

Consolidated Financial Results Briefing for the First Three Months of FY2021

Main Questions and Answers

July 31, 2020

	【About Results for the First Three Months of FY2021】																																																																																															
Q1	Please give details of the business results for the first three months, taking into consideration the impact of factors such as the COVID-19 pandemic and changes in the business environment.																																																																																															
A 1	<p>During the first three months, the impact of the coronavirus pandemic was, to some extent, as expected, with the declaration of a state of emergency causing people to refrain from going out from April through May and lockdowns overseas.</p> <ul style="list-style-type: none">• In the mobile business, profit declined due to decreased store footfall as people refrained from going out and shorter opening hours.• The semiconductor and LCD manufacturing equipment business was affected by delayed shipments to China, among other factors.• The food and meat products businesses saw dramatic decline in sales, mainly to the food service sector, and despite growth in products for home cooking attributed to at-home consumption , profits also struggled amid falling commodity prices.• Oilfield tubing demand contracted due to oil and gas production cuts in North America in response to the slump in energy demand, as well as falling oil prices. <p>Meanwhile, in the ICT solutions business, work style reform together with the impact of the COVID-19 pandemic led to an increase in telework and growing demand for virtualization servers. Despite some impact on business such as the extension of certain delivery dates in April and May, performance was generally solid.</p> <table><tr><th colspan="5">(Ref.) Operating profit (Segment margin)</th></tr><tr><th></th><th>(Unit : billion yen)</th><th>FY2020 1Q results</th><th>FY2021 1Q results</th><th>Change</th></tr><tr><td rowspan="3"></td><td>ICT Solutions</td><td>0.7</td><td>0.9</td><td>0.2</td></tr><tr><td>Mobile</td><td>1.8</td><td>1.0</td><td>(0.7)</td></tr><tr><td>Others</td><td>0.3</td><td>(0.0)</td><td>(0.4)</td></tr><tr><td></td><td>Electronics & Devices</td><td>2.8</td><td>1.9</td><td>(0.9)</td></tr><tr><td rowspan="4"></td><td>Foods</td><td>0.2</td><td>(0.2)</td><td>(0.4)</td></tr><tr><td>Meat products</td><td>0.6</td><td>(0.1)</td><td>(0.6)</td></tr><tr><td>Grain, Food Soybeans & Oilseeds</td><td>0.8</td><td>0.6</td><td>(0.1)</td></tr><tr><td>Others</td><td>(0.1)</td><td>(0.0)</td><td>0.1</td></tr><tr><td></td><td>Foods, Meat & Grain</td><td>1.5</td><td>0.4</td><td>(1.1)</td></tr><tr><td rowspan="4"></td><td>Machine Tools & Industrial Machinery</td><td>(0.1)</td><td>(0.1)</td><td>(0.0)</td></tr><tr><td>Overseas</td><td>0.5</td><td>(0.0)</td><td>(0.5)</td></tr><tr><td>Energy, Chemical & Others</td><td>0.0</td><td>0.2</td><td>0.1</td></tr><tr><td>Steel, Materials & Plant</td><td>0.4</td><td>0.0</td><td>(0.4)</td></tr><tr><td rowspan="3"></td><td>Aerospace</td><td>0.6</td><td>1.0</td><td>0.4</td></tr><tr><td>Motor Vehicles & Parts</td><td>0.1</td><td>(0.1)</td><td>(0.2)</td></tr><tr><td>Others</td><td>0.2</td><td>0.0</td><td>(0.2)</td></tr><tr><td></td><td>Motor Vehicles & Aerospace</td><td>0.9</td><td>0.9</td><td>0.0</td></tr><tr><td></td><td>Others</td><td>0.3</td><td>0.2</td><td>(0.1)</td></tr><tr><td></td><td>Grand total</td><td>5.8</td><td>3.4</td><td>(2.5)</td></tr></table>	(Ref.) Operating profit (Segment margin)						(Unit : billion yen)	FY2020 1Q results	FY2021 1Q results	Change		ICT Solutions	0.7	0.9	0.2	Mobile	1.8	1.0	(0.7)	Others	0.3	(0.0)	(0.4)		Electronics & Devices	2.8	1.9	(0.9)		Foods	0.2	(0.2)	(0.4)	Meat products	0.6	(0.1)	(0.6)	Grain, Food Soybeans & Oilseeds	0.8	0.6	(0.1)	Others	(0.1)	(0.0)	0.1		Foods, Meat & Grain	1.5	0.4	(1.1)		Machine Tools & Industrial Machinery	(0.1)	(0.1)	(0.0)	Overseas	0.5	(0.0)	(0.5)	Energy, Chemical & Others	0.0	0.2	0.1	Steel, Materials & Plant	0.4	0.0	(0.4)		Aerospace	0.6	1.0	0.4	Motor Vehicles & Parts	0.1	(0.1)	(0.2)	Others	0.2	0.0	(0.2)		Motor Vehicles & Aerospace	0.9	0.9	0.0		Others	0.3	0.2	(0.1)		Grand total	5.8	3.4	(2.5)
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	【About FY2021 Forecast】
Q 2	Progress made against the full-year forecast during the first three months was 12.5% for operating profit and 16.3% for profit attributable to owners of the parent. There was no revision to the forecasts. How do you envisage generating profit moving forward?
A 2	The forecasts for FY2021, which were announced at the time of the financial results announcement for FY2020, were calculated on the assumption that the state of emergency would last until June. The state of emergency in Japan was gradually lifted from the end of May, which were more or less in line with expectations. Over the coming nine months, we will record revenue from sales to the food service industry in Japan, which slumped in April and May, and revenue from some exports which were postponed due to the suspension of operations at overseas plants, and we intend to achieve our full-year forecasts.
Q 3	The ICT solutions business posted year-on-year profit growth for the first three months and performed strongly despite the COVID-19 crisis. What is your outlook for this business, including the business environment?
A 3	The recent shift towards telework, as part of workstyle reform and measures to control the spread of coronavirus, has led to an increase in potential demand stemming from IT investment by businesses in the medium term. Our first-half forecast also projects results which are mostly unchanged from the year-ago level. However, given delays in negotiating new business for the second half due to the state of emergency, we intend to monitor future demand trends.
Q 4	The mobile business, is presumably facing challenges in terms of store operations, with recommendations that customers carry out procedures online and a system for booking store visits in advance. What is your outlook for this business, including the business environment and impact on results?
A 4	In the mobile business, store footfall during the first three months decreased dramatically year on year as stores shortened their opening hours under the state of emergency. Whilst improvements in store efficiency had some effect, operating profit also dropped sharply to around 60% of the level a year earlier. The full-year performance of the mobile business depends on the extent to which footfall recovers from its slump. June results showed some degree of recovery and we are hopeful for the future.
Q 5	What is your outlook for the oilfield tubing business, given the decline in the rig count in North America primarily due to falling oil prices?
A 5	The oilfield tubing business is the business which will face the most challenging conditions out of all our businesses in FY2021 and things got off to a difficult start in the first three months as expected. We are currently taking steps to minimize negative impacts through cost reductions, government subsidies and so forth.
	【Investment】
Q 6	You are aiming for growth through investment in new businesses. Please give details of the progress of investments.
A 6	Despite the COVID-19 crisis, a number of projects are underway and progressing mostly as initially anticipated, despite the delay of some DDs.

	【Other】
Q 7	Telework is currently recommended by central and local governments to prevent the spread of the coronavirus. Please give details of the status of telework at Kanematsu.
A 7	<p>During the state of emergency, we urged all employees and temporary staff to work from home, in principle, and, after the state of emergency was lifted, we recommended that employees commute during off-peak hours or work from home.</p> <p>«Percentage of employees working from home»</p> <p>During state of emergency: Approx. 90%/After lifting of state of emergency: 40-50%</p>