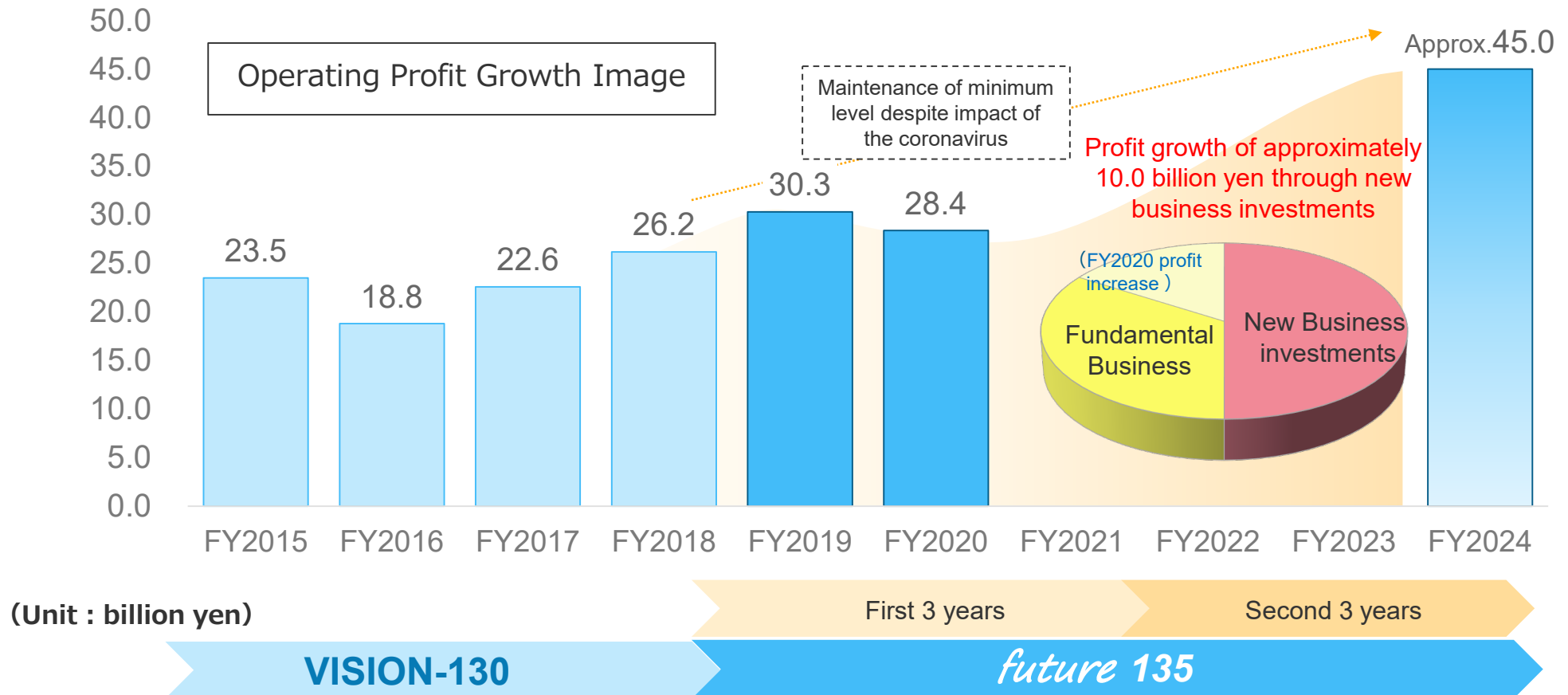


*Amounts for FY2014-FY2019 have been adjusted to reflect stock consolidation.

3. Progress of *future 135*

3-1. Earnings Structure for Growth under *future 135*

Under *future 135*, the Group aims to increase operating profit to approximately 45.0 billion yen through growth of fundamental businesses and new business investments.



(Note) After FY2016, the operating profit is based on IFRS standards. (In FY2015, the operating profit is "operating profit + operating foreign exchange rates" based on Japanese standards.)

3-2. New Business Investments (over 2 Years) under *future 135*

Made new investments of approximately 18 billion yen in areas having expertise and strength.

	Results
Electronics & Devices	<p>(Japan) Made a card printer business company into a wholly owned subsidiary</p> <p>(Japan) Acquired semiconductor image sensor downstream process business company</p> <p>(Japan) Invested in development of data exchange market and data consulting business company</p> <p>(Germany) Made equity-method investment in photo printer business company</p>
Foods & Grain	<p>(China) Established a beef primary processing, manufacturing and sales company</p> <p>(China) Established feed ingredient production plant</p> <p>(Indonesia) Increased investment in processed food manufacturing company</p>
Steel, Materials & Plant	<p>(Korea) Made equity-method investment in a steel processing company</p> <p>(Japan) Acquired metal sash specialist manufacturer</p> <p>(Japan) Acquired plant engineering company</p>
Motor Vehicles & Aerospace	<p>(USA) Participated in a cybersecurity investment fund</p> <p>(USA) Invested in start-up which develops rescue helicopter equipment</p> <p>(Europe) Purchased aircraft in aircraft parts business</p> <p>(Japan) Takeover bid for KANEYO Co., Ltd.</p>
Black : FY2019 Blue : FY2020	Net cash used in investing activities: approximately 18 billion yen

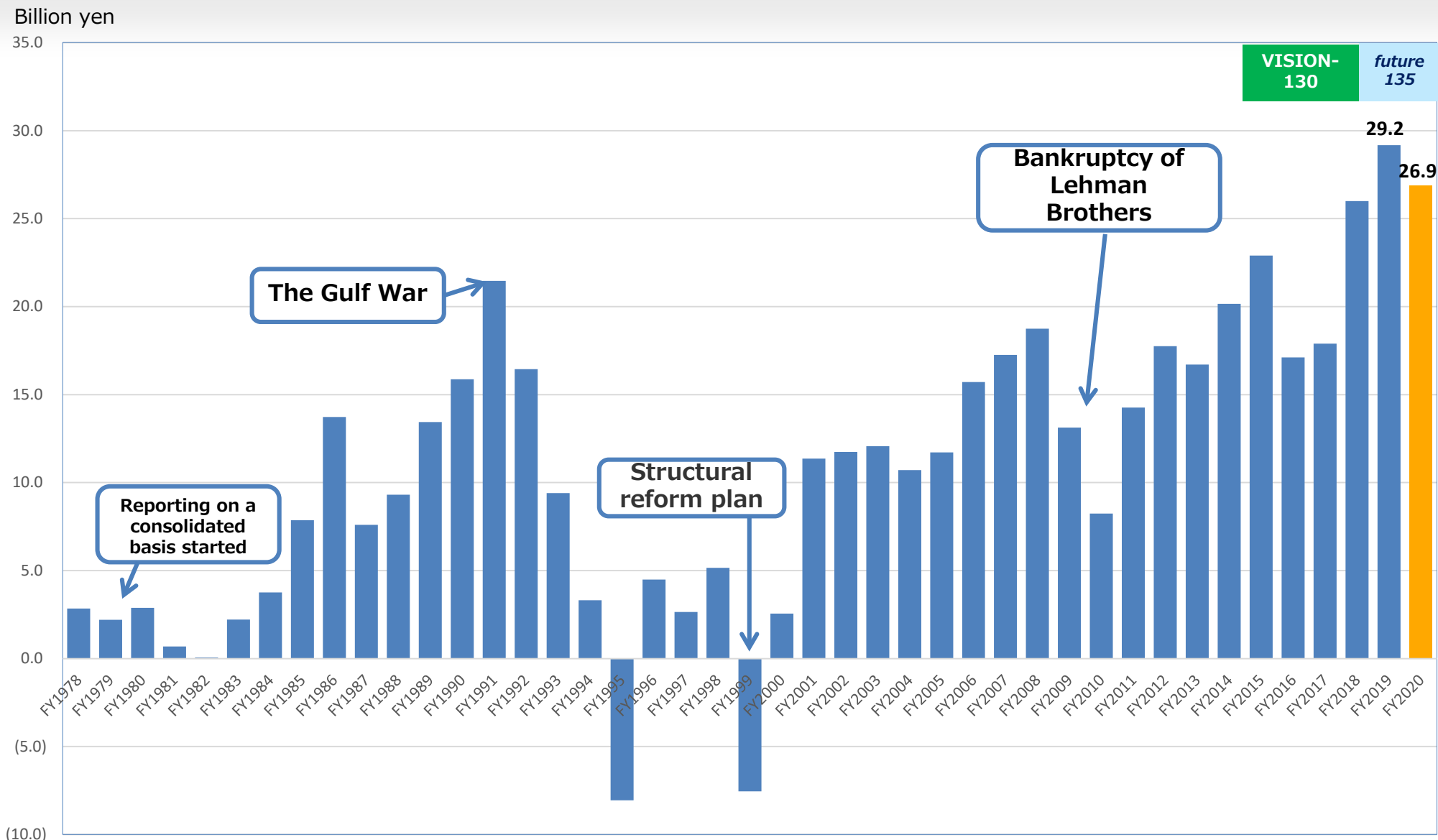
3-3. *future* 135 B/S

- Financial position is solid, with equity ratio of 23.7%, net D/E ratio of 0.4 times, and risk-asset ratio at 0.3 times level.
- Given that net cash provided by operating activities is 10-20 billion yen per year, a healthy financial balance can be maintained even if investments on a scale of tens of billions of yen are made.

B/S		Financial Indicators
<u>Total assets</u> 3/2019 549.5 ↓ 3/2020 551.7	<u>Liabilities</u> (Net interest-bearing debt) 3/2019 390.8 (50.0) ↓ 3/2020 385.5 (51.8)	<Equity Ratio> 3/2019 22.8% ↓ 3/2020 23.7%
	<u>Shareholders' equity</u> 3/2019 125.2 ↓ 3/2020 130.8	<Net DER> 3/2019 0.40 times ↓ 3/2020 0.40 times
		<Risk-asset Ratio> 3/2019 around 0.3 times ↓ 3/2020 around 0.3 times

Appendix

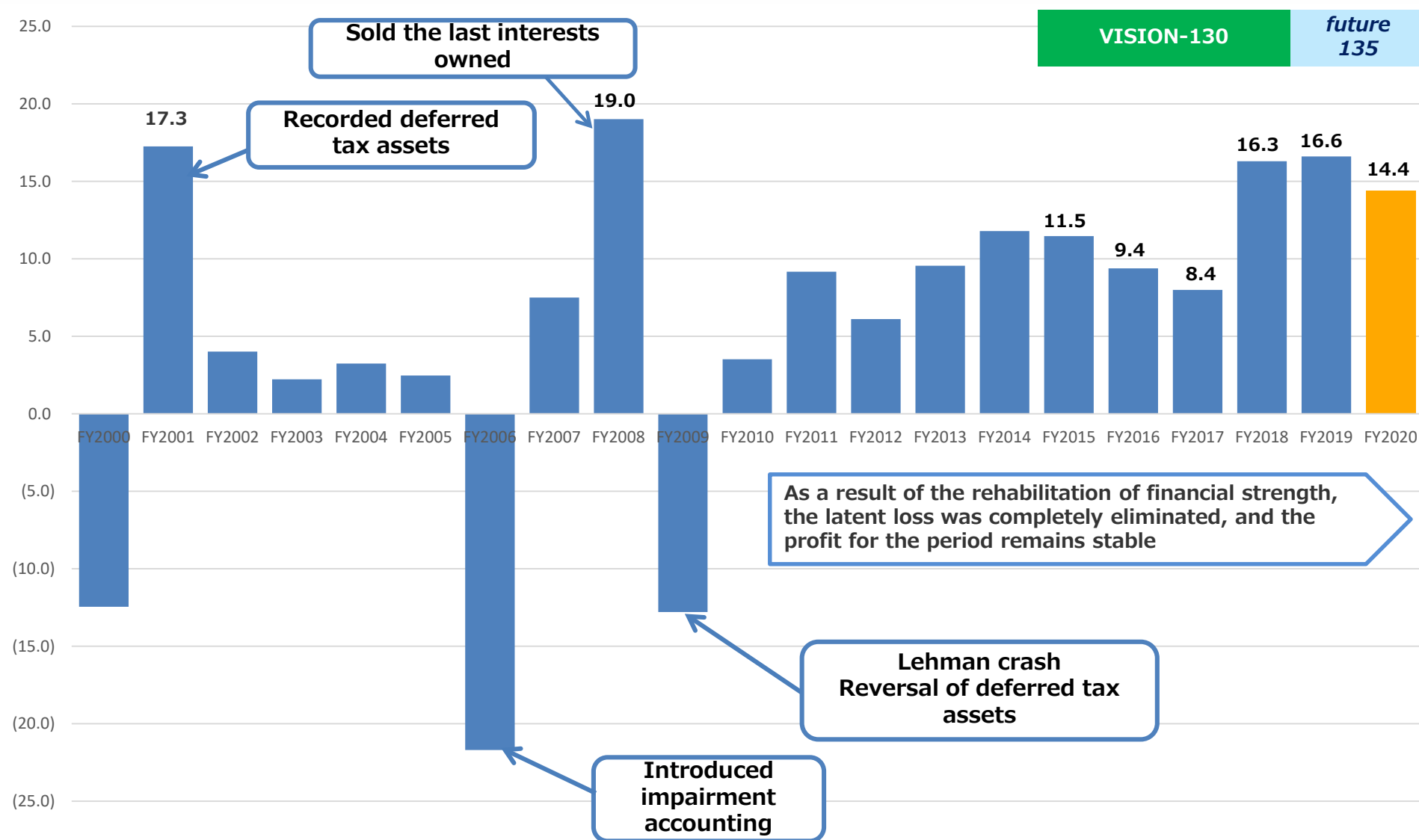
Appendix 1-1. Consolidated Ordinary income (from FY1978)



*Mentioned value is Profit before tax instead of Ordinary income from FY2017

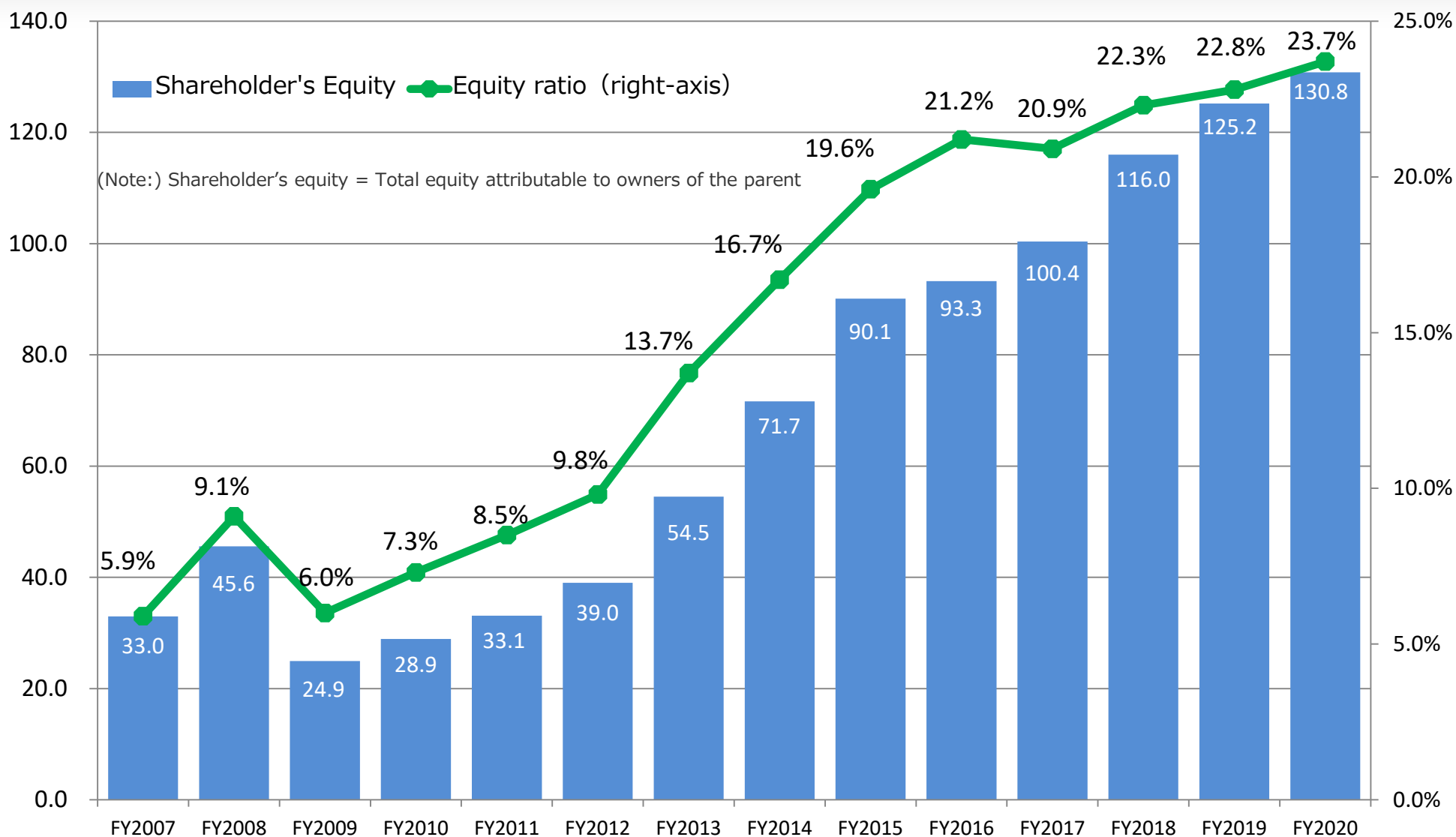
Appendix 1 -2. Consolidated Net income (from FY2000)

Billion yen

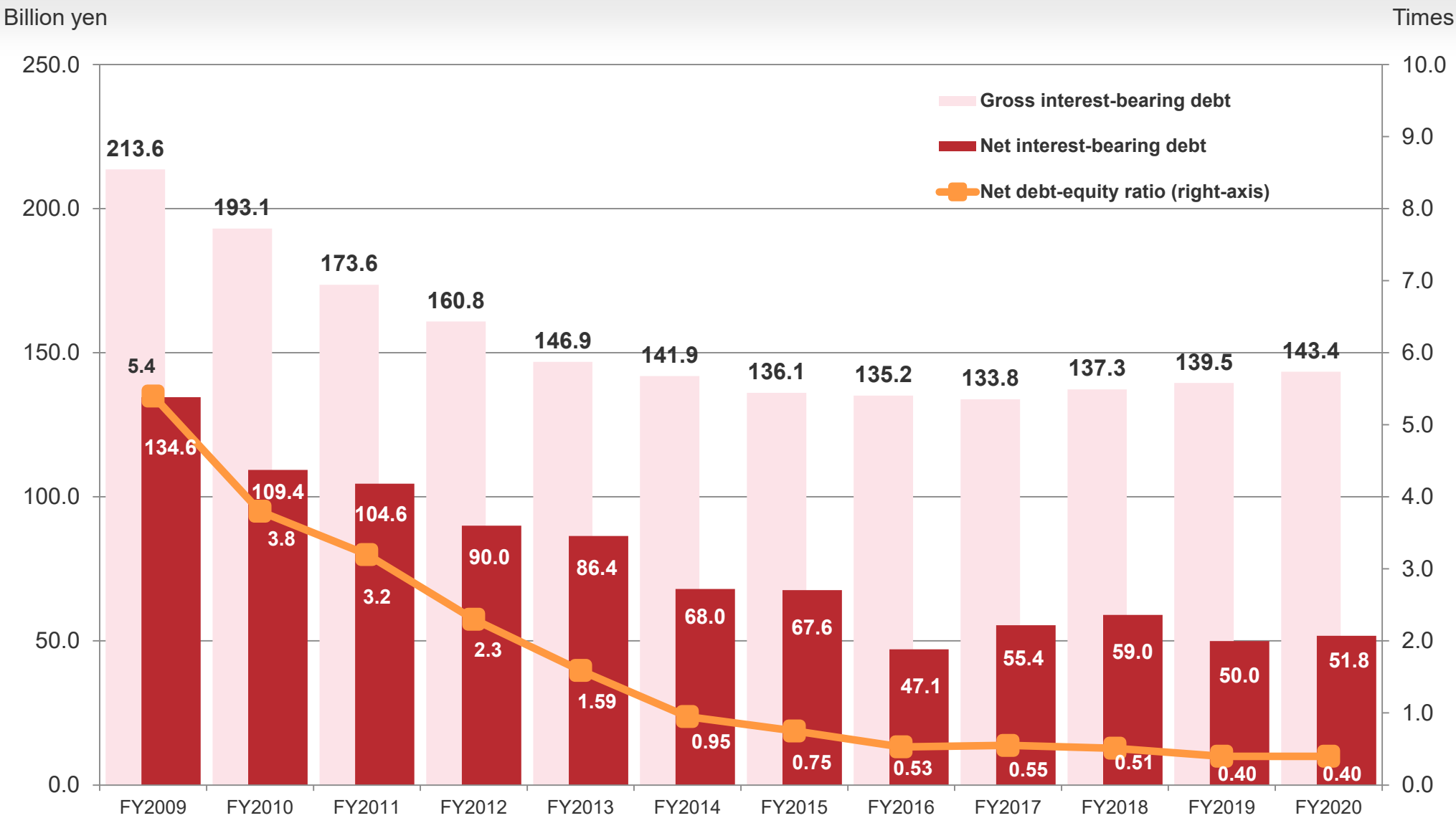


Appendix 1 - 3 . Shareholders' Equity & Equity Ratio

Billion yen



Appendix 1 -4. Interest-bearing debt & Net debt-equity ratio



Appendix 2. Outline of Kanematsu Group

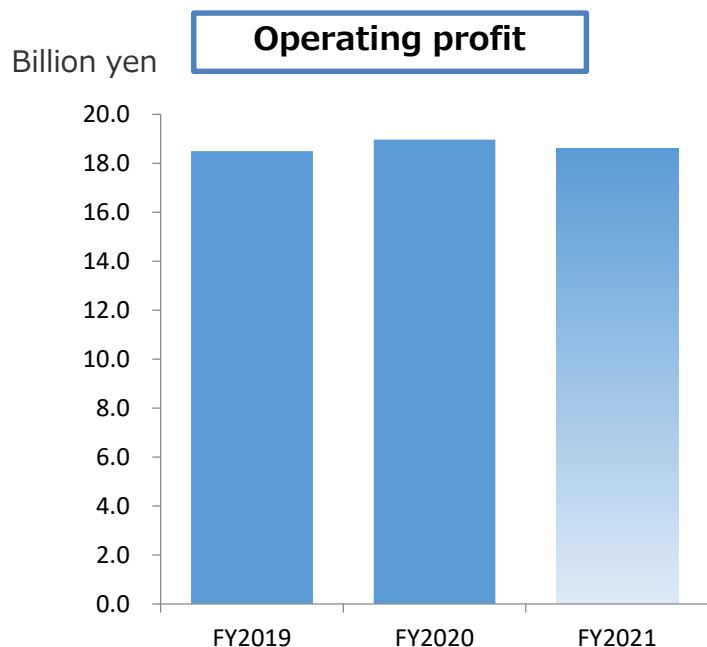
Segment	Main business	Main products	Major subsidiaries
Electronics & Devices	Semiconductor Parts & Equipment	Semiconductor / electronics parts, Electronic modules / materials, Semiconductor	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Kanematsu Susteck Corporation Kanematsu Futuretech Solutions Corp. Kanematsu Advanced Materials
	Industrial electronics & Electronics materials	Printer equipment, Electronic modules	
	ICT Solutions	ICT and Communication equipment & services, System Integration services	
	Mobile	Mobile communications terminals, Mobile content, / mobile advertisement	
	Security system	Security Monitoring Camera, video recorder, security related equipment	
Foods & Grain	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, marine products and others	Kanematsu Shintoa Foods Corp. Kanemory Food Service Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp. KAI Enterprises KG Agri Products
	Meat Products	All meat	
	Grains, Feedstuff and Fertilizer	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer and others	
Steel, Materials & Plant	Steel	Surface-treated steel plates, stainless, special steel wire rods, long steel products, iron ore, cokes	Steel Service Oilfield Tubular Benoit Premium Threading Kanematsu Trading Corp. Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp Kanematsu KGK Corp.
	Oilfield tube	Oilfield development products	
	Energy	Crude oil, petroleum products, LPG, carbon credit trading, Renewable energy products	
	Chemicals	Functional chemicals, functional food materials, dietary supplement, medicine, pesticide	
	Plant & Vessels	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Motor vehicles & Aerospace	Motor Vehicles & parts	Automobiles, Motorcycles and related parts, Precision-Forged Cast Products	Kanematsu Aerospace Corp. Kaneyo Co., Ltd. Shintoa Corp. KG Aircraft Rotables Co., Ltd.
	Aerospace	Aircraft, Helicopters, Satellites, Components and parts	

Appendix 3. Subsidiaries and Affiliates (Revenue and Operating profit)

(Unit: billion yen)	Business	Ownership ratio	FY2019		FY2020	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.28%	67.4	10.3	72.0	11.0
Kanematsu Communications Ltd.	Mobile	100.00%	135.2	6.7	118.1	7.1
Kanematsu Sustech Corp.	Security system etc.	52.89%	12.4	0.9	12.5	1.0
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100.00%	28.1	0.4	30.1	0.3
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	12.9	0.3	10.7	0.3
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	9.7	0.4	10.9	0.2
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	11.1	2.0	10.6	1.1
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	19.3	0.5	18.1	0.7
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	4.5	0.7	5.1	0.8
Shintoa Corporation	Trading company	100.00%	36.2	1.4	39.8	1.5
Kanematsu USA Inc.	Overseas subsidiary	100.00%	106.8	2.1	109.0	1.5

Appendix4-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2019	FY2020	FY2021 forecast	Change	Change(%)
Revenue	265.5	254.5	245.0	(9.5)	(3.7%)
Operating profit	18.5	19.0	18.6	(0.4)	(1.9%)
Profit attributable to owner of the parent	9.5	9.3	9.0	(0.3)	(3.5%)



FY2020 results

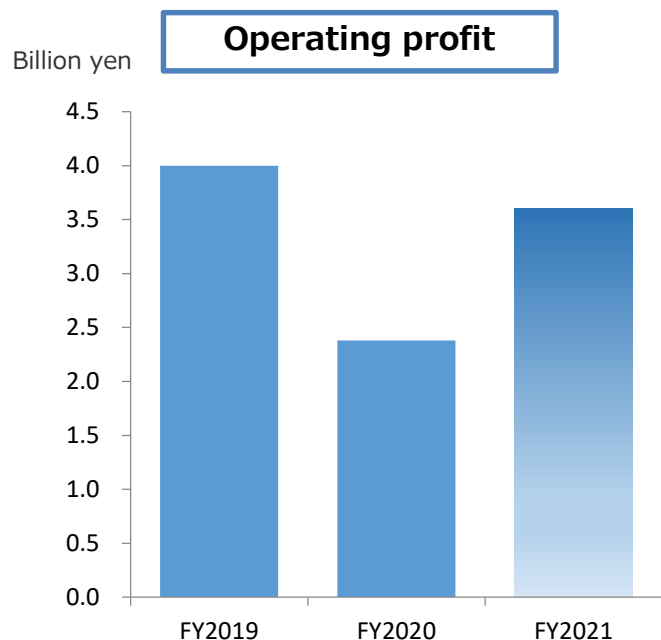
The ICT solutions business remained strong due to IT investment demand for servers and storage, as well as in the virtualization and security markets. The mobile business performed well mainly due to improvement in the efficiency of store operations and growth in corporate business. The semiconductor and LCD manufacturing equipment business was affected by the COVID-19 coronavirus outbreak in China.

FY2021 forecast

Despite uncertainty caused by the impact of the coronavirus such as the stagnation of corporate activity, recovery is expected after economic activity resumes.

Appendix4-2. Segments (Foods & Grain)

(Unit: billion yen)	FY2019	FY2020	FY2021 forecast	Change	Change(%)
Revenue	244.9	251.4	250.0	(1.4)	(0.6%)
Operating profit	4.0	2.4	3.6	1.2	51.2%
Profit attributable to owner of the parent	2.5	1.3	1.9	0.6	51.5%



2020 results

In the food business, transactions involving agricultural processed products held firm thanks to the procurement of raw materials that matched consumer needs and product development. The meat products business remained robust despite price volatility caused by global demand and supply imbalances. However, the feedstuff business struggled due to a slump mainly in pet-related transactions and transactions involving aquafeed.

2021 forecast

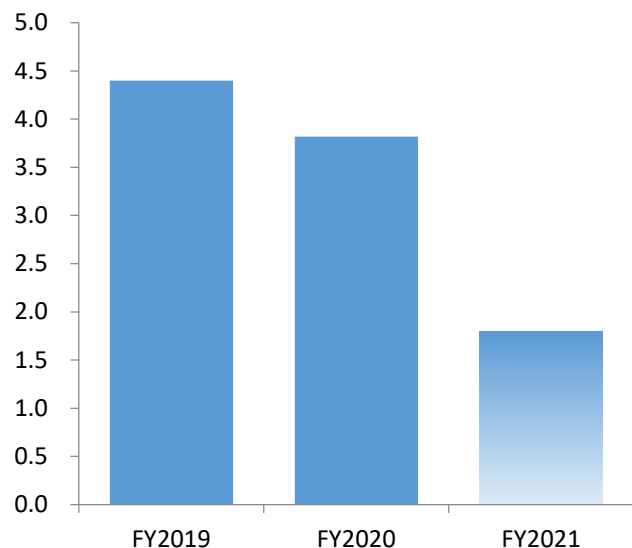
The factors behind decreased profits in pet-related transactions and transactions involving aquafeed seen in the previous fiscal year will no longer exist. Efforts will be made to achieve a stable supply based on an assessment of supply-demand balance of livestock products, etc.

Appendix4-3. Segments (Steel, Materials & Plant)

(Unit: billion yen)	FY2019	FY2020	FY2021 forecast	Change	Change(%)
Revenue	139.4	129.9	120.0	(9.9)	(7.6%)
Operating profit	4.4	3.8	1.8	(2.0)	(52.9%)
Profit attributable to owner of the parent	2.6	2.3	1.4	(0.9)	(37.9%)

Billion yen

Operating profit



2020 results

The energy business performed strongly, driven by domestic transactions. The oilfield tubing business slowed down under the impact of falling oil prices. The machine tools and industrial machinery business also experienced a slump in overseas transactions mainly in the China and the U.S., and the plant infrastructure business also reported lower profit due to the suspension of transactions with the Middle East.

2021 forecast

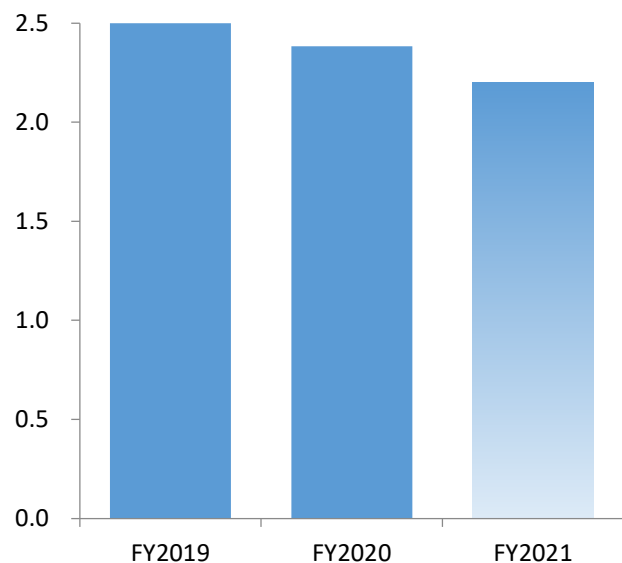
Machine tools and Industrial machinery business will continue to be affected by US-China trade tensions as well as being hit by the coronavirus. The oil field tubing business will continue to struggle due to falling crude oil prices.

Appendix4-4. Segments (Motor Vehicles & Aerospace)

(Unit: billion yen)	FY2019	FY2020	FY2021 forecast	Change	Change(%)
Revenue	62.1	74.6	74.0	(0.6)	(0.8%)
Operating profit	2.5	2.4	2.2	(0.2)	(7.7%)
Profit attributable to owner of the parent	1.9	1.7	1.5	(0.2)	(10.0%)

Billion yen

Operating profit



2020 results

In the aerospace business, core transactions involving aircraft parts held firm. The motor vehicles and parts business had a strong showing overall but reported lower profit due to the suspension of transactions with the Middle East.

2021 forecast

Given that global auto demand will fall due to the coronavirus, there is concern over the impact on exports of motorcycle and automobile parts.

