

【Financial results for the First Three Months of Fiscal Year ending March 31,2023 (FY 2023)】																																																																																																																																																																																																																																																							
Q 1	Please provide the details of the business results by segment for the first three months, taking into consideration the business environment.																																																																																																																																																																																																																																																						
A 1	<p>Operating profit rose 4.4 billion yen (87.2%) year on year, to 9.5 billion yen, and profit attributable to owners of the parent increased 3.1 billion yen (95.1%), to 6.3 billion yen, reaching a record high in terms of the first quarter earnings performance.</p> <p>The main factors contributing to the increase or decline in operating profit are as follows.</p> <ul style="list-style-type: none">● In the ICT solutions business, operating profit increased, reflecting the concentration of efforts on developing the solutions business and the remote work environment in addition to operating the infrastructure development business amid solid IT investment by businesses, and strong performances in the server-related business for the service industry and government agencies, as well as cloud services for the manufacturing industry.● In the mobile business, operating profit declined due to a decrease in fee income resulting from the revision of fee terms, in addition to lower sales volume.● In the semiconductor parts and manufacturing equipment business, operating profit increased due to continued robust demand on semiconductors and the effect of acquisitions in the manufacturing equipment business.● In the meat products business, operating profit increased due to the rising prices of livestock product in general, chicken in particular, and the recovery in demand for food service-related sales.● In the energy business, operating profit increased due to strong ship fuel trading, as well as improved margins amid tightening supply and demand.● In the motor vehicles and parts business, operating profit declined due to soaring costs caused by disruptions in transportation put pressure on profits despite a recovery trend in demand. <p>Operating profit (Segment margin) / Profit attributable to owners of the parent</p> <table><tr><th rowspan="2">(Unit : billion yen)</th><th colspan="3">Operating profit</th><th colspan="3">Profit attributable to owners of the parent</th><th colspan="2">(Ref.) FY2023 forecast</th><th colspan="2">(Ref.) 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FY2023 forecast		(Ref.) FY2023 forecast		1Q of FY2022	1Q of FY2023	Change	1Q of FY2022	1Q of FY2023	Change	Operating profit		Profit attributable to owners of the parent									(Original)	(Revised)	(Original)	(Revised)	ICT Solution	0.9	1.3	0.4				12.8	12.8			Mobile	1.0	0.7	(0.4)				5.0	4.0			Others	0.2	1.2	0.9				2.2	2.2			Electronics & Devices	2.2	3.1	0.9	1.1	1.7	0.6	20.0	19.0	9.5	8.9	Foods	0.1	0.4	0.3				0.3	0.3			Meat products	0.5	1.5	1.0				1.0	1.5			Grain, Oliseeds & Feedstuff	0.9	1.2	0.3				2.3	2.3			Others	(0.0)	0.0	0.0				0.0	0.0			Foods, Meat & Grain	1.5	3.2	1.7	1.1	2.6	1.5	3.6	4.1	2.8	3.2	Machine Tools & Industrial Machinery	0.1	0.3	0.2				1.7	1.7			Overseas	0.4	0.9	0.4				1.1	1.6			Energy, Chemical & Others	0.1	1.1	1.0				2.5	2.5			Steel, Materials & Plant	0.6	2.3	1.7	0.4	1.3	0.9	5.3	5.8	3.9	4.1	Aerospace	0.4	0.5	0.1				0.5	0.5			Motor Vehicles & Parts	0.2	0.1	(0.1)				1.2	1.2			Others	(0.0)	0.0	0.1				0.0	0.0			Motor Vehicles & Aerospace	0.6	0.6	0.1	0.3	0.5	0.1	1.7	1.7	1.5	1.5	Others	0.2	0.3	0.1	0.3	0.3	(0.0)	0.9	0.9	0.3	0.3	Grand Total	5.0	9.5	4.4	3.3	6.3	3.1	31.5	31.5	18.0	18.0
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	【FY2023 Forecast】
Q 2	Despite satisfactory increases in progress rates for the first quarter, with 30% for operating profit and 35% for profit attributable to owners of the parent, the forecasts remain unchanged. Please explain the reason why you did not revise the forecasts.
A 2	<p>Operating profit includes the profit generated following the recording of valuation losses on the energy business and the foods business brought forward in the previous fiscal year, other profits and gains such as futures valuation gains and currency exchange valuation gains associated with price hikes in the markets centered on the foods segment and the depreciation of the yen. In addition, the head office scheduled to be relocated in the current fiscal year is expected to add extra expenditure from the second quarter onwards. Taking into account uncertain factors such as geopolitical risks and concerns over the economic downturn and the likes, we have kept unchanged the full-year forecasts as of the first quarter.</p> <p>In addition, due to the varying performance of each business unit, we did not revise the forecasts of each segment.</p>
Q 3	Profit for the mobile business continued to decline from the previous fiscal year. Media reports of store closures by mobile carriers, among other reports, foreshadow the dire future business environment. What is your view on the future business outlook?
A 3	<p>The sales volume in corporate business, in particular, decreased due to the inventory shortage of mainly our mainstay models. As well, a decrease in fee income due to the revision of fee terms by telecommunications carriers from the previous fiscal year has led to a decrease in profit.</p> <p>It is expected that the “online-only” rate plans will also become more prevalent in urban areas, with continued lower customer traffic trends. Stores with a large incremental decline in sales are starting to optimize their store size (store relocation, review of the number of staff) as a priority issue. Regarding the closure of mobile carrier shops reported in the media, in principle, only unprofitable stores should be subject to store closure, and at this point in time, we believe that the impact on profit and loss is immaterial.</p> <p>The industry environment is expected to become more severe, but we are working to build new pillars in terms of profitability, such as launching new businesses utilizing the mobile carrier’s stores and introducing corporate solution businesses as an urgent issue.</p>
Q 4	The steel tubing business in North America continuously perform well from the previous fiscal year, and the business environment seems to be improving. What is your view on it?
A 4	Due to the Russia-Ukraine crisis, which followed the formulation of the initial forecasts for the fiscal year, the United States shifted its policy to increase energy supply capacity. Therefore, the steel tubing business has been actually advancing dramatically, exceeding the initial forecast made at the beginning of the fiscal year. Thus, this time, we have made an upward revision to our forecasts. There is a possibility that investment in the shale industry will advance further in the future, but on the other hand, we believe it is necessary to keep a close eye on uncertain factors such as the tight US labor market, investment constraints due to decarbonization, and concerns about a recession in the United States.
Q 5	Please tell me the impact of the weakening yen on business results.

A 5	<p>Our foreign currency transactions involve many import transactions, in particular, in the foods segment, and exchange rate risk is basically passed on to sellers in Japan; hence I consider that the impact on P/L is generally neutral.</p> <p>However, there is a possibility that the depreciating yen, which is a factor contributing to rising domestic prices, will affect sales volume. As for the impact on B/S, currency exchange translation difference by 1 yen owing to the depreciation of the yen will increase equity capital by about 100 to 150 million yen so that equity capital will have a positive impact.</p>
Q 6	What are the direct and indirect effects of Russia's invasion of Ukraine?
A 6	<p>Since having written off Russian country risk receivables about 20 years ago, we have not carried out large-scale transactions with Russia. There are some projects in progress, but they are expected to be covered by trade insurance, and we see there is no direct impact on our business. As for Ukraine, we had a representative office there, but we closed the office 30 years ago, so the impact in this regard is also limited.</p> <p>However, suppose the end customers in Japan hold off purchasing due to the high crude oil price or grain price in that case, it is conceivable that there is an indirect effect of decreasing the trading volume of raw materials.</p>
Q 7	Please tell me the impact of China's zero COVID-19 policy on business results for the fiscal year ending March 2023.
A 7	In the Electronics and Devices segment, there have been impacts such as the shutdown of manufacturing plants in China, the cancellation of contracts oriented to China, and a decrease in shipment volume. In addition, the Food, Meat & Grain segment and the Steel, Materials, & Plant segments have also been affected by disruptions in logistics and slow demand. The Motor Vehicles & Aerospace segments are partially impacted, but the impact on business results for the fiscal year ending March 2023 is currently considered limited in all segments.
	【Investment】
Q 8	Please tell me about your investment progress in the first quarter.
A 8	<p>There are several projects in progress. The investment projects newly concluded to be undertaken in the first quarter are as follows.</p> <ul style="list-style-type: none"> ● Investment in a Japanese-style barbeque yakiniku chain company operating in China ● Investment in a company operating the wholesale business for food/processed meat products and retail business through e-commerce.
	【Shareholder returns】
Q 9	Please explain how you determined dividends of 70 yen, comprising 35 yen for the interim dividend and 35 yen for the year-end dividend.
A 9	Based on the forecast for profit attributable to owners of the parent of 18 billion yen, we calculated dividends of 70 yen (payout ratio 32.5%), given the target dividend payout ratio of 30 to 35% set out in the Medium-Term Vision.
Q10	Is there an upper or lower threshold for the annual dividend amount?

A10	<p>Under the basic policy of the implementation of continuous, stable dividends and maintaining a balance between investment and shareholder returns, we intend to continue to increase the annual dividend through an increase in profit.</p> <p>We have not set a particular lower threshold, but we have kept the dividend stable even in times of declining profit trend amid the COVID-19 pandemic during the most recent fiscal years ended March 2020 and 2021.</p>
	【Realization of a decarbonized society】
Q11	Please provide details on Kanematsu's efforts and approach for realizing a decarbonized society.
A11	<p>In June 2021, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We recognize that environmental issues are our corporate responsibility. The Group does not engage in businesses with a high environmental impact, such as the resources business and coal-fired power generation, and CO₂ emissions from our business activities are at an extremely low level relative to the scale of our businesses. Please refer to this link for the calculation results of the Group's CO₂ emissions disclosed on the official web page. Disclosure based on Recommendations of the TCFD Sustainability KANEMATSU CORPORATION (kanematsu.co.jp)</p> <p>We will aim to achieve carbon neutrality as soon as possible, by 2025. We will reduce CO₂ emissions by switching to renewables; for any remaining emissions that cannot be reduced, we will offset them with the credits generated from our business including converting our contribution to GHS emissions reduction into credits, to achieve carbon neutrality.</p> <p>Furthermore, by accumulating and increasing the contributed emission volume in the future, we aim to become carbon negative at -150,000 t-CO₂ by 2030 and -1,000,000 t-CO₂ by 2050, thereby contributing to GHG emissions reduction in Japan and on a global scale.</p> <p>[The Group's initiatives to achieve a decarbonized society]</p> <ul style="list-style-type: none"> ● Kanematsu KGK Corp., our subsidiary, installed the largest solar power generation system in Vietnam, An Giang Province, in the south of the Country, using a joint crediting mechanism (JCM) designed to promote the use of energy-saving and renewal energy technologies in developing countries. In addition to this project, the Group is executing JCM projects in Indonesia, Saudi Arabia, Thailand, and Vietnam. ● Kanematsu began supporting the promotion of cacao farming in Gorontalo Province, Indonesia from 2011 as an international initiative to promote sustainable forest management in developing countries (REDD+). Through this project, we contribute to the preservation of tropical forests. ● The Company and its subsidiary, Datatec Co., Ltd., have agreed to run joint proof of concept (PoC) experiments with PT Pertamina, a state-run oil company in Indonesia, to promote decarbonization and to improve logistics efficiency by improving the fuel efficiency of freight trucks. We have already begun providing support and running PoC experiments. ● Kanematsu Petroleum Corp., our subsidiary, has joined the Japan Climate Leaders' Partnership (JCLP), a group of companies aiming to achieve a sustainable, decarbonized society. ● Aiming to promote decarbonization of the entire supply chain together with suppliers, we have formed a group-wide GX Accelerator team to collectively propose a variety of solutions that contribute to GHG reduction. We are promoting this initiative in collaboration with Asuene Inc. and The Norinchukin Bank.

	【Promotion of DX】
Q12	<i>Future135</i> includes “Pursue DX on a groupwide basis” as a priority initiative. What progress have you made?
A12	<p>The Group established the DX Project Office in July 2021 with the Executive Officers of Kanematsu and Kanematsu Electronics Ltd. as its members. The Project Office is currently working on initiatives such as the examination of DX of each business and the organization of the Group IT environment. It is also working with core Group companies, sharing the initiatives of each company. More specifically, the Project Office is, through individual subcommittees, examining and promoting initiatives such as the use of common IDs throughout the consolidated Group to raise the efficiency of systems management and operation, the development of infrastructure for using the data collected through the promotion of DX, and the sharing of the Group’s IT assets to reduce costs and make equal the security level within the Group.</p> <p>[Examples of promotion of DX]</p> <ul style="list-style-type: none"> ● Began rolling out HI-MAWARI, an internal approval system, in the Group and analyzing the accumulated data ● Introduction of Concur, expense report software to automate settlement of business expenses ● Launch of the Business Co-Creation Center, a platform for business co-creation, and commencement of sales of AIPENET, an AI-based image inspection service, and KG ZAICO, a warehouse management SaaS ● Proposal and introduction of DX promotion solutions, such as a container platform and subscription-type wireless service for companies, at Kanematsu Electronics Ltd. ● Development of new businesses at Kanematsu Sustech Corporation using big data on soil accumulated in e-soil, a total soil support system developed by Kanematsu Sustech Corporation, and outside sales of the said system ● Development of industry-specific DX solutions at Kanematsu Communications Ltd. for the manufacturing, construction, retail, healthcare, and aged care industries, in addition to back-office DX solutions ● DX training for employees of Group companies tailored to their organizations and roles