



Overview of Results for the First Half of FY2021



November 2, 2020
KANEMATSU CORPORATION

<https://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 . Results for the First Half of FY2020

1-1. 1H of FY2021 Highlight (P/L)

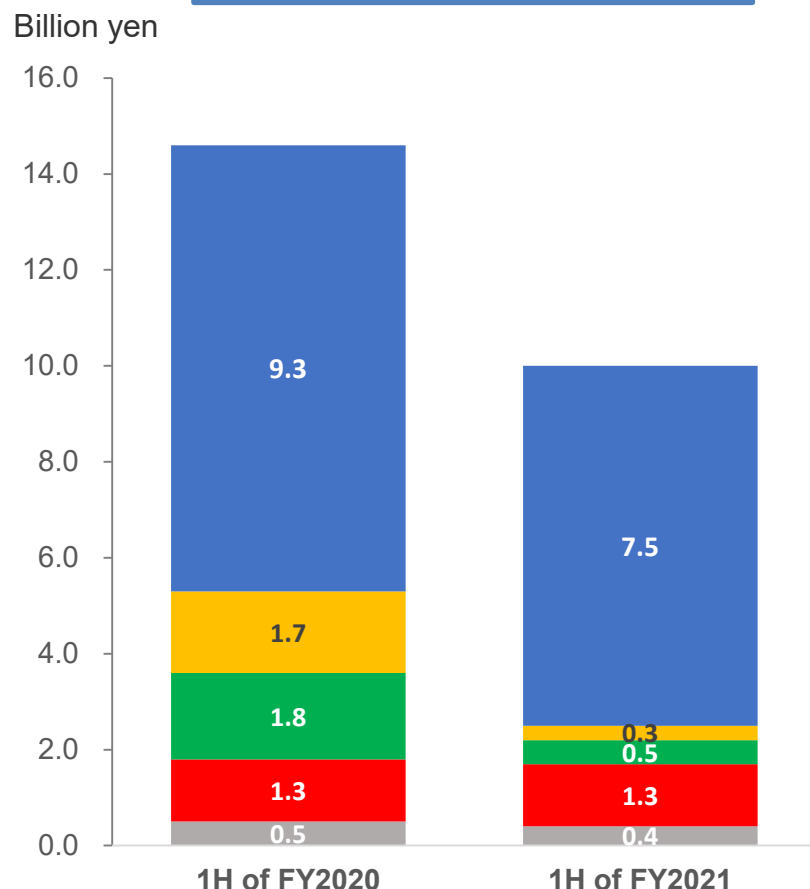
✓ Both revenue and profits decreased.

(Unit: billion yen)	1H of FY2020 results	1H of FY2021 results	Change
Revenue	357.0	304.9	(52.1)
Gross profit	55.0	47.5	(7.5)
Operating profit	14.7	10.0	(4.7)
Finance income (costs)	(0.9)	(0.7)	0.2
Share of profit (loss) of investments accounted for using the equity method	0.4	0.3	(0.2)
Profit before tax	14.2	9.6	(4.6)
Profit attributable to owner of the parent	7.8	5.9	(1.9)

1-2. 1H of FY2021 Highlight (Segment margin)

✓ **Overall operating profit declined by 4.7 billion yen largely due to the Electronics & Devices segment.**

Segment margin(Operating profit)



Electronics & Devices

A decline in revenue and profit (1.8 billion yen down)

The ICT solutions business performed solidly, despite the postponement of investment observed in the manufacturing industry. The semiconductor parts and manufacturing equipment business remained solid due to the resumption of shipments of equipment to China, which had been postponed due to the impact of the COVID-19 pandemic. The mobile business remained weak given decreased store footfall reflecting shorter business hours, as well as cautious spending before the launch of new models and expectations for lower telephone charges in the current fiscal year, although there had been last-minute demand before the consumption tax hike in the previous fiscal year.

Foods, Meat & Grain

A decline in revenue and profit (1.4 billion yen down)

The feedstuff and grain business remained strong on the back of growing demand for home-cooked food in transactions involving agricultural products, oils and fats, such as soybeans and rice, partially aided by rising prices of soybeans. The food business and meat products business remained weak and experienced difficulties caused by the sluggish recovery of demand from the food service sector due to the impact of self-restraint on going out, despite brisk transactions with supermarkets, reflecting efforts to tap into at-home consumption, in addition to the impact of falling prices in the meat products business.

Steel, Materials & Plant

A decline in revenue and profit (1.4 billion yen down)

The energy business posted higher profits despite lower revenue thanks to an improvement in the profitability of domestic oil sales transactions, which offset the impact of declining demand attributable to falling crude oil prices and the pandemic. The chemicals business also remained firm, especially transactions involving pharmaceuticals. The iron and steel business was lackluster, reflecting a slump in demand related to automobiles and oils and the impact of lockdowns in overseas markets. The machine tools and industrial machinery business was weak because of the impact of postponed capital investment plans due to the COVID-19 pandemic. The oilfield tubing business was also strongly affected by weak drilling demand caused by falling crude oil prices.

Motor Vehicles & Aerospace

Revenue decreased and profit stayed flat(±0.0 billion yen)

In the aerospace business, core transactions involving aircraft parts with public offices held firm. The motor vehicles and parts business continued to be affected by a decline in global demand.

1-3. 1H of FY2021 Highlight (Segment margin)

✓ Overall profit attributable to owner of the parent declined by 1.9 billion yen largely due to the Electronics & Devices segment.

＜Profit attributable to owner of the parent＞

(Unit: billion yen)	1H of FY2020 results	1H of FY2021 results	Change	Change (%)
Electronics & Devices	4.8	3.5	(1.3)	(26.8%)
Foods, Meat & Grain	0.8	0.8	0.0	0.1%
Steel, Materials & Plant	1.1	0.9	(0.2)	(20.0%)
Motor Vehicles & Aerospace	0.9	0.9	0.1	5.8%
Others	0.2	(0.2)	(0.5)	-
Total	7.8	5.9	(1.9)	(24.8%)

1-3. 1H of FY2021 Highlight (B/S)

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

(Unit: Billion yen)	FY2020 results	1H of FY2021 results
Total assets	551.7	522.0
Shareholders' Equity (Note 1)	130.8	134.4
BPS(yen)	1,567	1,610
Equity ratio (Note 2)	23.7%	25.7%

(Unit: Billion yen)	FY2020 results	1H of FY2021 results
Gross interest-bearing debt (Note 3)	143.4	128.2
Net interest-bearing debt	51.8	42.6
Net D/E ratio (Note 4)	0.40 times	0.32 times

(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

2. FY2021 forecast

2-1. FY2021 forecast

- ✓ FY2021 forecast has been revised.
- ✓ The COVID-19 coronavirus pandemic will continue to impact results.

(Unit: billion yen)	1H of FY2021 results	FY2021 forecast	Progress	(Ref.) FY2021 forecast (before revision)
Revenue	304.9	670.0	45.5%	700.0
Operating Profit	10.0	24.0	41.5%	27.0
Profit before tax	9.6	23.0	41.7%	26.0
Profit attributable to owners of the parent	5.9	13.0	45.2%	14.5

2-2. FY2021 forecast (Segment margin)

- ✓ Operating profit is expected to decline 1.5 billion yen from the initial forecast in both the Electronics & Devices and the Foods and Grain segments.

<Operating profit>

(Unit: billion yen)	1H of FY2021 results	FY2021 forecast	Progress	(Ref.) FY2021 forecast (before revision)
Electronics & Devices	7.5	17.1	43.7%	18.6
Foods, Meat & Grain	0.3	2.1	15.6%	3.6
Steel, Materials & Plant	0.5	1.8	26.2%	1.8
Motor Vehicles & Aerospace	1.3	2.2	59.9%	2.2
Others	0.4	0.8	48.4%	0.8
Total	10.0	24.0	41.5%	27.0

2-3. FY2021 forecast (Segment margin)

Forecast for segment operating profit

	(Unit : billion yen)	1H of FY2020 results	FY2021 forecast	Progress
ICT solution	ICT solution	5.2	11.0	47%
	Mobile	2.0	5.3	38%
	Others	0.3	0.8	38%
Electronics & Devices		7.5	17.1	44%
Foods	Foods	(0.2)	(0.1)	-
	Meat Products	(0.7)	(0.5)	-
	Feedstuff, Grain	1.3	2.5	50%
	Others	0.0	0.2	-
Foods, Meat & Grain		0.3	2.1	16%
Overseas	Machine tools, Industrial Machinery	(0.1)	0.5	-
	Overseas	(0.2)	(0.3)	-
	Chemicals, Energy & Others	0.8	1.6	49%
Steel, Materials & Plant		0.5	1.8	26%
Aerospace	Aerospace	1.3	1.8	71%
	Motor Vehicles & Parts	(0.1)	0.2	-
	Others	0.2	0.2	85%
Motor Vehicles & Aerospace		1.3	2.2	60%
Others		0.4	0.8	49%
Total		10.0	24.0	42%

A backlash to cautious spending in the first half is expected, including an increase in demand for new models.

Profits are expected to be generally in line with the forecast aided by demand for home-cooked food.

Continued struggling is expected given the impact of reduced demand due to falling crude oil prices.

Profits are expected to remain firm in 2H mainly due to the aerospace business.

2-4. FY2021 forecast (Segment margin)

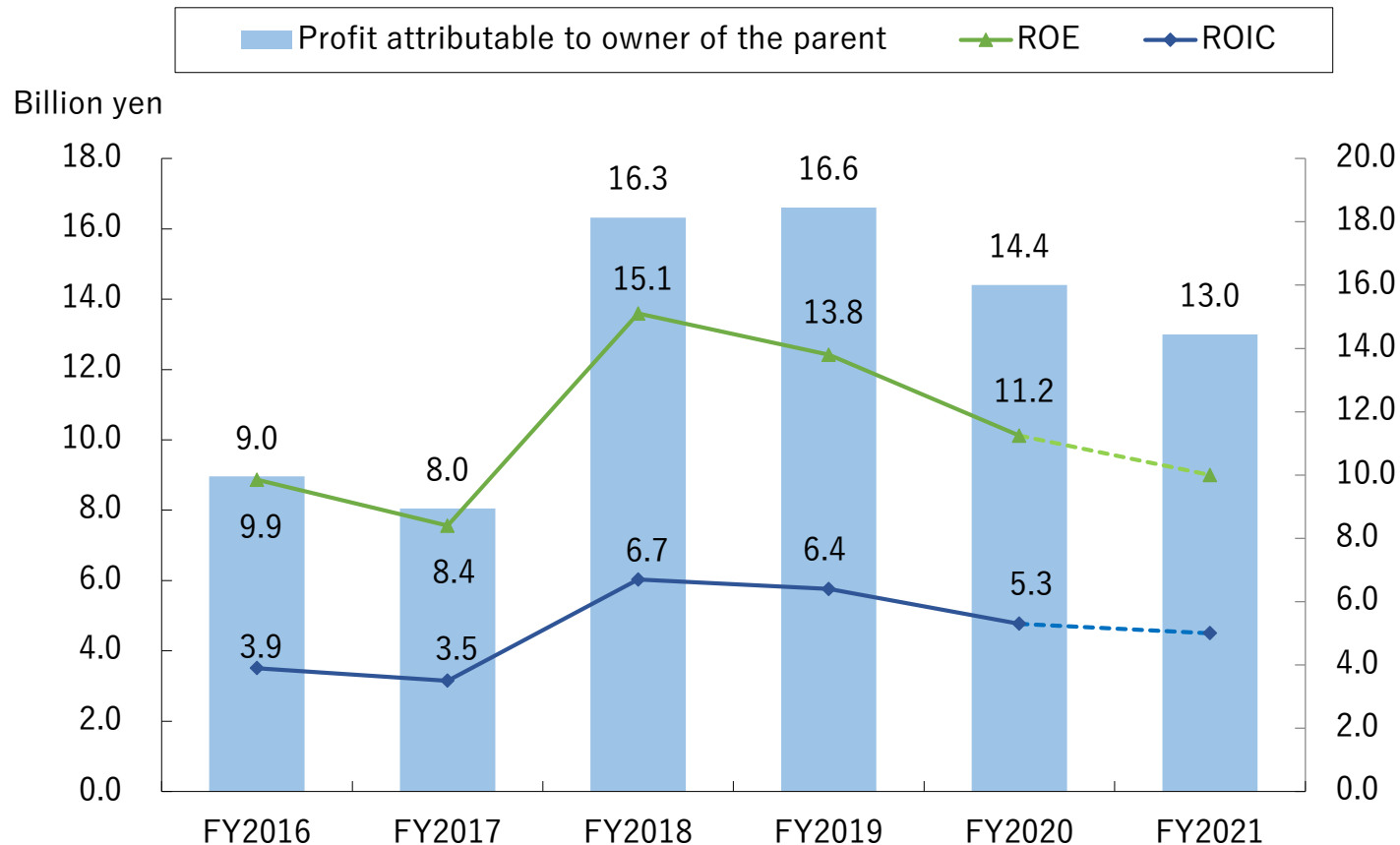
- ✓ Profit attributable to owner of the parent is expected to decline 1.0 billion yen and 0.5 billion yen from the initial forecast in the Electronics & Devices and the Foods and Grain segments, respectively.

<Profit attributable to owner of the parent>

(Unit: billion yen)	1H of FY2021	FY2021	Progress	(Ref.) FY2021 forecast (before revision)
Electronics & Devices	3.5	8.0	44.1%	9.0
Foods, Meat & Grain	0.8	1.4	56.9%	1.9
Steel, Materials & Plant	0.9	1.4	61.9%	1.4
Motor Vehicles & Aerospace	0.9	1.5	61.9%	1.5
Others	(0.2)	0.7	-	0.7
Total	5.9	13.0	45.2%	14.5

2-5. FY2021 forecast (Profit attributable to owner of the parent, ROE, ROIC)

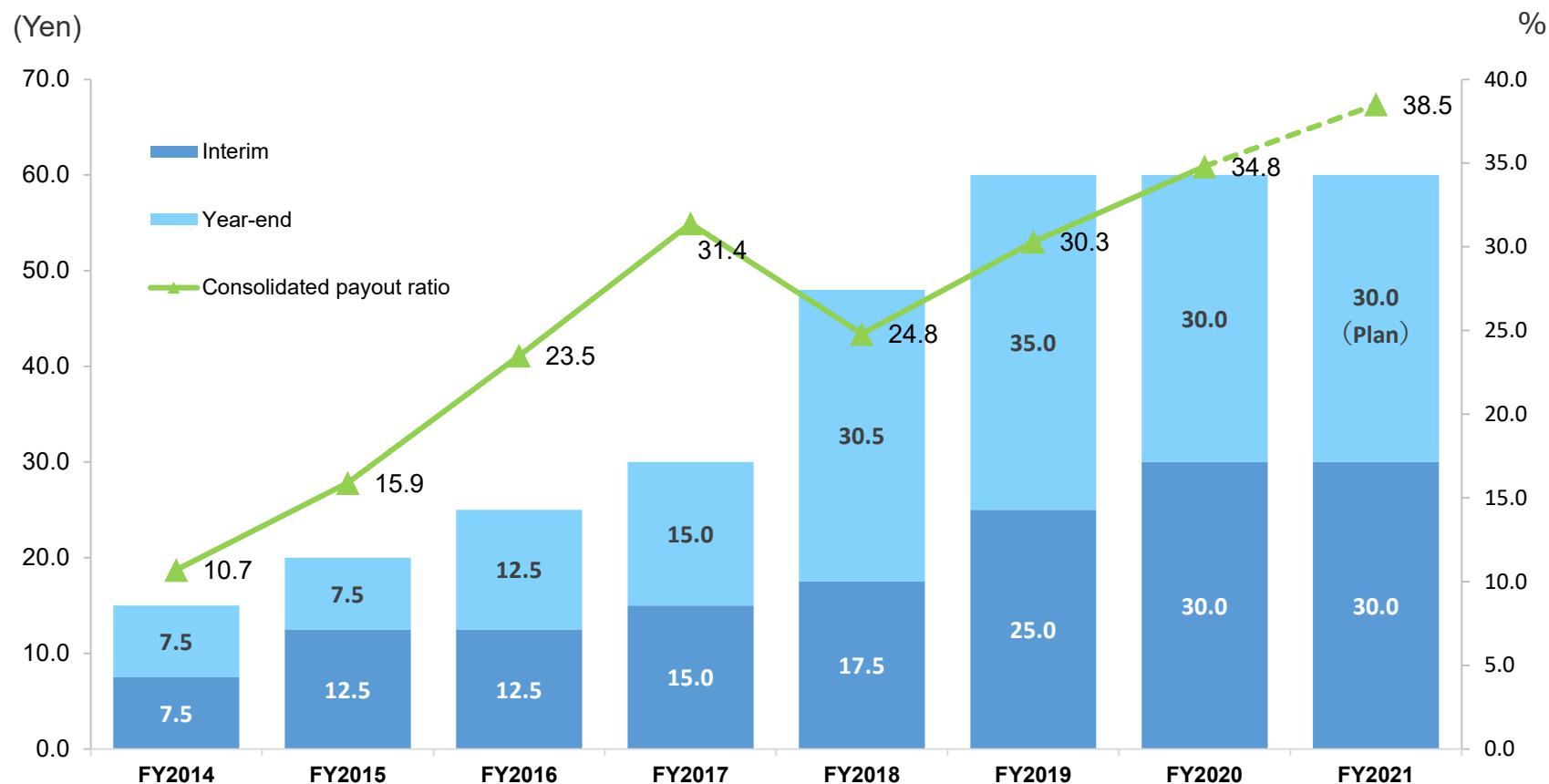
✓ The Group will continue to pursue capital efficiency.



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

2-6. FY2021 forecast (Dividend Policy)

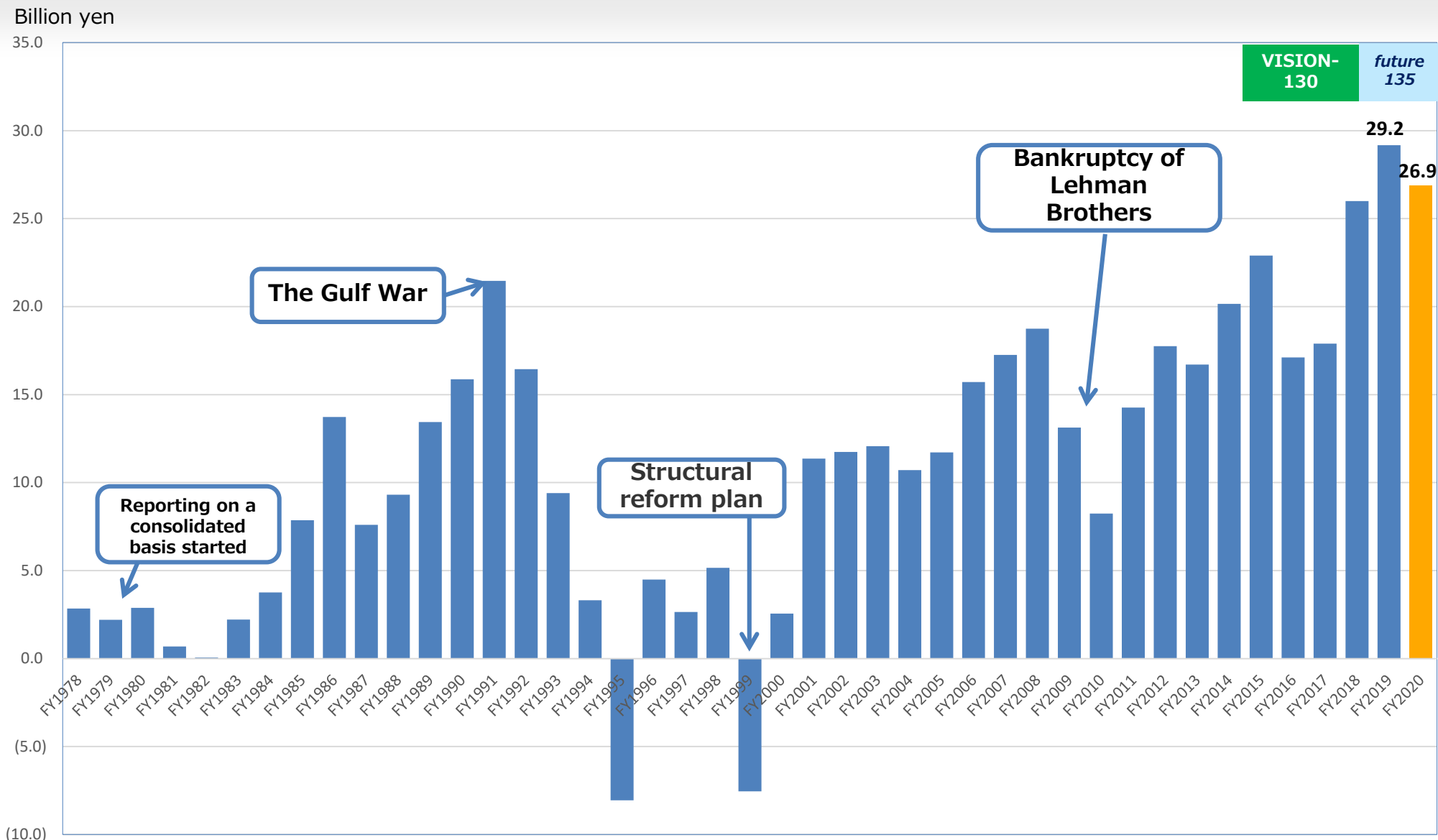
- ✓ Pay stable and continuous dividends.
- ✓ Plan to maintain an annual dividend of 60 yen for FY2021 as initially forecast.



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

Appendix

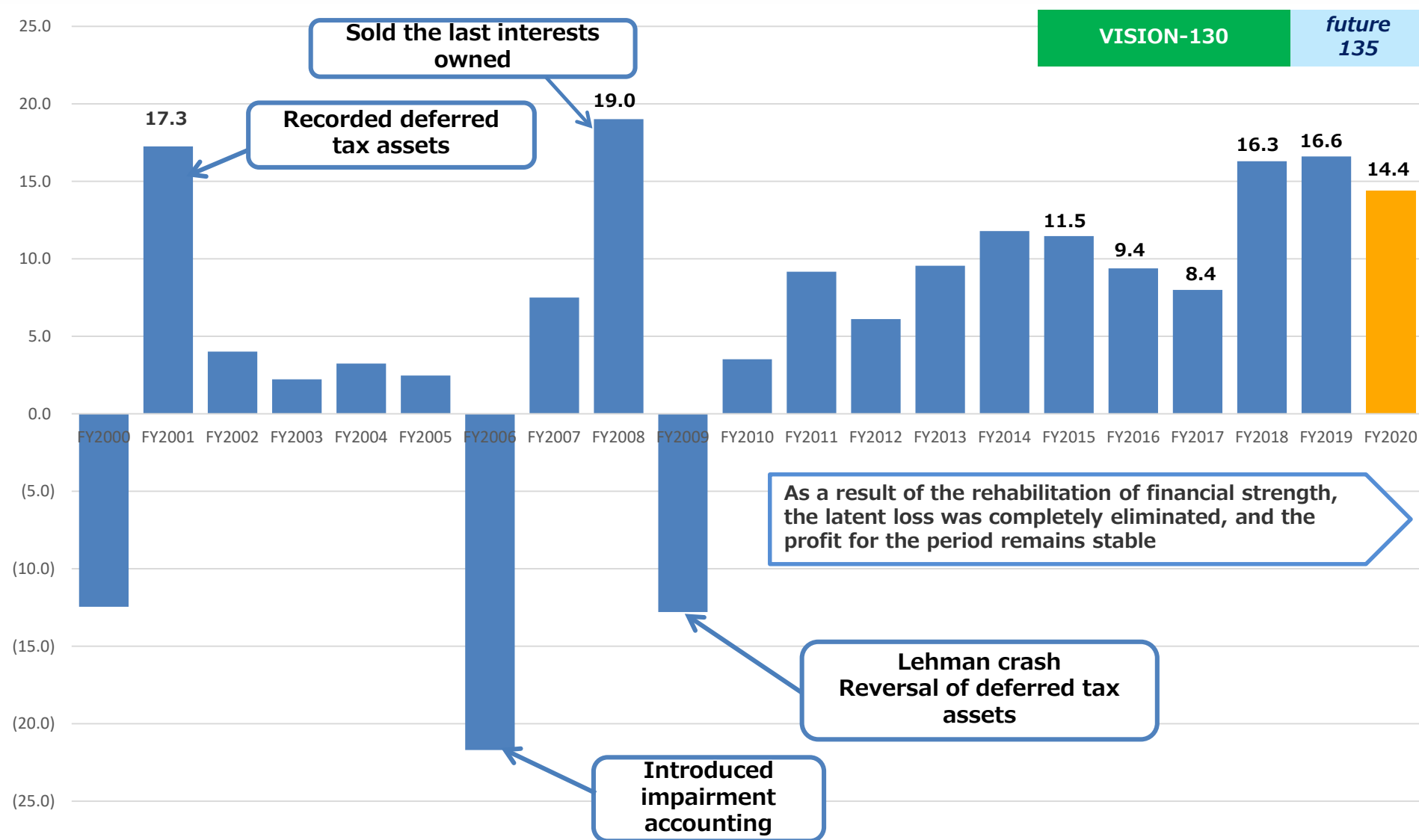
Appendix 1-1. Consolidated Ordinary income (from FY1978)



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

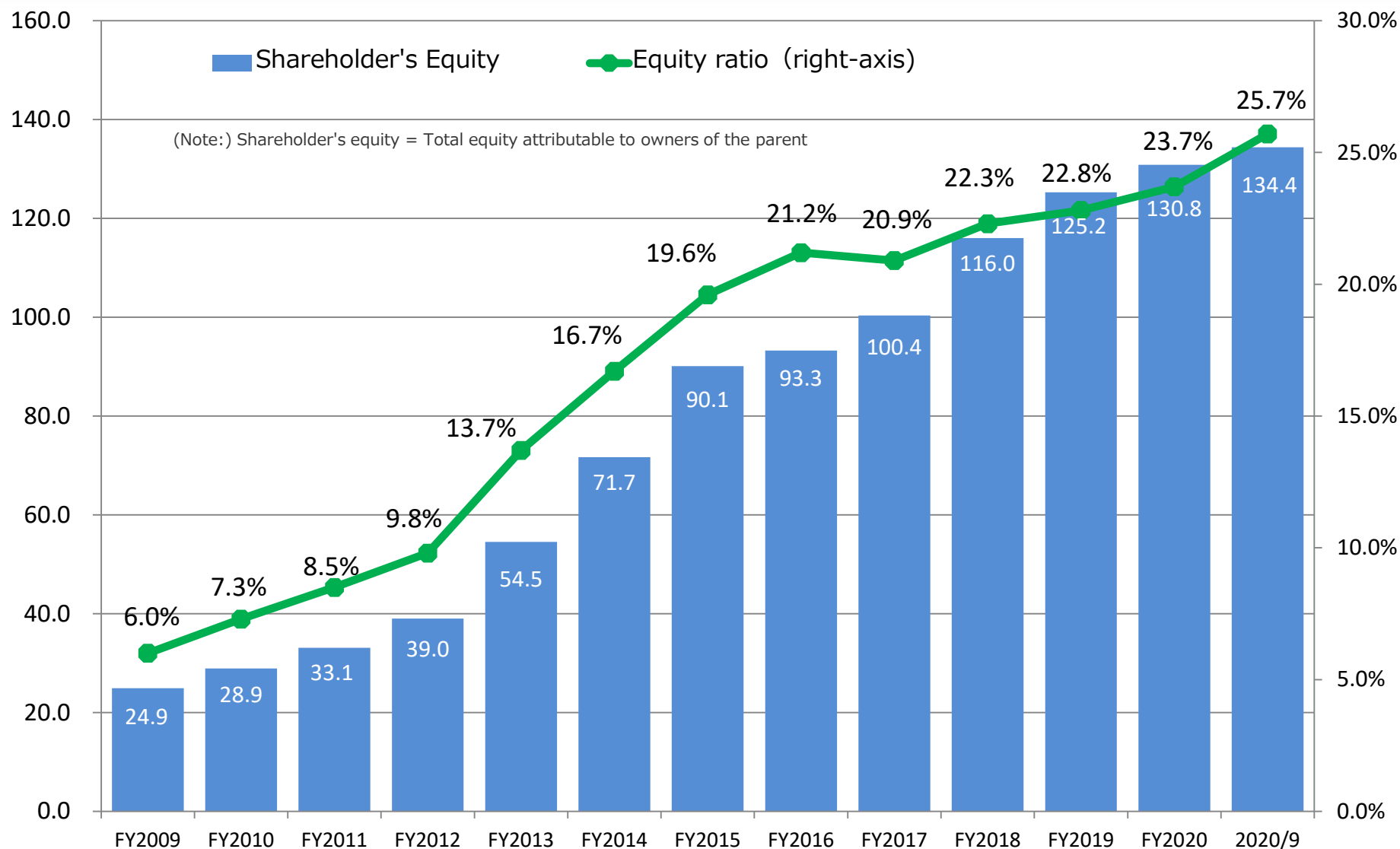
Appendix 1 -2. Consolidated Net income (from FY2000)

Billion yen

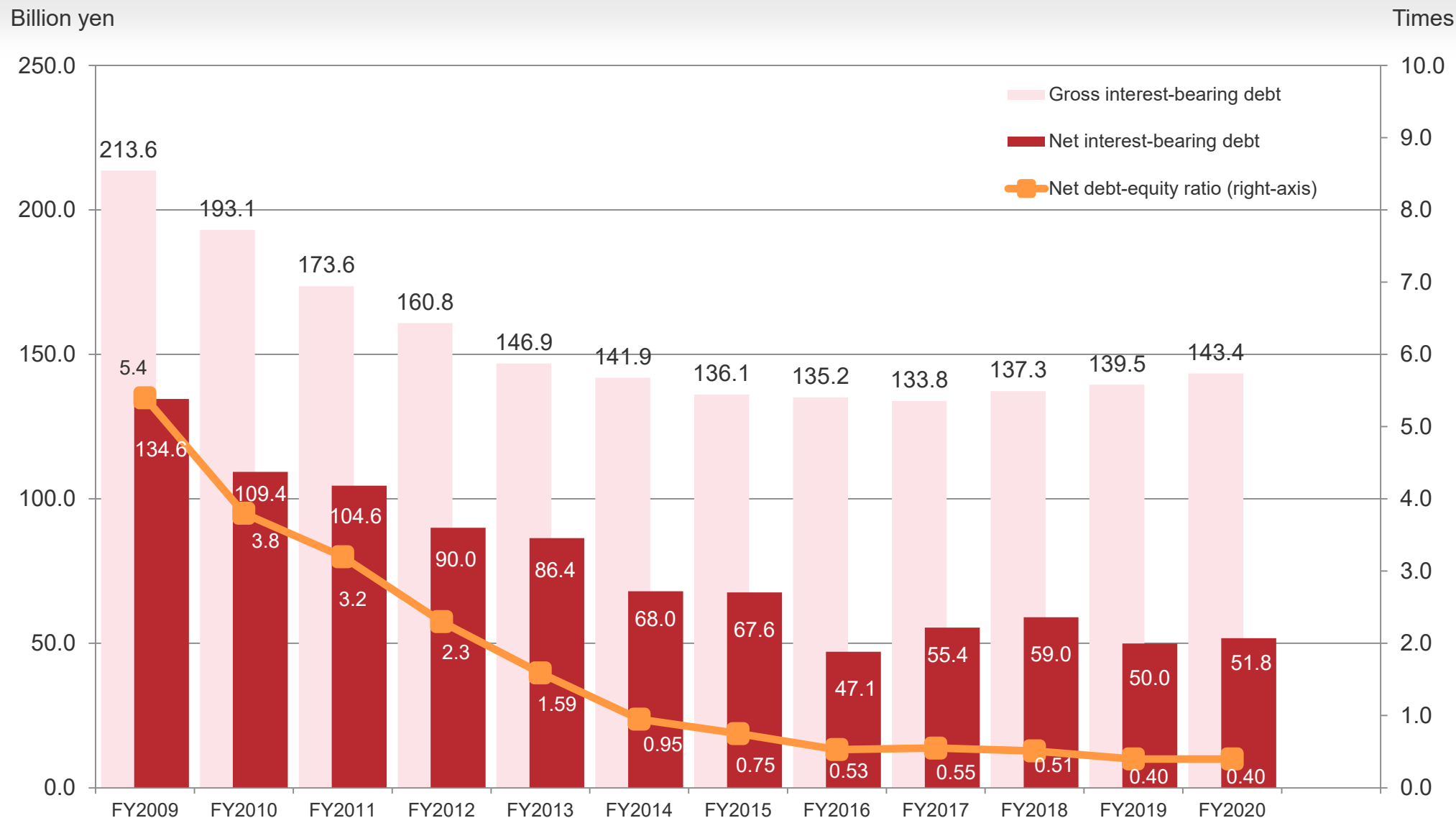


Appendix 1 - 3 . Shareholders' Equity & Equity Ratio

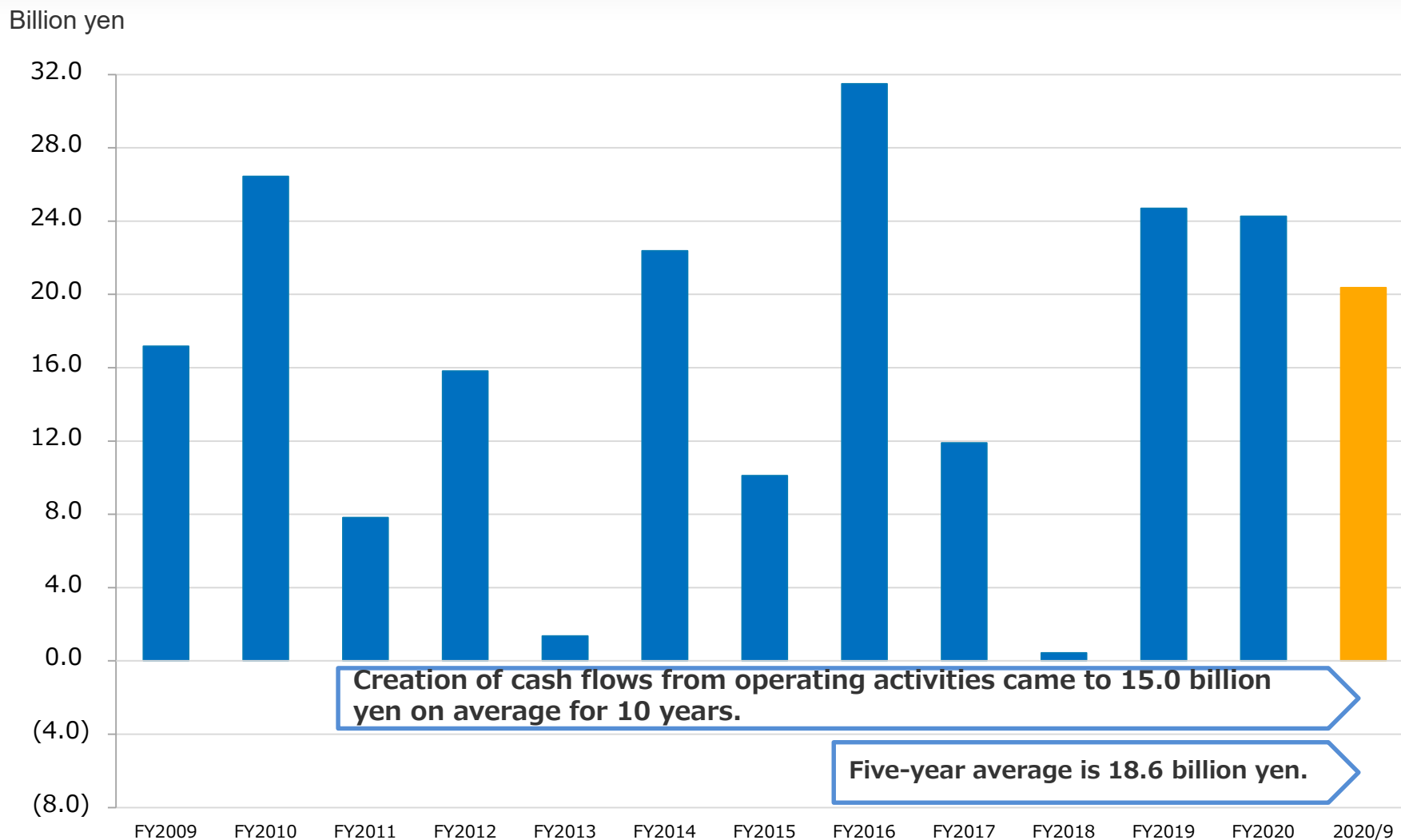
Billion yen



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



Appendix 1 -4. 1H of FY2021 CF from operating activities



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, Meat & 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)

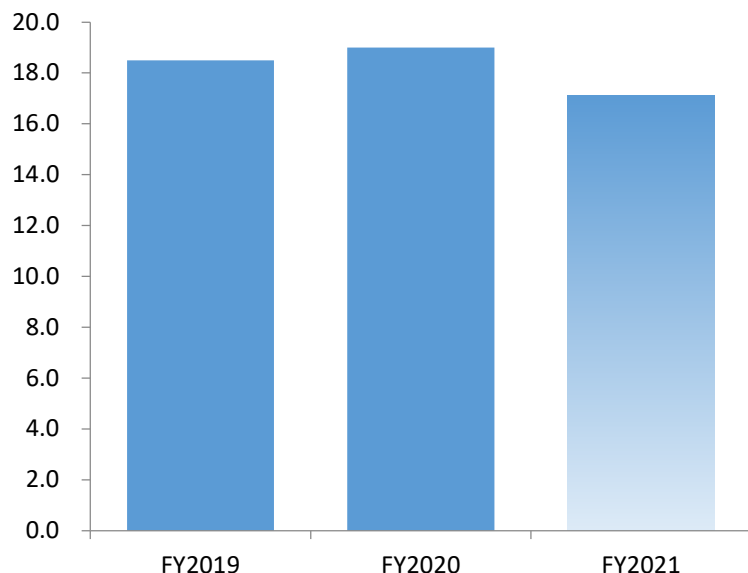
(Unit: billion yen)	Business	Ownership ratio	1H of FY2020		1H of FY2021	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.28%	35.2	5.2	31.5	5.1
Kanematsu Communications Ltd.	Mobile	100.00%	59.6	3.7	45.8	2.0
Kanematsu Sustech Corp.	Security system etc.	52.89%	6.5	0.6	5.6	0.4
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100.00%	15.2	0.1	13.4	0.1
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	5.3	0.1	5.0	0.1
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	4.5	0.1	4.5	(0.0)
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	4.7	0.4	4.1	(0.1)
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	8.9	0.3	6.6	0.4
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	2.5	0.4	2.9	0.5
Shintoa Corporation	Trading company	100.00%	21.8	1.0	19.4	1.3
Kanematsu USA Inc.	Overseas subsidiary	100.00%	54.4	1.0	44.4	(0.3)

Appendix 4-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2020		FY2021		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	126.8	254.5	102.9	235.0	(23.9)	(19.5)
Operating profit	9.3	19.0	7.5	17.1	(1.8)	(1.9)
Profit attributable to owner of the parent	4.8	9.3	3.5	8.0	(1.3)	(1.3)

Billion yen

Operating profit



1H of FY2021 results

The ICT solutions business performed solidly, despite the postponement of investment observed in the manufacturing industry. The semiconductor parts and manufacturing equipment business remained solid due to the resumption of shipments of equipment to China, which had been postponed due to the impact of the COVID-19 pandemic. The mobile business remained weak given decreased store footfall reflecting shorter business hours, as well as cautious spending before the launch of new models and expectations for lower telephone charges in the current fiscal year, although there had been last-minute demand before the consumption tax hike in the previous fiscal year.

FY2021 forecast

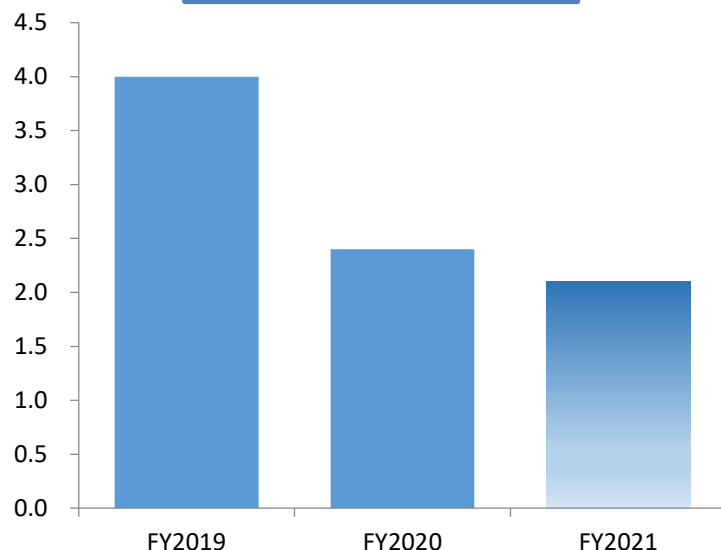
In the ICT solutions business, IT investment demand for servers and storage, as well as in the virtualization and security markets are expected. In the mobile business, a backlash to cautious spending in the first half is expected.

Appendix 4-2. Segments (Foods, Meat & Grain)

(Unit: billion yen)	FY2020		FY2021		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	127.5	251.4	122.9	250.0	(4.6)	(1.4)
Operating profit	1.7	2.4	0.3	2.1	(1.4)	(0.3)
Profit attributable to owner of the parent	0.8	1.3	0.8	1.4	0.0	0.1

Billion yen

Operating profit



1H of FY2021 results

The feedstuff and grain business remained strong on the back of growing demand for home-cooked food in transactions involving agricultural products, oils and fats, such as soybeans and rice, partially aided by rising prices of soybeans. The food business and meat products business remained weak and experienced difficulties caused by the sluggish recovery of demand from the food service sector due to the impact of self-restraint on going out, despite brisk transactions with supermarkets, reflecting efforts to tap into at-home consumption, in addition to the impact of falling prices in the meat products business.

FY2021 forecast

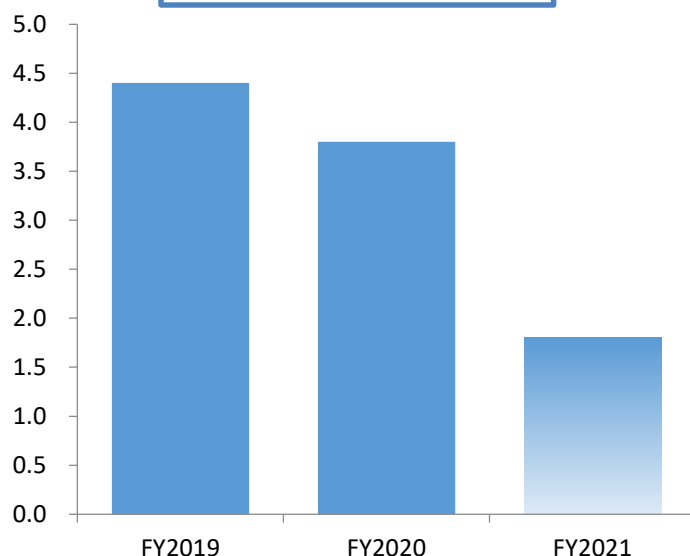
The meat products business is expected to continue struggling due to the impact of falling prices. The feedstuff and grain business is expected to achieve results generally in line with the forecast aided by demand for home-cooked food.

Appendix 4-3. Segments (Steel, Materials & Plant)

(Unit: billion yen)	FY2020		FY2021		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	62.5	129.9	41.2	100.0	(21.3)	(29.9)
Operating profit	1.8	3.8	0.5	1.8	(1.3)	(2.0)
Profit attributable to owner of the parent	1.1	2.3	0.9	1.4	(0.2)	(0.9)

Billion yen

Operating profit



1H of FY2021 results

The energy business posted higher profits despite lower revenue thanks to an improvement in the profitability of domestic oil sales transactions, which offset the impact of declining demand attributable to falling crude oil prices and the pandemic. The chemicals business also remained firm, especially transactions involving pharmaceuticals. The iron and steel business was lackluster, reflecting a slump in demand related to automobiles and oils and the impact of lockdowns in overseas markets. The machine tools and industrial machinery business was weak because of the impact of postponed capital investment plans due to the COVID-19 pandemic. The oilfield tubing business was also strongly affected by weak drilling demand caused by falling crude oil prices.

FY2021 forecast

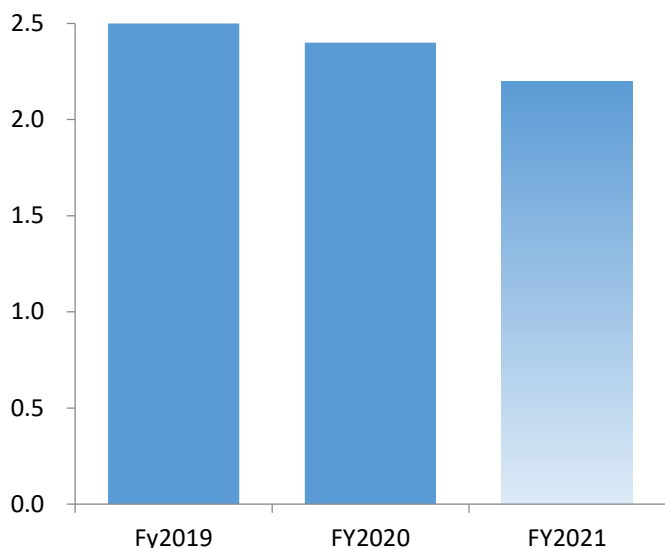
Machine tools and industrial machinery business will continue to be affected by US-China trade tensions and the coronavirus. The oil field tubing business will also continue to struggle due to falling crude oil prices.

Appendix 4-4. Segments (Motor Vehicles & Aerospace)

(Unit: billion yen)	FY2020		FY2021		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	34.0	74.6	32.5	74.0	(1.5)	(0.6)
Operating profit	1.3	2.4	1.3	2.2	0.0	(0.2)
Profit attributable to owner of the parent	0.9	1.7	0.9	1.5	0.0	(0.2)

Billion yen

Operating profit



1H of FY2021 results

In the aerospace business, core transactions involving aircraft parts with public offices held firm. The motor vehicles and parts business continued to be affected by a decline in global demand.

FY2021 forecast

The segment performance is expected to remain firm mainly due to the aerospace business.

