



Overview of Results for the First Half of FY2022



KANEMATSU

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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 FY2022

1-1. 1H of FY2022 Highlight (P/L)

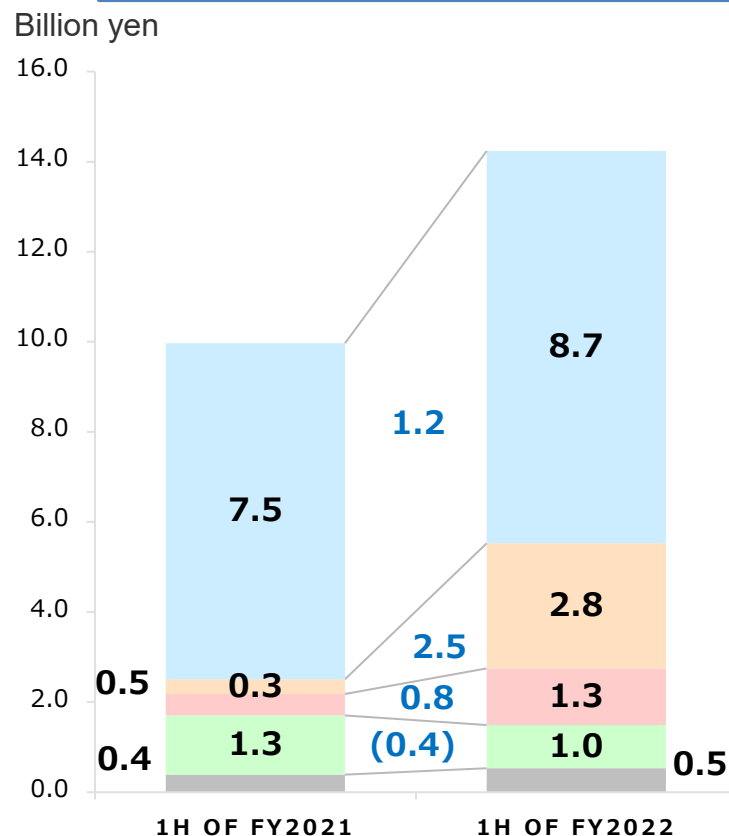
✓ Revenue increased by 59.3 billion yen, primarily in the Steel, Materials & Plant Segment

(Unit: billion yen)	1H of FY2021 results	1H of FY2022 results	Change
Revenue	304.9	364.1	59.3
Gross profit	47.5	53.9	6.5
Operating profit	10.0	14.2	4.3
Finance income (costs)	(0.7)	(1.7)	(1.1)
Share of profit (loss) of investments accounted for using the equity method	0.3	1.0	0.8
Profit before tax	9.6	13.6	4.0
Profit attributable to owner of the parent	5.9	7.3	1.4

1-2. 1H of FY2022 Highlight (Segment margin)

✓ Increased by 4.3 billion yen, largely due to the Foods, Meat & Grain segment

Segment margin(Operating profit)



Electronics & Devices

1.2 billion yen up

The ICT solutions business performed strongly, mainly due to growth in projects related to network security and storage-related projects. In the mobile business, operating profit increased slightly, impacted by the declaration of a state of emergency and decreased supporting payments from telecommunication carriers, although store footfall was returning. The semiconductor parts and manufacturing equipment business remained strong with growth in shipments of manufacturing equipment and consumables related to semiconductors and LCD panels in response to strong demand.

Foods, Meat & Grain

2.5 billion yen up

In the meat products business, operating profit increased sharply after the struggle in food service-related sales in the previous year, aided by rising prices of livestock products in general, in addition to a recovery in demand. The food business remained strong on growth in transactions of products for the retail market. The grain and feedstuff business remained firm under rising prices of grain and feedstuff.

Steel, Materials & Plant

8.0 billion yen up

The steel tubing business performed strongly, following the recovery of energy demand. The machine tools and industrial machinery business remained firm, recovering from the business environment in the same period of the previous fiscal year when the business had been strongly affected by COVID-19. However, in the energy business, operating profit temporarily declined, although a recovery was expected due to winter deliveries.

Motor Vehicles & Aerospace

0.4 billion yen down

The aerospace business remained sluggish as contracts with government agencies were between seasons. In the motor vehicles and parts business, however, transactions of motor parts remained strong given the recovery of production at clients worldwide, including in Europe and the U.S.

1-3. 1H of FY2022 Highlight (Segment margin)

✓ Increased by 1.4 billion yen, chiefly owing to the Foods, Meat & Grain segment

<Profit attributable to owner of the parent>

(Unit: billion yen)	1H of FY2021 results	1H of FY2022 results	Change	Change (%)
Electronics & Devices	3.5	3.0	(0.5)	(14.9%)
Foods, Meat & Grain	0.8	1.9	1.1	142.3%
Steel, Materials & Plant	0.9	1.4	0.6	63.5%
Motor Vehicles & Aerospace	0.9	0.6	(0.4)	(39.6%)
Others	(0.2)	0.4	0.6	-
Total	5.9	7.3	1.4	24.0%

1-4. 1H of FY2022 Highlight (B/S)

✓ The equity ratio rose due to an increase in profit attributable to owners of the parent

(Unit: Billion yen)	FY2021 results	1H of FY2022 results
Total assets	557.5	564.3
Shareholders' Equity (Note 1)	143.9	149.1
BPS(yen)	1,723	1,785
Equity ratio (Note 2)	25.8%	26.4%

(Unit: Billion yen)	FY2021 results	1H of FY2022 results
Gross interest-bearing debt (Note 3)	122.2	123.9
Net interest-bearing debt	40.5	44.9
Net D/E ratio (Note 4)	0.3 times	0.3 times

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

(Note 2) Equity ratio = Shareholders' 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 / Shareholders' equity

2. FY2022 forecast

2-1. FY2022 forecast

- ✓ Steady progress towards achievement of the initially announced forecasts is expected

(Unit: billion yen)	1H of FY2022 results	FY2022 forecast	Progress
Revenue	364.1	700.0	52.0%
Operating Profit	14.2	28.0	50.9%
Profit before tax	13.6	28.0	48.4%
Profit attributable to owners of the parent	7.3	15.0	48.6%

2-2. FY2022 forecast (Segment margin)

- ✓ Progress mostly in line with the initially announced forecasts is expected, with the profits of the Electronics & Devices and Steel, Materials & Plant Segments concentrated in the second half

<Operating profit>

(Unit: billion yen)	1H of FY2022 results	FY2022 forecast	Progress
Electronics & Devices	8.7	19.2	45.4%
Foods, Meat & Grain	2.8	3.5	79.4%
Steel, Materials & Plant	1.3	3.1	40.7%
Motor Vehicles & Aerospace	1.0	1.4	68.6%
Others	0.5	0.8	66.1%
Total	14.2	28.0	50.9%

2-3. FY2022 forecast (Segment margin)

Forecast for segment operating profit

	(Unit : billion yen)	1H of FY2022 results	FY2022 forecast (Original)	Revised	Progress
ICT Solution		6.1	11.5	12.3	49%
Mobile		2.3	6.5	5.7	40%
Others		0.4	1.2	1.2	32%
Electronics & Devices		8.7	19.2	19.2	45%
Foods		0.1	0.2	0.2	73%
Meat products		1.2	0.8	1.5	83%
Grain, Oliseeds & Feedstuff		1.4	2.5	1.8	77%
Others		0.0	0.0	0.0	-
Foods, Meat & Grain		2.8	3.5	3.5	79%
Machine Tools & Industrial Machinery		0.3	1.4	1.0	33%
Overseas		0.6	0.0	0.7	87%
Energy, Chemical & Others		0.3	1.7	1.4	23%
Steel, Materials & Plant		1.3	3.1	3.1	41%
Aerospace		0.5	0.4	0.6	76%
Motor Vehicles & Parts		0.5	1.0	0.8	64%
Others		(0.0)	0.0	0.0	-
Motor Vehicles & Aerispace		1.0	1.4	1.4	69%
Others		0.5	0.8	0.8	66%
Grand total		14.2	28.0	28.0	51%

Profit performance is expected to remain steady in the second half, reflecting the capturing of strong IT investment demand in the corporate sector

A result mostly in line with the initial forecast is expected due to slower profit growth in the second half as rising market prices push up inventory prices.

The energy business is expected to catch up thanks to winter kerosene demand.

Profitability is not as weak as initially forecast and profit performance is expected to remain solid in the second half.

2-4. FY2022 forecast (Segment margin)

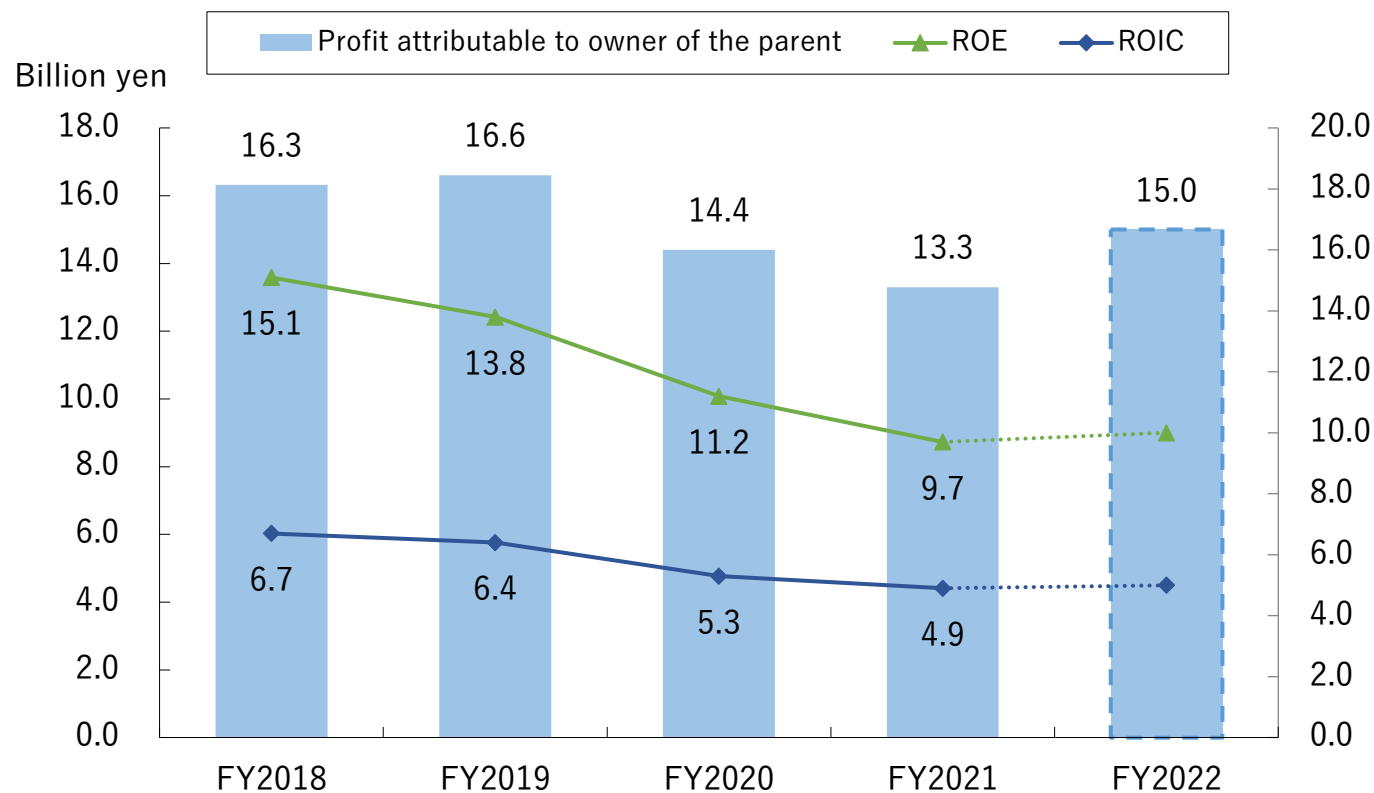
- ✓ Overall, progress in line with the initial forecast is expected, with the profit of the Electronics & Devices Segment concentrated in the second half

<Profit attributable to owner of the parent>

(Unit: billion yen)	1H of FY2022 results	FY2022 forecast	Progress
Electronics & Devices	3.0	9.0	33.4%
Foods, Meat & Grain	1.9	2.3	84.0%
Steel, Materials & Plant	1.4	2.5	56.7%
Motor Vehicles & Aerospace	0.6	0.9	62.4%
Others	0.4	0.3	124.2%
Total	7.3	15.0	48.6%

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

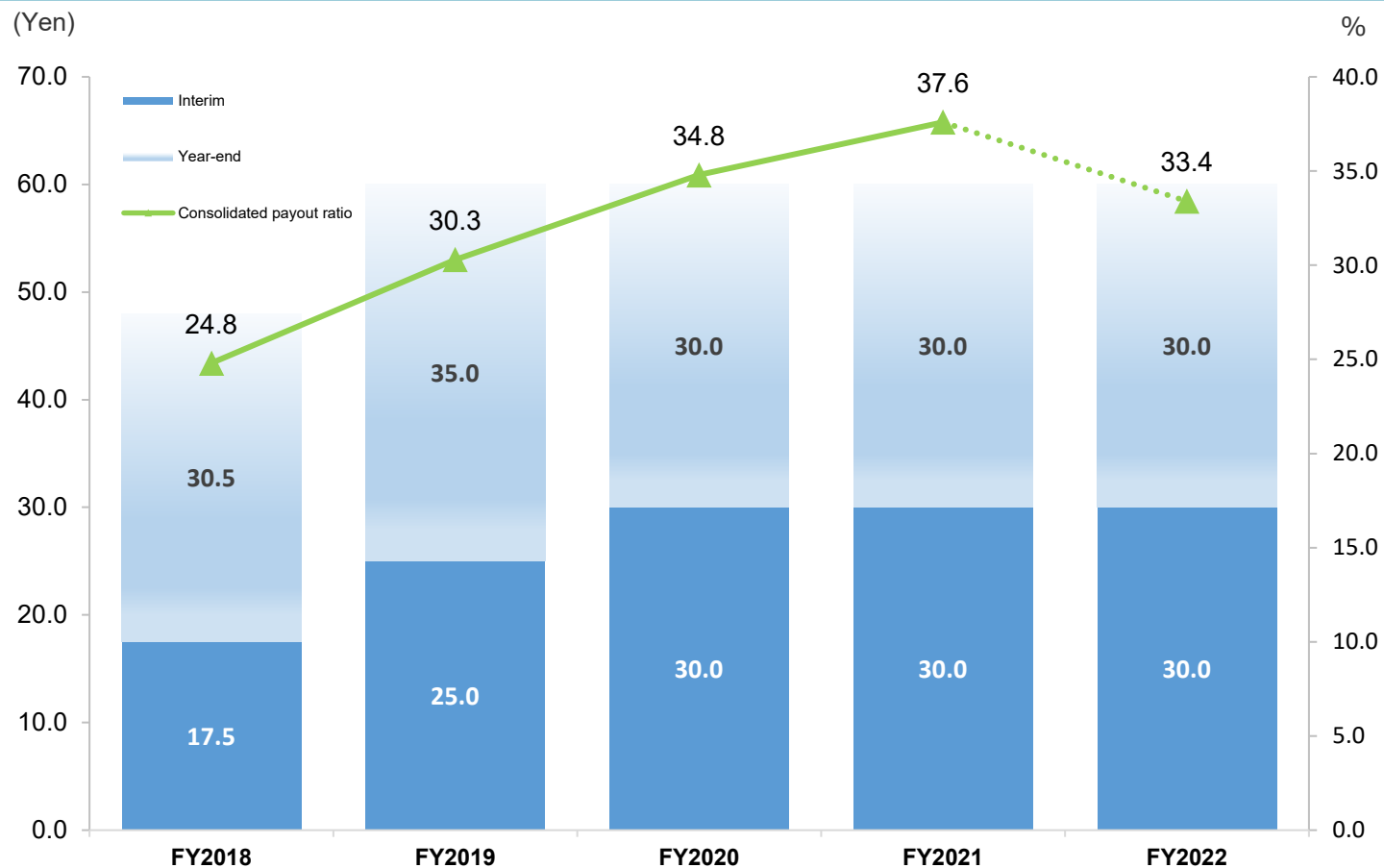
- ✓ ROE is also expected to exceed 10% as a result of recovery of profit attributable to owners of the parent
- ✓ The Group will continue to pursue capital efficiency



*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. Last 3 Years of “future 135” ~ Progress After 6 Months

3-1. 【 Repeated 】 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%

3-2. 【Repeated】 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

3-3. *future* 135 New Business Investments (Apr.-Sep. of FY2022)

Made new investment of 6.8 billion yen in the first half (made total investment of 23.0 billion over the first 3 years of the plan)

Segment	Investment projects	
Electronics & Devices	Japan	Acquired a mobile phone sales agent
	Japan	Invested in social infrastructure application development company
	Japan	Acquired an industrial materials trading company
	Germany	Made additional investment in photo printer company
Foods, Meat & Grain	Canada	Invested in chemical-free soybean startup
Steel, Materials & Plant	Korea	Made additional investment in steel sheet fabrication manufacturer
	Southeast Asia	JCM project to promote energy-saving and renewable energy technologies
Others	Japan	Established strategic investment company to promote TradeWaltz, a trade platform, to the industry

3-4. *future 135* New Business Investment Pipeline

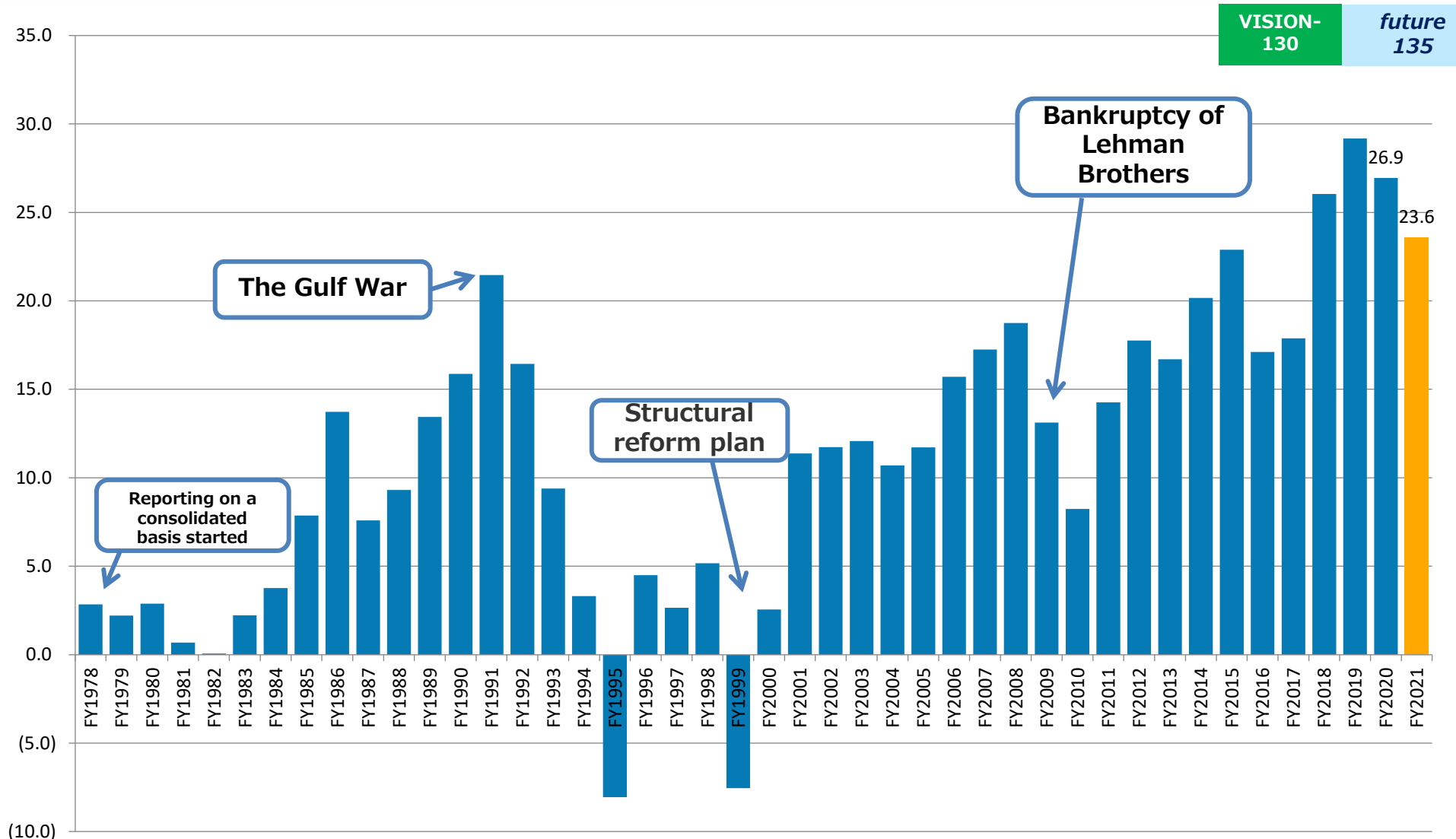
Part of Pipeline for Business Investment from Second Half

Segment	Pipeline	
Electronics & Devices	Japan	Acquisition of mobile phone sales agency operator
Foods, Meat & Grain	Indonesia	Capital and business alliance with general food manufacturer
	Japan	Acquisition of e-commerce operator specializing in meat
Steel, Materials & Plant	Japan	Promotion of domestic windpower generation business
	Southeast Asia	JCM project to promote energy-saving and renewable energy technologies
Motor Vehicles & Aerospace	Japan	Development of eVTOL and drone delivery services
	Japan	Investment in carbon nanotube manufacturing company

Appendix

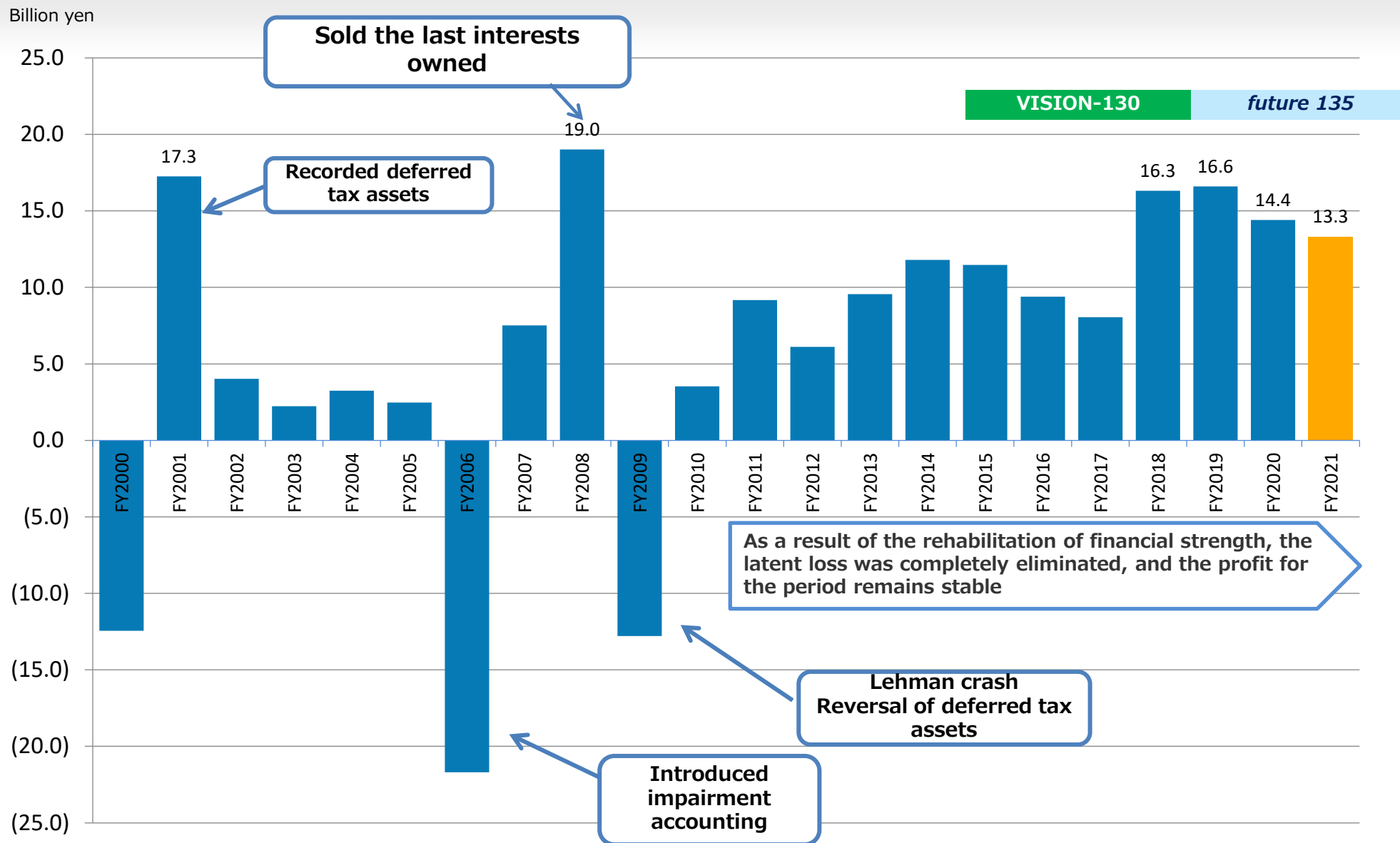
Appendix 1-1. Consolidated Ordinary income (from FY1978)

Billion Yen

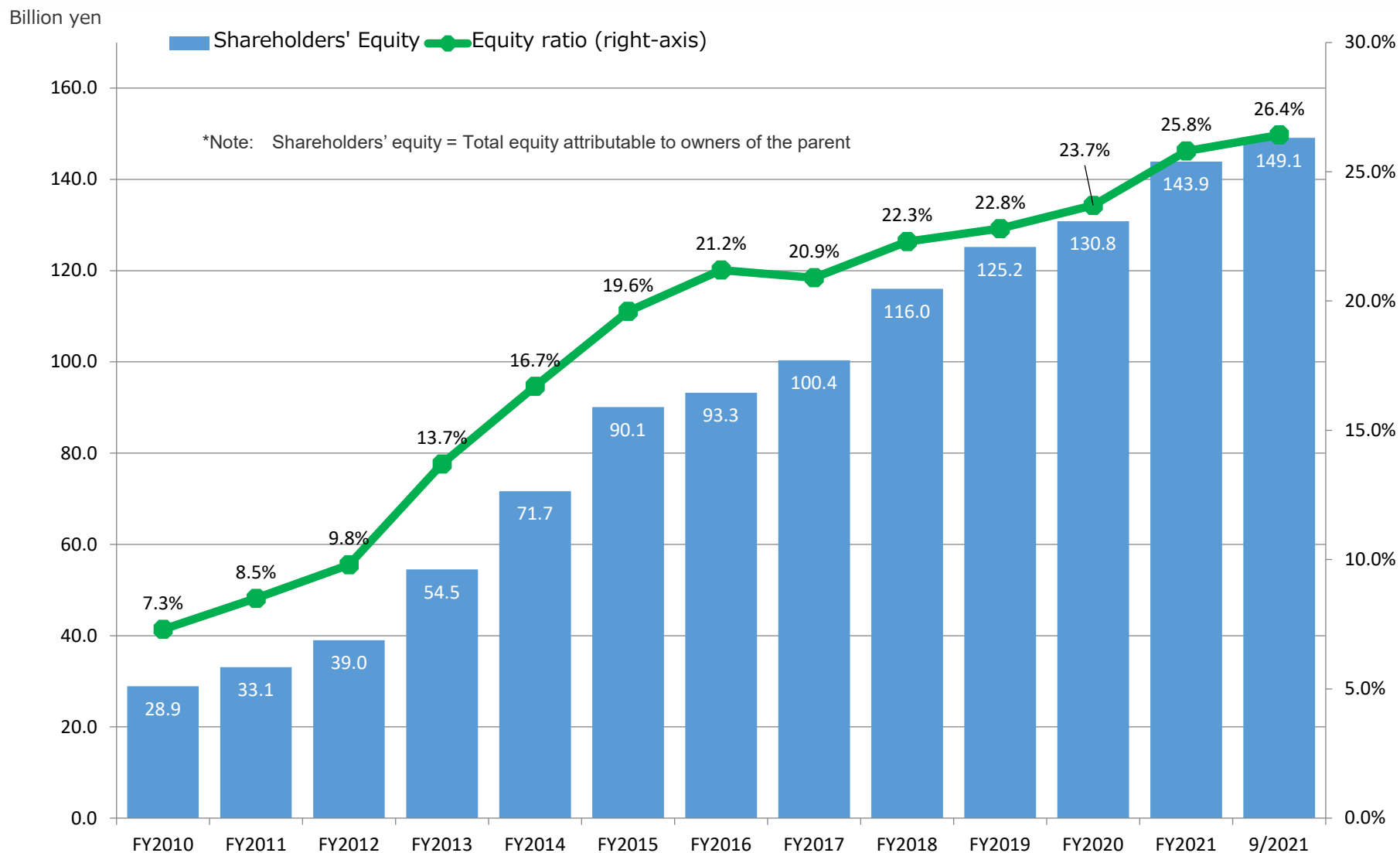


*Mentioned value is Profit before tax instead of Ordinary income from FY2017

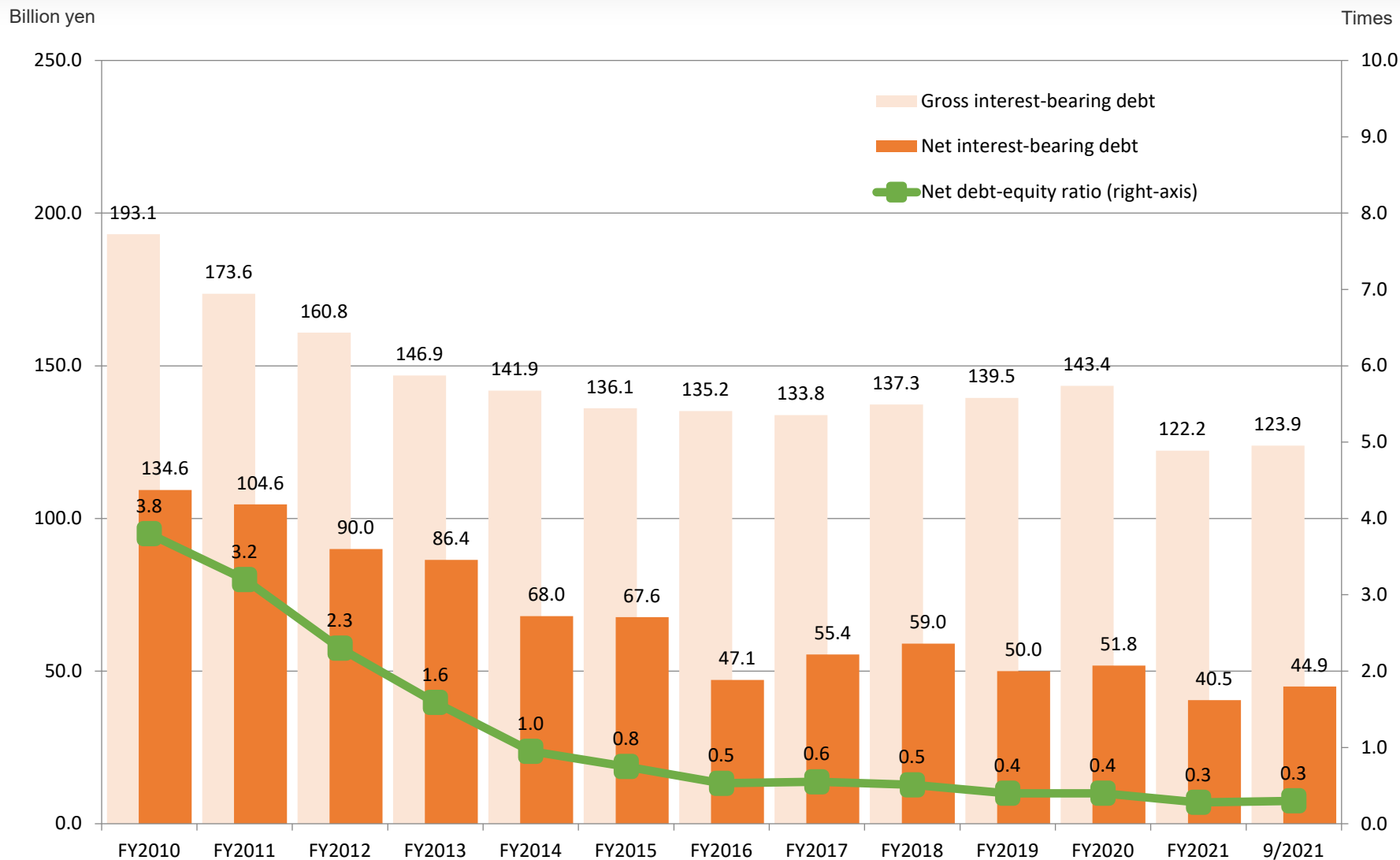
Appendix 1 -2. Consolidated Net income (from FY2000)



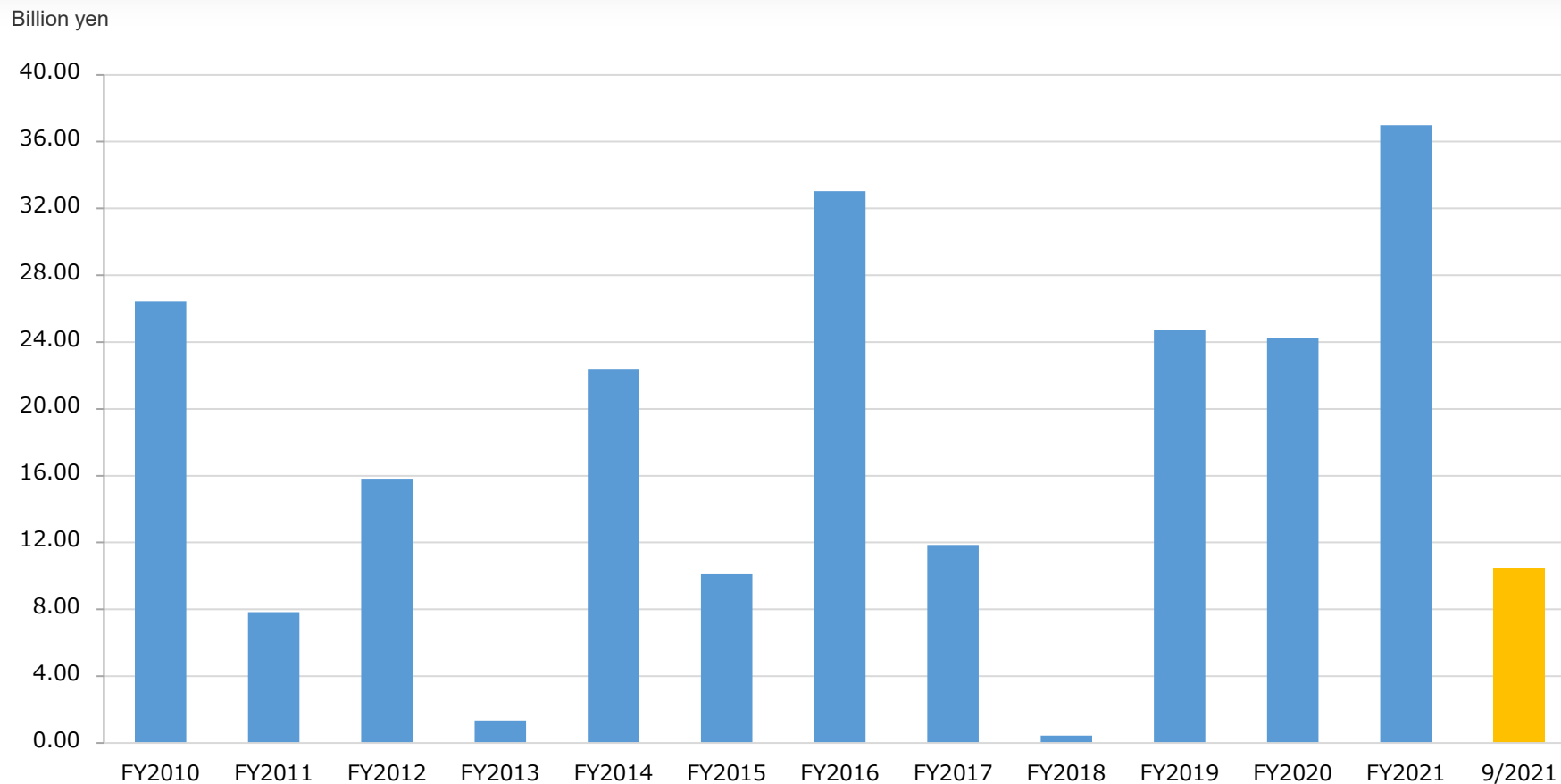
Appendix 1 - 3 . Shareholders' Equity & Equity Ratio



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



Appendix 1 -5. CF from operating activities



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.
	Steel 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)

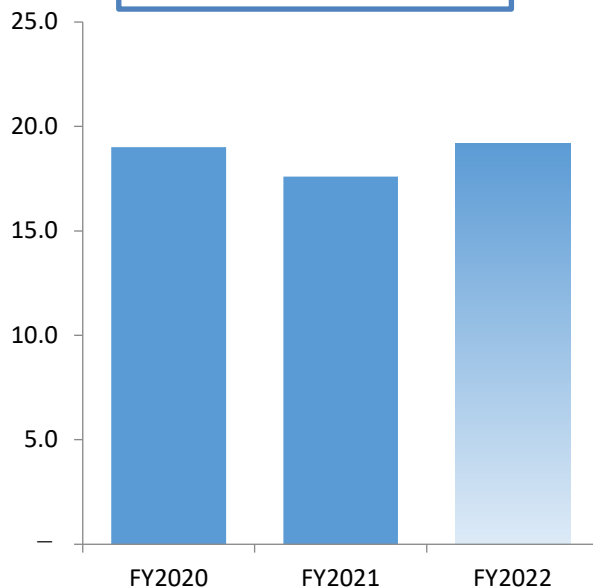
(Unit: billion yen)	Business	Ownership ratio	1H of FY2021		1H of FY2022	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.26%	31.5	5.1	34.0	6.1
Kanematsu Communications Ltd.	Mobile	100.00%	45.8	2.0	49.9	2.3
Kanematsu Sustech Corp.	Security system etc.	52.89%	5.6	0.4	6.3	0.4
Kanematsu Foods Corp.	Foods, Meat & Marine Products	100.00%	13.4	0.1	14.6	0.3
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	5.0	0.1	6.7	0.2
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	4.5	(0.0)	5.0	0.1
Kanematsu KGK Corp.	Machine tools, Industrial machinery	100.00%	4.1	(0.1)	4.6	0.3
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	6.6	0.4	10.0	0.3
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	2.9	0.5	2.5	0.4
Shintoa Corporation	Trading company	100.00%	19.4	1.3	17.5	1.1
Kanematsu USA Inc.	Overseas subsidiary	100.00%	44.4	(0.3)	20.2	0.8

Appendix 4-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2021		FY2022		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	102.9	226.1	118.8	250.0	15.9	23.9
Operating profit	7.5	17.6	8.7	19.2	1.2	1.6
Profit attributable to owner of the parent	3.5	8.5	3.0	9.0	(0.5)	0.5

Billion yen

Operating profit



1H of FY2022 results

The ICT solutions business performed strongly, mainly due to growth in projects related to network security and storage-related projects. In the mobile business, operating profit increased slightly, impacted by the declaration of a state of emergency and decreased supporting payments from telecommunication carriers, although store footfall was returning. The semiconductor parts and manufacturing equipment business remained strong with growth in shipments of manufacturing equipment and consumables related to semiconductors and LCD panels in response to strong demand.

FY2022 forecast

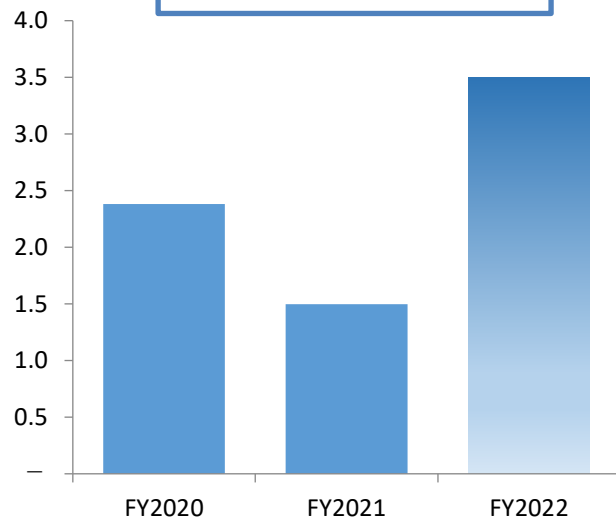
The ICT Solutions Business is expected to record profit in the second half for network security-related projects and other projects. However, it is feared that recovery of footfall will be weak in the mobile business.

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

(Unit: billion yen)	FY2021		FY2022		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	122.9	244.6	142.0	260.0	19.1	15.4
Operating profit	0.3	1.5	2.8	3.5	2.5	2.0
Profit attributable to owner of the parent	0.8	1.5	1.9	2.3	1.1	0.8

Billion yen

Operating profit



1H of FY2022 results

In the meat products business, operating profit increased sharply after the struggle in food service-related sales in the previous year, aided by rising prices of livestock products in general, in addition to a recovery in demand. The food business remained strong on growth in transactions of products for the retail market. The grain and feedstuff business remained firm under rising prices of grain and feedstuff.

FY2022 forecast

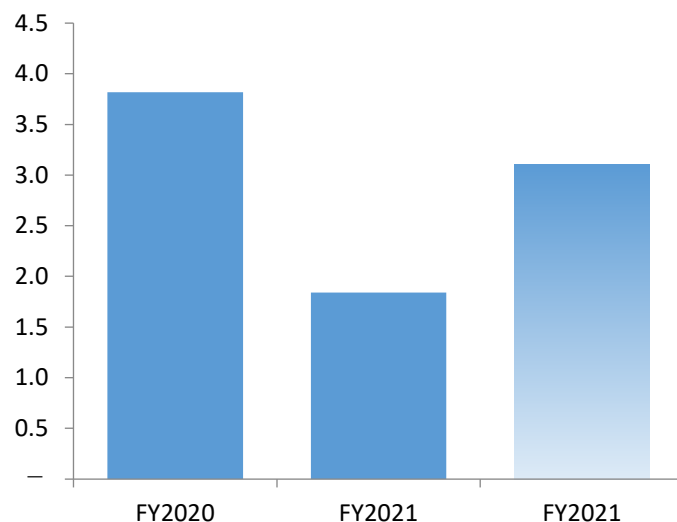
There is concern that the meat products business and grain business will see slower profit growth in the second half as rising market prices push up inventory prices.

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

(Unit: billion yen)	FY2021		FY2022		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	41.2	96.8	65.2	110.0	24.0	13.2
Operating profit	0.5	1.8	1.3	3.1	0.8	1.3
Profit attributable to owner of the parent	0.9	2.1	1.4	2.5	0.6	0.4

Billion yen

Operating profit



1H of FY2022 results

The steel tubing business performed strongly, following the recovery of energy demand. The machine tools and industrial machinery business remained firm, recovering from the business environment in the same period of the previous fiscal year when the business had been strongly affected by COVID-19. However, in the energy business, operating profit temporarily declined, although a recovery was expected due to winter deliveries.

FY2022 forecast

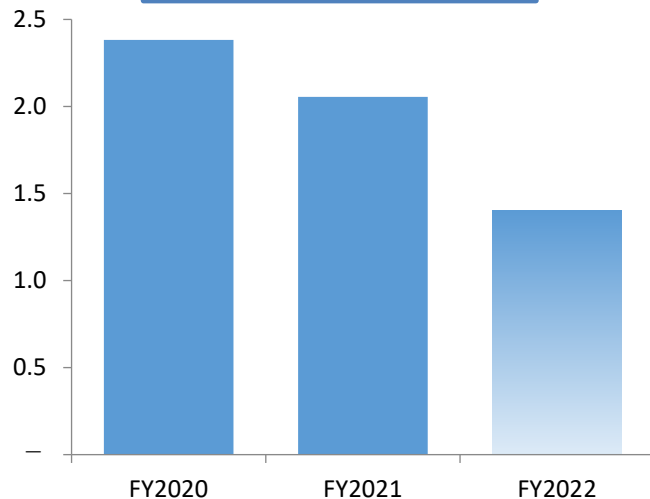
In the energy business, winter kerosene demand is expected. The steel tubing business is on the recovery track but progress is slow. It is feared that the machine tools and industrial machinery business will be impacted by delivery delays caused by semiconductor shortages, supply chain disruptions and overseas travel restrictions.

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

(Unit: billion yen)	FY2021		FY2022		Change	
	1H results	Full-term results	1H results	Full-term forecast	1H results	Full-term
Revenue	32.5	71.1	32.0	70.0	(0.5)	(1.1)
Operating profit	1.3	2.1	1.0	1.4	(0.4)	(0.7)
Profit attributable to owner of the parent	0.9	1.5	0.6	0.9	(0.4)	(0.6)

Billion yen

Operating profit



1H of FY2022 results

The aerospace business remained sluggish as contracts with government agencies were between seasons. In the motor vehicles and parts business, however, transactions of motor parts remained strong given the recovery of production at clients worldwide, including in Europe and the U.S.

FY2022 forecast

The aerospace business and the motor vehicles and parts business are both expected to post results in line with forecasts.