



Overview of Results for the FY2021



May 13, 2021
KANEMATSU CORPORATION

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

Forward-looking Statements

The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties. The Company makes no guarantees with respect to the achievement of these targets or forecasts or with respect to its future results.

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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 FY2021

1-1. FY2021 Highlight (P/L)

✓ Revenue and profits both fell year on year. Second-half operating profit returns to pre-pandemic levels.

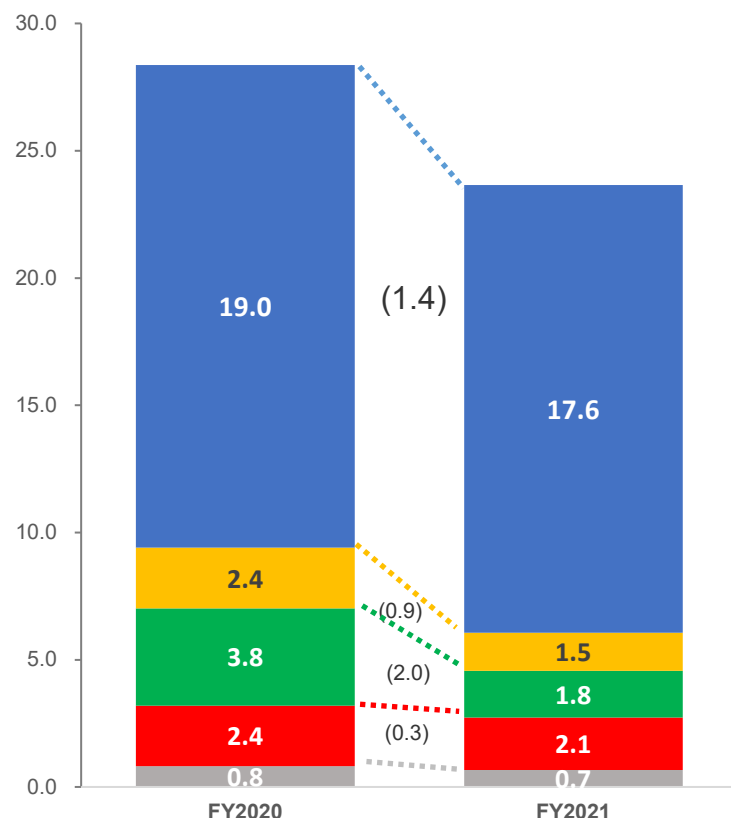
(Unit: billion yen)	FY2020 results	FY2021 results	Change	Change(%)
Revenue	721.8	649.1	(72.7)	(10.1%)
Gross profit	110.9	101.5	(9.4)	(8.5%)
Operating profit	28.4	23.6	(4.7)	(16.6%)
Finance income (costs)	(1.8)	(0.7)	1.1	-
Share of profit (loss) of investments accounted for using the equity method	0.4	0.7	0.3	77.6%
Profit before tax	26.9	23.6	(3.4)	(12.5%)
Profit attributable to owner of the parent	14.4	13.3	(1.1)	(7.5%)

1-2. FY2021 Highlight (Segment margin)

✓ Decreased 4.7 billion yen, primarily in the Electronics & Devices and the Steel, Materials & Plant segments

Segment margin(Operating profit)

Billion yen



Electronics & Devices

Decline in revenue and profit

The ICT solutions business turned in a generally solid performance, despite slow growth in server and storage related sales to the manufacturing industry and services sector. The mobile business remained weak mainly due to decreased store footfall reflecting shorter business hours. The semiconductor parts and manufacturing equipment business performed solidly in areas such as shipments to China in transactions involving LCD manufacturing equipment

Foods, Meat & Grain

Decline in revenue and profit

The grain business remained strong, partly due to growing demand for home-cooked food and rallying prices. The foods business and the meat products business gave weak performances due largely to struggling sales related to the food service sector.

Steel, Materials & Plant

Decline in revenue and profit

The energy business performed solidly mainly thanks to improvement in the profitability of domestic transactions involving petroleum products. The iron and steel business was lackluster mainly due to the effect of high raw materials prices and the stagnation of overseas markets, despite an improvement in market conditions for transactions involving iron and steel in Japan after manufacturers adopted a policy of raising prices. The machine tools and industrial machinery business was also weak primarily because of postponed capital investment plans, and the oilfield tubing business also performed poorly under the continued impact of weak drilling demand.

Motor Vehicles & Aerospace

Decline in revenue and profit

In the aerospace business, domestic aircraft-related transactions with government agencies were solid, offsetting a slump in overseas transactions involving aircraft parts. The motor vehicles and parts business recovered slightly from the decline in global demand but was still affected and remained weak

1-3. FY2021 Highlight (Segment margin)

✓ Overall profit attributable to owners of the parent declined by 1.1 billion yen, largely due to the Electronics & Devices segment.

< Profit attributable to owner of the parent >

(Unit: billion yen)	FY2020	FY2021	Change	Change (%)
Electronics & Devices	9.3	8.5	(0.8)	(9.0%)
Foods, Meat & Grain	1.3	1.5	0.2	19.2%
Steel, Materials & Plant	2.3	2.1	(0.2)	(8.6%)
Motor Vehicles & Aerospace	1.7	1.5	(0.2)	(10.1%)
Others (inter-segment elimination)	(0.1)	(0.2)	(0.1)	-
Total	14.4	13.3	(1.1)	(7.5%)

1-4. FY2021 Highlight (B/S)

✓ The equity ratio rose due to an increase in retained earnings, the depreciation of the yen and rising share prices.

(Unit: Billion yen)	FY2020	FY2021
Total assets	551.7	557.5
Shareholders' Equity (Note 1)	130.8	143.9
BPS(yen)	1,567	1,723
Equity ratio (Note 2)	23.7%	25.8%

(Unit: Billion yen)	FY2020	FY2021
Gross interest-bearing debt (Note 3)	143.4	122.2
Net interest-bearing debt	51.8	40.5
Net D/E ratio (Note 4)	0.4 times	0.3 times
ROE	11.2%	9.7%

(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

1-4. FY2021 Highlight (Segment ROIC)

✓ Aiming to improve consolidated ROE through segment management of ROIC.

(Unit: billion yen)	FY2020			FY2021			Change of ROIC
	Profit attributable to owner of the parent	投下資本	ROIC	Profit attributable to owner of the parent	投下資本	ROIC	
Electronics & Devices	9.3	87.0	10.7%	8.5	92.4	9.2%	(1.5%)
Foods, Meat & Grain	1.3	50.9	2.5%	1.5	52.5	2.8%	0.3%
Steel, Materials & Plant	2.3	55.3	4.1%	2.1	58.2	3.5%	(0.6%)
Motor Vehicles & Aerospace	1.7	33.5	5.0%	1.5	34.5	4.3%	(0.7%)
Others (inter-segment elimination)	(0.1)	42.8	-	(0.2)	32.6	-	-
Total	14.4	269.5	5.3%	13.3	270.2	4.9%	(0.4%)

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

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

2. FY2022 forecast

2-1. FY2022 forecast

- ✓ Revenue and profits will increase.
- ✓ Overall results are expected to recover to the level before COVID-19.

(Unit: billion yen)	FY2021	FY2022 forecast	Change	Change(%)
Revenue	649.1	700.0	50.9	7.8%
Operating Profit	23.6	28.0	4.4	18.5%
Profit before tax	23.6	28.0	4.4	18.7%
Profit attributable to owners of the parent	13.3	15.0	1.7	12.7%

2-2. FY2022 forecast (Segment margin)

✓ Operating profit is expected to recover mainly in the Electronics & Devices and the Foods, Meat & Grain segments.

< Operating profit >

(Unit: billion yen)	FY2021	FY2022 forecast	Change	Change (%)
Electronics & Devices	17.6	19.2	1.6	9.2%
Foods, Meat & Grain	1.5	3.5	2.0	133.6%
Steel, Materials & Plant	1.8	3.1	1.3	68.5%
Motor Vehicles & Aerospace	2.1	1.4	(0.7)	(31.9%)
Others	0.7	0.8	0.1	20.1%
Total	23.6	28.0	4.4	18.5%

2-3. FY2022 forecast (Segment margin)

Forecast for segment operating profit

	(Unit : billion yen)	FY2021	FY2022 forecast	Change
ICT solution	ICT solution	11.0	11.5	0.5
	Mobile	5.8	6.5	0.7
	Others	0.8	1.2	0.4
Electronics & Devices		17.6	19.2	1.6
Foods	Foods	(0.4)	0.2	0.6
	Meat Products	(0.9)	0.8	1.7
	Feedstuff, Grain	2.7	2.5	(0.2)
	Others	0.0	0.0	0.0
Foods, Meat & Grain		1.5	3.5	2.0
Machine tools, Industrial Machinery	Machine tools, Industrial Machinery	0.7	1.4	0.7
	Overseas	(0.5)	0.0	0.5
	Energy, Chemicals & Others	1.6	1.7	0.1
Steel, Materials & Plant		1.8	3.1	1.3
Aerospace	Aerospace	1.6	0.4	(1.2)
	Motor Vehicles & Parts	0.2	0.7	0.5
	Others	0.3	0.3	0.0
Motor Vehicles & Aerospace		2.1	1.4	(0.7)
Others		0.7	0.8	0.1
Total		23.6	28.0	4.4

An increase in IT investment demand is expected in companies.

A backlash to the impact of inventory adjustment in the previous fiscal year is expected.

A recovery in capital investment demand is expected.

Profits are expected to remain sluggish due to an off-crop season of contracts.

2-4. FY2022 forecast (Segment margin)

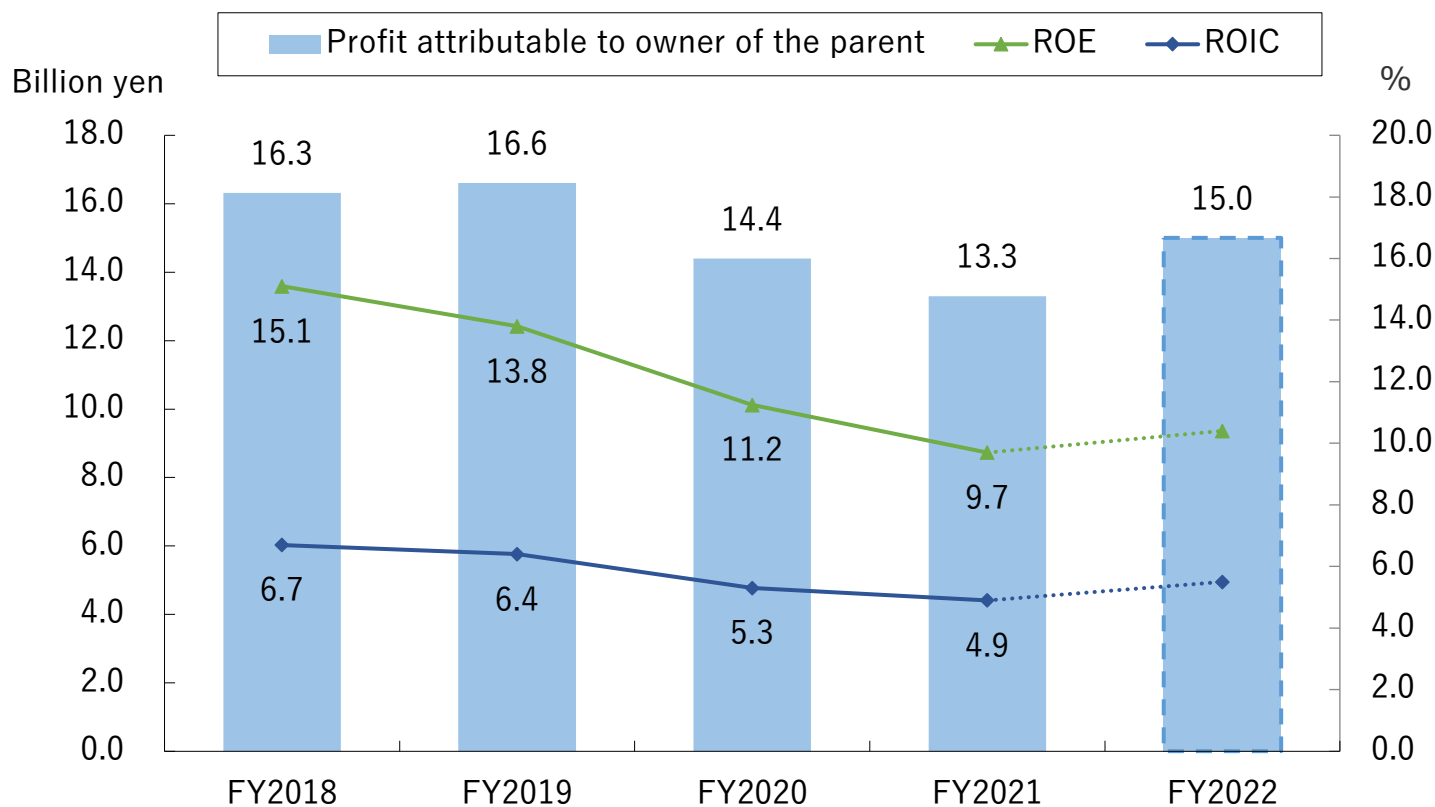
✓ Profit attributable to owners of the parent is expected to recover mainly in the Foods, Meat & Grain segment.

< Profit attributable to owner of the parent >

(Unit: billion yen)	FY2021	FY2022 forecast	Change	Change (%)
Electronics & Devices	8.5	9.0	0.5	6.1%
Foods, Meat & Grain	1.5	2.3	0.8	53.8%
Steel, Materials & Plant	2.1	2.5	0.4	21.4%
Motor Vehicles & Aerospace	1.5	0.9	(0.6)	(39.9%)
Others	(0.2)	0.3	0.5	—
Total	13.3	15.0	1.7	12.7%

2-5. FY2022 forecast (Profit attributable to owner of the parent, ROE, ROIC)

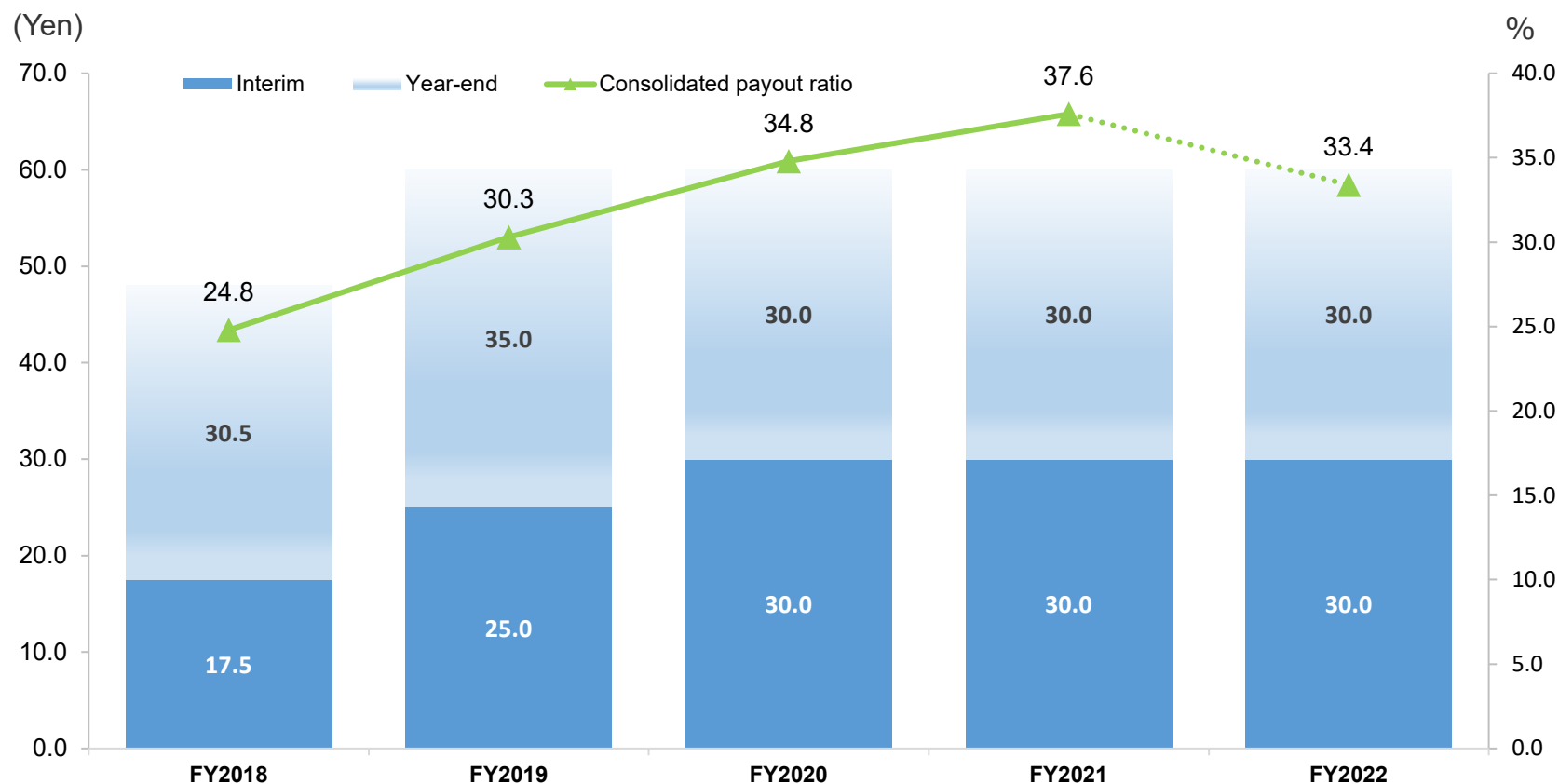
- ✓ ROE is expected to exceed 10% associated with a recovery of profit attributable to owners of the parent.
- ✓ The Group will continue to pursue capital efficiency.



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

2-6. FY2022 forecast (Dividend Policy)

- ✓ Pay stable and continuous dividends with a payout ratio of 30-35% as a goal.
- ✓ Plan to pay an annual dividend of 60 yen per share.



*Amounts for FY2018-FY2019 have been adjusted to reflect stock consolidation.

3. future 135 progress

3-1. Summary of the first three years of *future 135* ①Profit

- ◆ The COVID-19 pandemic also had an impact on the progress of business investments.
- ◆ It led to a slower pace of earnings growth, but the negative impact was limited. The Group confirmed to some extent the underlying strength of its earnings base.
- ◆ Targets for the final year (ending March 31, 2024) the Group initially set (in May 2018) were profit of 25 billion yen, ROE of 13-15% and a payout ratio of 25-30%.

【Summary of the first three years】

(Unit: billion yen)	FY2018	future 135			(Ref.)
		FY2019	FY2020	FY2021	FY2022 forecast
Operating Profit	26.2	30.3	28.4	23.6	28.0
Profit before tax	26.0	29.2	26.9	23.6	28.0
Profit attributable to owners of the parent	16.3	16.6	14.4	13.3	15.0
ROE (%)	15.1	13.8	11.2	9.7	10.4
Consolidated payout ratio (%)	24.8	30.3	34.8	37.6	33.4

3-2. Summary of the first three years of *future 135* ②B/S

- ◆ The stable financial position was confirmed, with an equity ratio of 25.8%, a net D/E ratio of 0.3 times, and a risk-asset ratio of around 0.3 times.
- ◆ Given that net cash provided by operating activities is 15-20 billion yen per year, a healthy financial balance that can accommodate investments on a scale of tens of billions of yen is maintained.

B/S (Unit billion yen)		P/L
<u>Total assets</u> FY2018 519.9 ↓ FY2021 557.5	<u>Liabilities</u> (Net interest-bearing debt) FY2018 372.8 (59.0) ↓ FY2021 377.0 (40.5)	<Equity ratio> FY2018 22.3% ↓ FY2021 25.8%
	<u>Shareholder's Equity</u> FY2018 116.0 ↓ FY2021 143.9	<Net DER> FY2018 0.5 times ↓ FY2021 0.3 times
		<Risk-asset ratio> FY2018 0.4 times ↓ FY2021 approx. 0.3 times

3-3. *future 135* New Business Investments (Over 3 Years) ①

Made new investments of approximately 23 billion yen in areas where the Group has strength and expertise.

	Results	
Electronics & Devices <approx.6.0 billion yen>	Japan	Made a card printer business company a wholly owned subsidiary
	Japan	Acquired a semiconductor image sensor downstream process business company
	Japan	Invested in the development of a data exchange market and a data consulting company
	Japan	Enhanced the mobile communications business
	Germany	Made an equity-method investment in a photo printer business company
	Japan	Acquired a semiconductor production equipment (marking) trading company
	Japan	Acquired semiconductor production equipment (IC handler) business
Foods, Meat & Grain <approx.1.0 billion yen>	China	Established a beef primary processing, manufacturing and sales company
	China	Established a feed ingredient production plant
	Indonesia	Increased investment in a processed food manufacturing company
	Uruguay	Invested in a Uruguayan cattle fattening facility
	Japan	Invested in a soy-based meat production company

3-5. *future 135* New Business Investments (Over 3 Years) ②

Made new investments of approximately 23 billion yen in areas where the Group has strength and expertise.

	Results	
Steel, Materials & Plant <approx.9.0 billion yen>	Korea	Made an equity-method investment in a steel processing company
	Japan	Acquired a metal sash specialist manufacturer
	Japan	Acquired a plant engineering company
	Vietnam	Made an equity-method investment in a steel and bridge fabricator
	U.S.A.	Established a second plant in the oilfield tubing business
Motor Vehicles & Aerospace <approx.7.0 billion yen>	U.S.A.	Participated in a cybersecurity investment fund
	U.S.A.	Invested in a start-up that develops rescue helicopter equipment
	Europe	Purchased aircraft in an aircraft parts business
	Japan	Takeover bid for KANEYO Co., Ltd.
	Japan	Acquired a dashboard camera development and manufacturing company

3-6. Policy for the last three years of *future 135*

- ◆ There is no major change in the basic policy.
- ◆ Review quantitative targets taking into account business investments and progress in earnings growth.
- ◆ Add efforts for SDGs and DX to priority initiatives.

<Quantitative target>

	Revised target	Original target	(Ref.) FY2022 forecast
Profit attributable to owners of the parent	20.0 billion yen	25.0 billion yen	15.0 billion yen
ROE	10%~12%	13%~15%	10.4%
Total return ratio	30% ~ 35%	25% ~ 30%	33.4%

3-7. Policy for the last three years of *future 135*

【Priority initiatives】

● Sustainable growth in fundamental businesses and the expansion of the revenue base through business investments

- ✓Achieve sustainable growth while achieving a balance between capital and risk assets, based on the stable earnings structure and financial structure
- ✓Aim for "expansion in scale" and "acquisition of added value" through business investments in areas of strength
- ✓Promote investments in business areas on the themes of environment, society and safety, for achievement of the SDGs

● Response to technical innovation

- ✓Pursue DX on a groupwide basis
- ✓Promote and expand new businesses with advanced technology (IoT, AI, etc.)
- ✓Promote innovation investment (investment in development for the future)

● Establishment of management infrastructure for achieving sustainable growth

- ✓Build a framework for global strategy, including strengthening the overseas earnings base
- ✓Invest in human resources, including the cultivation of management-level human resources
- ✓Improve business efficiency and employee satisfaction (ES), including the continuous implementation of workstyle reform

3-8. Priority and growth areas for the last three years of *future 135*

Priority and growth areas for the last three years of *future 135*

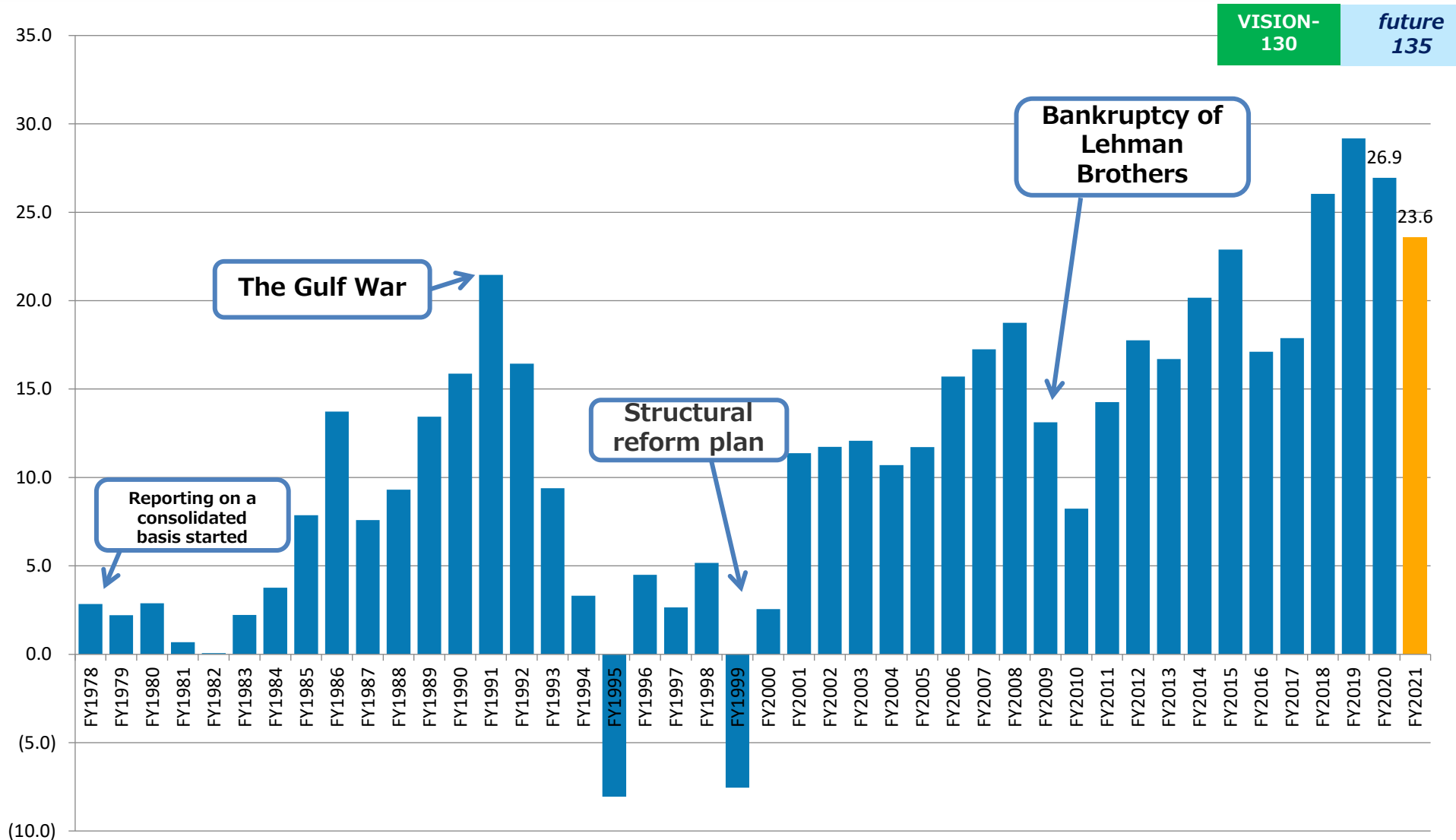
Segment	Assumptions in priority and growth areas
Electronics & Devices	<p>Reinforcement of integrated strength to support DX</p> <p>Pursuit of added value in the areas of semiconductors, semiconductor components and semiconductor production equipment</p> <p>Cultivation and expansion of the data exchange market</p>
Foods, Meat & Grain	<p>Expansion and growth of a meat product supply chain and the acquisition of added value</p> <p>Improvement of the productivity and competitiveness of the agriculture and livestock industries through DX</p> <p>Plant-based meat alternative and chemical-free ingredients</p>
Steel, Materials & Plant	<p>Expansion of supply of biomass energy</p> <p>Renewable energy ODA business (wind power, solar power)</p> <p>Expansion of supply of oilfield tubes for EOR (*)</p>
Motor Vehicles & Aerospace	<p>Trend to shift from internal combustion engines to electrified components</p> <p>Safety and environment areas, including vehicle control and improvements in fuel efficiency</p> <p>New markets such as the space industry (satellite-related, rocket-related) and drones</p> <p>Medium-sized aircraft market after coronavirus pandemic</p>

* EOR = Enhanced Oil Recovery

Appendix

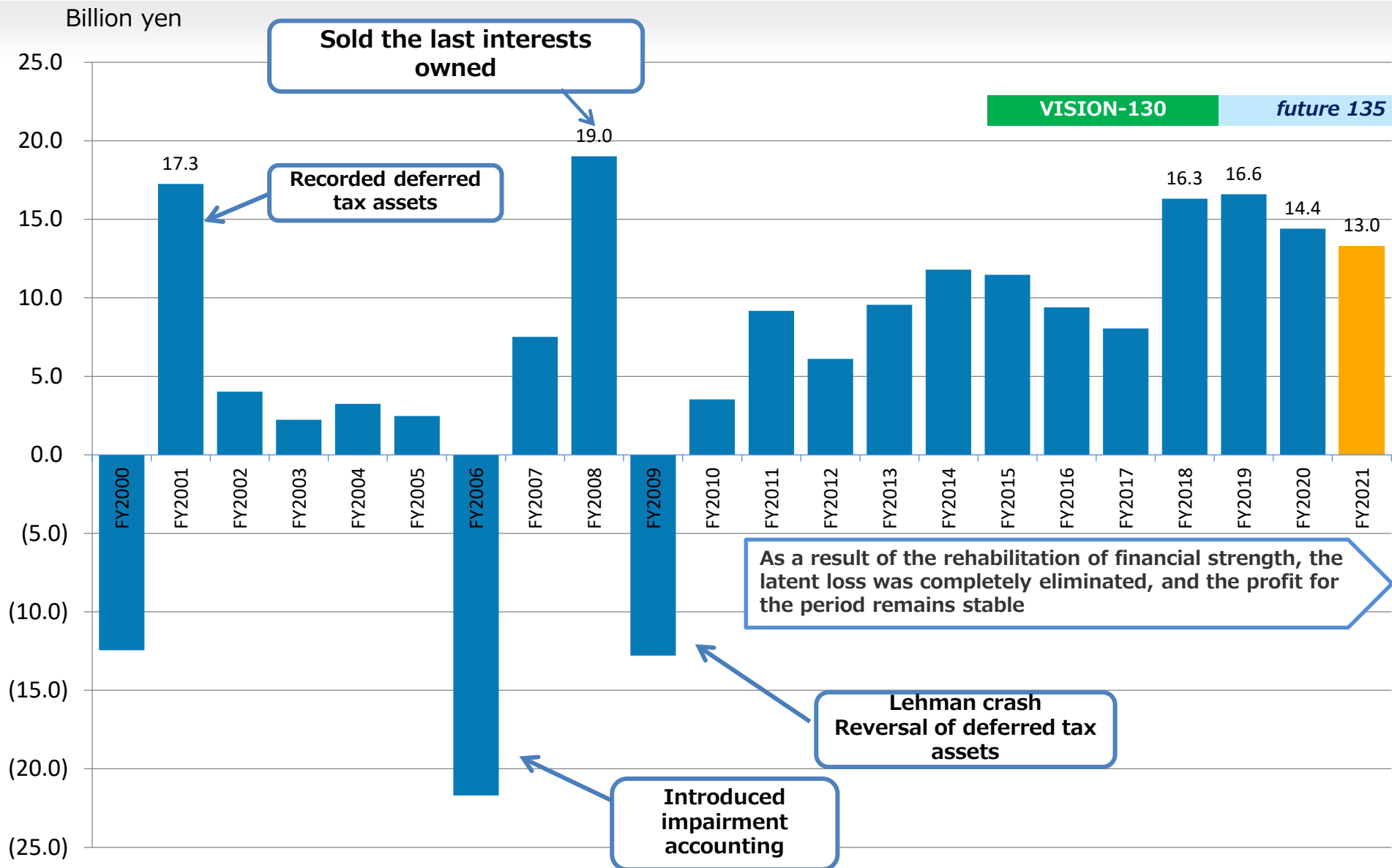
Appendix 1-1. Consolidated Ordinary income (from FY1978)

Billion Yen



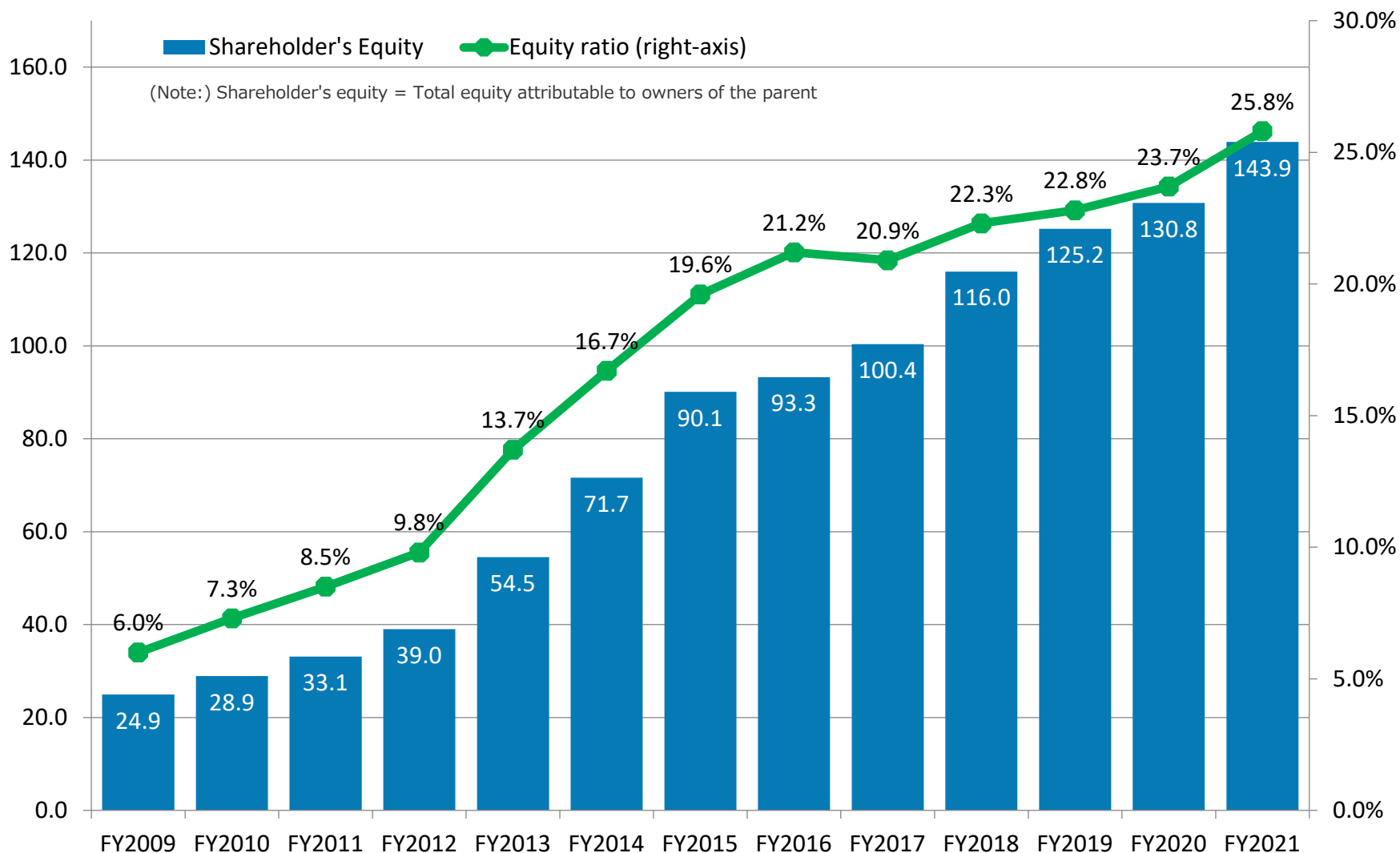
*Mentioned value is Profit before tax instead of Ordinary income from FY2017

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

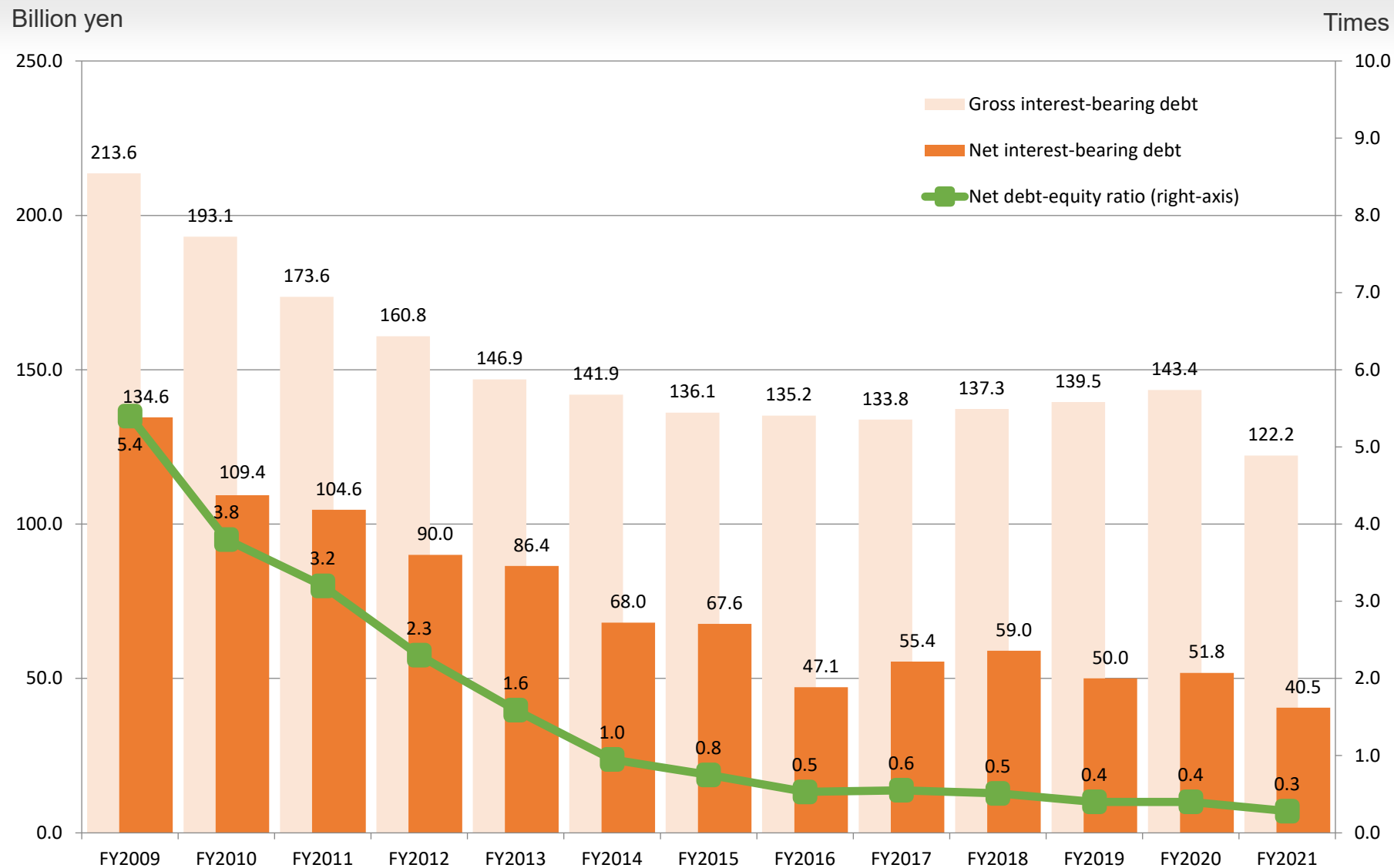


Appendix 1 - 3 . Shareholders' Equity & Equity Ratio

Billion yen

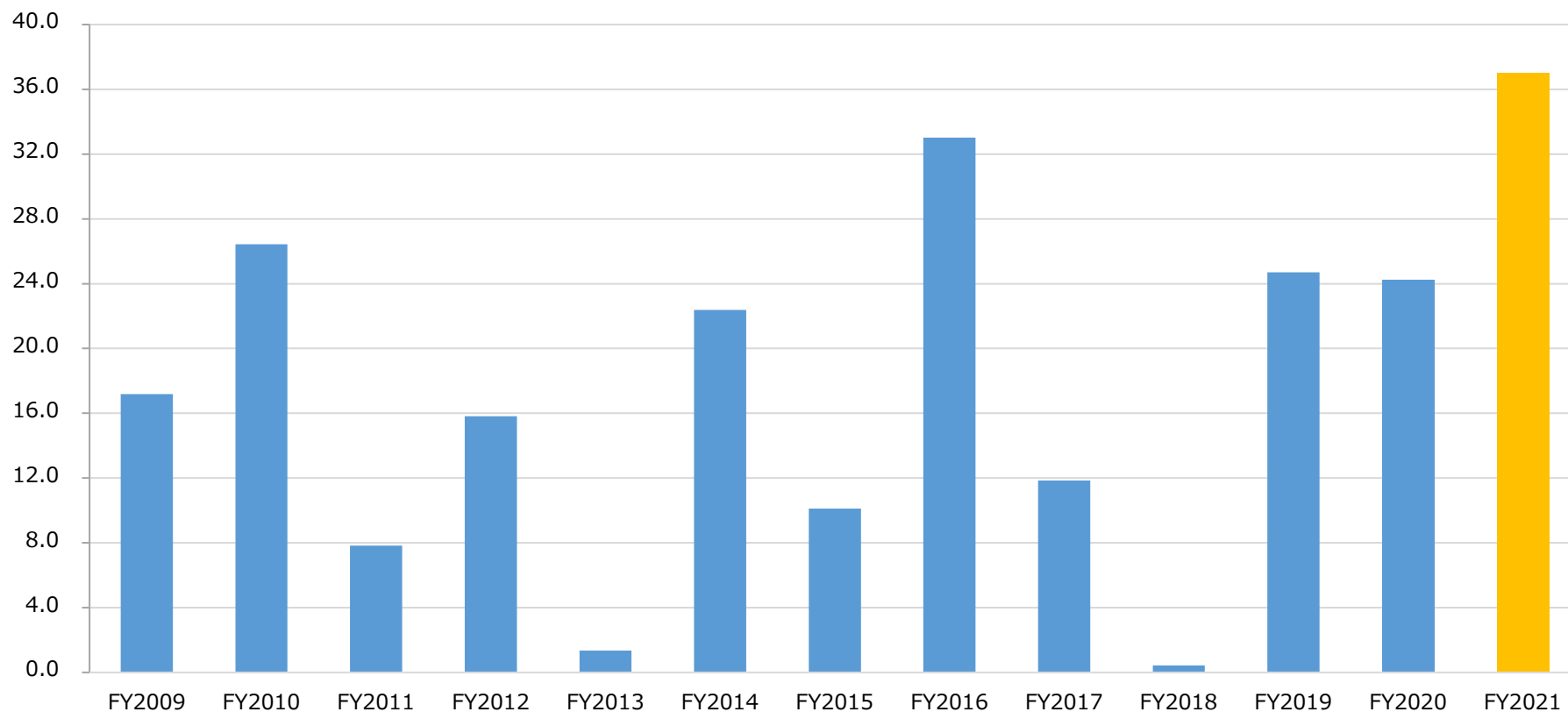


Appendix 1 -4. Interest-bearing debt & Net debt-equity ratio



Appendix 1 -5. CF from operating activities

Billion yen



Creation of cash flows from operating activities came to 18.1 billion yen on average for 10 years.

Five-year average is 19.6 billion yen.

Appendix 2. Outline of Kanematsu Group

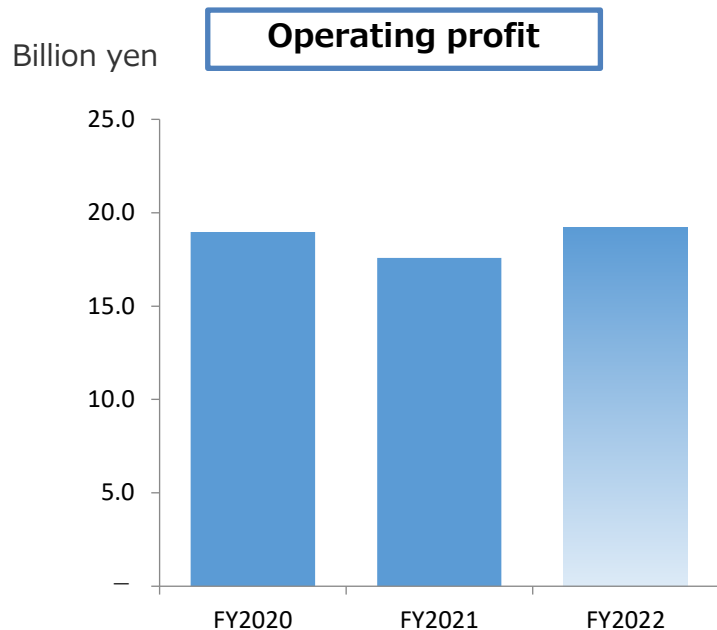
Segment	Main business	Main products	Major subsidiaries
Electronics & Devices	Semiconductor Parts & Manufacturing Equipment	Semiconductor / LCD panel and manufacturing equipment, Electronic modules / materials	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Kanematsu Susteck Corporation Kanematsu Futuretech Solutions Corp. Kanematsu Advanced Materials Japan Data Exchange Inc.
	Electronic Components and Industrial Electronics	Electronic components, Optical device materials, Industrial printers, Livingwares	
	ICT Solutions	ICT and communications equipment/devices/services, System Integration services	
	Mobile	Mobile communications terminals, Mobile internet system and services	
	CCTV system	Sale and installation of CCTV systems (security devices)	
	Data	Data utilization consulting, Data exchange supporting business, Data marketplace operation	
Foods, Meat & Grain	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, marine products and others	Kanematsu Foods Corp. Kanemory Food Service Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp. KAI Enterprises KG Agri Products
	Meat Products	Beef, pork, chicken, lamb, horsemeat, turkey, duck, processed meat products, live cattle	
	Grains, Food Soybeans, Oilseeds, Feedstuff, Processed Agricultural Products	Wheat, barley, rice, corn, soybeans, feed grain, Plant protein meal, Animal protein meal, baled hay, fertilizer, processed wheat, cereal ingredients, plant-based meat	
Steel, Materials & Plant	Steel	Surface-treated steel plates, stainless, special steel wire rods/bar products, welding materials, ferrous/steel raw materials, sub-materials	Steel Service Oilfield Tubular Benoit Premium Threading Kanematsu Trading Corp. Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp Kanematsu KGK Corp.
	Oilfield tube	Oil drilling-related product processing, manufacture, and sales	
	Energy	Petroleum products, LPG, Renewable energy products	
	Chemicals	Functional chemicals, Healthcare, Life Science	
	Plant & Vessels	Various plants, ODA, telecommunications projects, Cargo vessels, Ship equipment	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Motor Vehicles & Aerospace	Motor Vehicles & parts	Motorcycle/automobile parts, CBU vehicles, Construction & Industrial machinery, power products	Kanematsu Aerospace Corp. Kaneyo Co., Ltd. Datatec Co., Ltd. Shintoa Corp. KG Aircraft Rotables Co., Ltd.
	Aerospace	Aircraft, Helicopters, equipment/parts, aircraft rotatable parts, satellites, space-related products, space monitoring systems, defense equipment, night vision goggles	

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

(Unit: billion yen)	Business	Ownership ratio	FY2020		FY2021	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.27%	72.0	11.0	65.6	11.0
Kanematsu Communications Ltd.	Mobile	100.00%	118.1	7.1	103.0	5.8
Kanematsu Sustech Corp.	Security system etc.	52.89%	12.5	1.0	11.3	0.8
Kanematsu Foods Corp.	Foods, Meat & Marine Products	100.00%	30.1	0.3	27.7	0.3
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	10.7	0.3	11.1	0.3
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	10.9	0.2	10.5	0.2
Kanematsu KGK Corp.	Machine tools, Industrial machinery	100.00%	10.6	1.1	9.9	0.7
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	18.1	0.7	15.6	0.8
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	5.1	0.8	5.3	0.8
Shintoa Corporation	Trading company	100.00%	39.8	1.5	37.7	1.8
Kanematsu USA Inc.	Overseas subsidiary	100.00%	109.0	1.5	93.0	(0.6)

Appendix 4-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2020	FY2021	FY2022 forecast	Change	Change(%)
Revenue	254.5	226.1	250.0	23.9	10.6%
Operating profit	19.0	17.6	19.2	1.6	9.2%
Profit attributable to owner of the parent	9.3	8.5	9.0	0.5	6.1%



FY2021 results

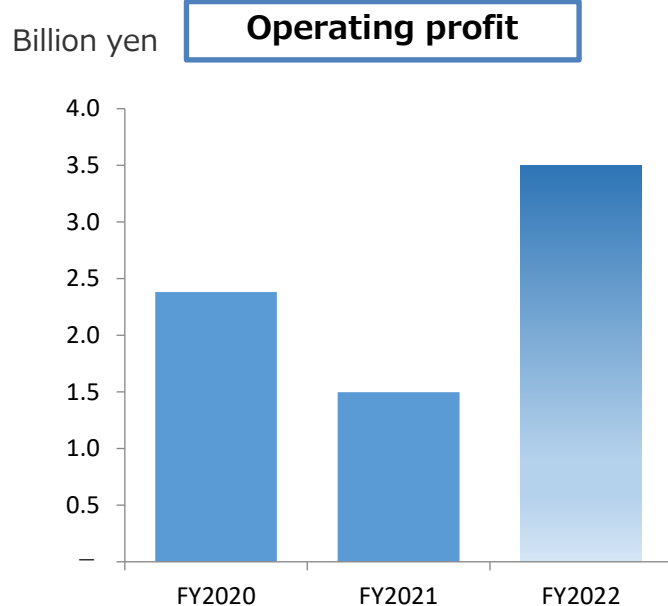
The ICT solutions business turned in a generally solid performance, despite slow growth in server and storage related sales to the manufacturing industry and services sector. The mobile business remained weak mainly due to decreased store footfall reflecting shorter business hours. The semiconductor parts and manufacturing equipment business performed solidly in areas such as shipments to China in transactions involving LCD manufacturing equipment.

FY2022 forecast

A recovery is expected in the ICT solutions business, where an increase in IT investment demand is expected, and in the mobile business, where a temporary increase in costs in the previous fiscal year will disappear.

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

(Unit: billion yen)	FY2020	FY2021	FY2022 forecast	Change	Change(%)
Revenue	251.4	244.6	260.0	15.4	6.3%
Operating profit	2.4	1.5	3.5	2.0	133.6%
Profit attributable to owner of the parent	1.3	1.5	2.3	0.8	53.8%



FY2021 results

The grain business remained strong, partly due to growing demand for home-cooked food and rallying prices. The foods business and the meat products business gave weak performances due largely to struggling sales related to the food service sector.

FY2022 forecast

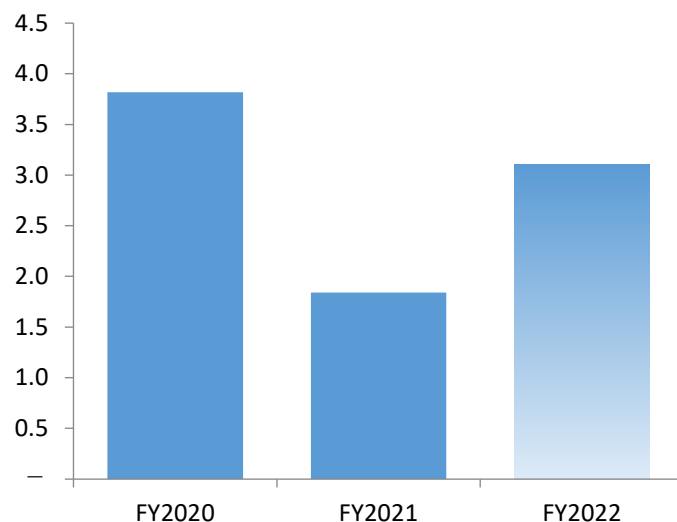
A recovery is expected mainly in the meat products business and the food business, which were affected by weak demand for eating out and inventory adjustment in the previous fiscal year.

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

(Unit: billion yen)	FY2020	FY2021	FY2022 forecast	Change	Change(%)
Revenue	129.9	96.8	110.0	13.2	13.6%
Operating profit	3.8	1.8	3.1	1.3	68.5%
Profit attributable to owner of the parent	2.3	2.1	2.5	0.4	21.4%

Billion yen

Operating profit



FY2021 results

The energy business performed solidly mainly thanks to improvement in the profitability of domestic transactions involving petroleum products. The iron and steel business was lackluster mainly due to the effect of high raw materials prices and the stagnation of overseas markets, despite an improvement in market conditions for transactions involving iron and steel in Japan after manufacturers adopted a policy of raising prices. The machine tools and industrial machinery business was also weak primarily because of postponed capital investment plans, and the oilfield tubing business also performed poorly under the continued impact of weak drilling demand.

FY2022 forecast

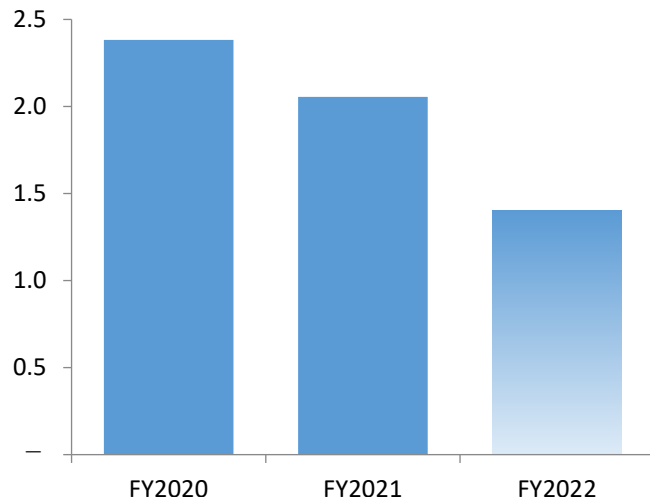
Higher profits are anticipated in the machine tools and industrial machinery business, where capital investment demand is expected to recover. Aim to achieve a balance between profit and loss as we believe that the business environment of the oilfield tubing business is beginning to recover.

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

(Unit: billion yen)	FY2020	FY2021	FY2022 forecast	Change	Change(%)
Revenue	74.6	71.1	70.0	(1.1)	(1.5%)
Operating profit	2.4	2.1	1.4	(0.7)	(31.9%)
Profit attributable to owner of the parent	1.7	1.5	0.9	(0.6)	(39.9%)

Billion yen

Operating profit



FY2021 results

In the aerospace business, domestic aircraft-related transactions with government agencies were solid, offsetting a slump in overseas transactions involving aircraft parts. The motor vehicles and parts business recovered slightly from the decline in global demand but was still affected and remained weak.

FY2022 forecast

The aerospace business is expected to remain weak because it will enter an off-season in terms of contracts.

