

【Financial results for the First Six Months of Fiscal Year ending March 31,2023 (FY2023)】																																																																																																																																																																
Q1	Please provide the details of the business results by segment for the first six months, taking into consideration the business environment.																																																																																																																																																															
A1	<p>Operating profit rose ¥7.8 billion (54.8%) year on year, to ¥22.1 billion and profit attributable to owners of the parent increased ¥4.9 billion (67.6%), to ¥12.2 billion, reaching a record high in terms of the earnings performance of the first half of a fiscal year.</p> <p>The main factors contributing to the increase or decline in operating profit are as follows.</p> <ul style="list-style-type: none">● The ICT solutions business posted a higher operating profit on the back of increased investments in IT infrastructure related to networks and security associated with robust demand for digital transformation investments. 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 mainly due to healthy demand for semiconductors and the acquisition of a 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 steel tubing business, operating profit grew as energy investments expanded in the U. S. and the prices of steel tubes rose.● Operating profit in the energy business rose on the back of strong heavy oil sales for power generation and robust fuel transactions of fuel for ships.● In the motor vehicles and parts business, operating profit declined, despite a recovery trend of demand, as soaring costs caused by the disruptions in marine transportation placed a downward pressure on profits.																																																																																																																																																															
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	【FY2023 Forecast】
Q2	You have revised the earlier full-year forecasts upward. What are the reasons and backgrounds of the revision?
A2	Our results for the first half of the fiscal year were generally strong: the progress rate of operating profit against the original full-year forecast reached 70% and the progress rate of profit attributable to owners of the parent was 68%. By business segment, the energy, steel tubing, and meat products businesses, among others, performed strongly and exceeded our full-year forecasts as the markets rallied more than originally expected due to the impact of the Russia-Ukraine situation and demand also grew. This prompted a review of the forecasts for the second half of the fiscal year and we made upward revisions to our forecasts for the entire company.
Q3	The progress rate of profit attributable to owners of the parent against the revised forecast is 64%, which significantly exceeds the standard progress rate. Can you tell us any concerns you have for the second half of the fiscal year?
A3	We achieved the results for the first half of the fiscal year in a special environment where the post-COVID-19 recovery in demand and the impact of the Russia-Ukraine situation provided a boost to all trading business areas in terms of both volume and prices. In addition, profits carried over from the previous period due to market conditions and foreign exchange fluctuations at the end of the previous period were recognized in the period. Looking ahead, however, we expect disproportionately large expenses and losses to incur in the second half of the fiscal year given the following factors: there is a concern about economic recession resulting from monetary tightening to control inflation; the subsequent further market rallying and rapid depreciation of the yen will result in realized losses that are equivalent to the valuation gains we posted in the first half of the fiscal year; and there will be a double payment of rents for the new and old head office premises at the time of its relocation. Another concern is the emerging signs of falling prices of our key products such as meat products.
Q4	The mobile business again posted a fall in its profit. What is your view on the business' future outlook?
A4	<p>The inventory shortage of main models is easing, but the number of units sold is not increasing. In addition, fee income shrank mainly due to the revisions made by telecommunications carriers to fee terms and conditions from the previous period. These factors led to a smaller profit.</p> <p>The closure of mobile carrier stores reported in the media will basically likely target loss-making stores. At present, we consider its impact on our profit will be insignificant. In urban areas, we expect footfall to continue falling partly due to the spread of online-only plans. We have begun adjusting the size of stores experiencing a large footfall reduction, such as relocating them or reviewing their staff numbers, as a priority issue.</p> <p>While we expect the industry environment to remain tough, after a certain degree of store restructuring, we will likely move to a stage where we can secure survivors' benefits in the retail area. Meanwhile, we are building new pillars of earnings as an urgent task through, for instance, the launch of new businesses using mobile carriers' stores and the cultivation and development of corporate solutions business.</p>
Q5	The steel tubing business in North America continued to show strong results as in the previous period. What is your view on the business' future outlook?
A5	The steel tubing business made a progress that far exceeded the forecast we had made at the beginning of the period, partly helped by the U.S. policy shift toward increasing its energy supply capacity in response to the Russia-Ukraine situation. Given this situation, we revised our forecast upward again as we did in the first quarter of the fiscal year. Going forward, there could be even more investments made in the shale industry. Meanwhile,

	we need to closely monitor factors causing uncertainty in the U.S. economy such as the tight labor market, restrictions placed on investment for decarbonization, and concerns about economic recession in the U. S.
Q6	Please tell me the impact of the weakening yen on business results.
A6	<p>Our foreign currency-denominated transactions involve many import transactions, in particular, in the foods segment, and their foreign exchange risk is hedged using forward foreign exchange contracts. As the yen depreciated, both purchase prices and sales prices rose, which generally had a neutral impact on our profit and loss. Meanwhile, foreign currency-denominated income in overseas subsidiaries had a positive impact to the tune of a few hundreds million yen.</p> <p>However, the depreciating yen, which is a factor contributing to the rising domestic prices, could impact sales volume.</p> <p>As for its impact on B/S, the depreciation of ¥1 against a US dollar will increase foreign exchange translation differences in shareholders' equity by approximately ¥100-200 million. This means that it will have a positive impact on our shareholders' equity.</p>
Q7	What are the direct and indirect impacts of the Russia-Ukraine situation?
A7	<p>We have reduced our transactions with Russia since we wrote off the claims exposed to Russia's country risk about twenty years ago. There are some projects in progress, which we expect to be covered by trade insurance. Our view therefore is that there is not much direct impact. As for Ukraine, we used to have a representative office there, but it is currently closed, so the impact of the Russia-Ukraine situation is also limited.</p> <p>However, if the end customers in Japan hold off purchasing due to high crude oil or grain prices, there could be an indirect impact of decreasing the trading volume of raw materials.</p>
	【Investment】
Q8	Please tell me about your investment progress in the first half.
A8	<p>Multiple projects are underway. The new investment projects we executed by the end of September 30, 2022 are as follows.</p> <ul style="list-style-type: none"> ● Acquisition of a mobile phone sales agency operation company by Kanematsu Communications Ltd. ● Capital and business alliance between Kanematsu Electronics Ltd. and a network security business. ● 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 c-commerce. ● Investment in system integrator company of photo printing systems. ● Investment in the Waseda Innovation Fund.
	【Shareholder returns】
Q9	You have increased the interim dividend and the projected annual dividend. Do you set any upper or lower limit for the annual dividend?

A9	<p>We have raised our interim dividend and projected year-end dividend by ¥2.5 each to ¥37.5 following the upward revision to our full-year earnings forecast based on the business results of the first half of the fiscal year. This brings our annual dividend to ¥75, and our payout ratio is expected to be 33.0%.</p> <p>We intend to continue increasing our annual dividend through the growth of profit attributable to owners of the parent under the basic policy of providing continuous and stable dividends while maintaining a balance between investments and shareholder returns.</p> <p>While we do not have any specific view on the lower limit for our dividend, we maintained the same amount of dividend in the fiscal years ended March 31, 2020, and March 31, 2021, despite the downward trend in profits caused by COVID-19.</p>
	【Realization of a decarbonized society】
Q10	Please provide details on Kanematsu's efforts and approach for realizing a decarbonized society.
A10	<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. In June 2022, we launched the Green Transformation (GX) Committee under the officer in charge of promoting GX to engage in environmental business and other initiatives such as renewable energy, emission rights trading, and forest preservation, to move toward decarbonization. The Kanematsu Group does not engage in businesses with a high environmental impact, such as the resources business or 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. ● Kanematsu and its subsidiary, Datatec Co., Ltd., have agreed to run joint proof of concept (PoC) experiments with PT Pertamina, a state-owned 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 to and running PoC experiments.

	<ul style="list-style-type: none"> ● 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】
Q11	<i>Future135</i> includes “Pursue DX on a groupwide basis” as a priority initiative. What progress have you made?
A11	<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; commencement of sales of AIPENET, an AI-based image inspection service, and KG ZAICO, a warehouse management SaaS; and launch of FewTap, a mobile order system for raising order acceptance work efficiency. ● 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.