

## 1Q Earnings for FY2024

August 3, 2023

## Frequently Asked Questions and Answers (FAQ)

**\*Operating profit and profit attributable to owners of the parent by sub-segment are stated in the attachment.**

**■ FY2024 Outlook**

**Q. Profit in the quarter under review fell 14% year-on-year, but you have maintained your original projection of a profit increase of 23.5 billion yen (27%) on the full-year basis. What is your view on the full-year projection?**

A. The first quarter profit shrank year-on-year because the level of profit in the same period of the previous fiscal year was rather high, mainly because it reflected the valuation gains on futures and the future FX valuation gains which were impacted by the rallying market conditions and cheaper yen. The progress rate of profit in the quarter under review against the full-year projection was solid at 23%, and we consider that the full-year projection is fully achievable.

**Q. What is your view on the outlook of the steel tubing business and energy business, both of which performed well in the previous fiscal year?**

A. The current demands for steel tubes and energy-related products remain solid, but we expect a certain degree of contraction in comparison to the previous fiscal year when energy prices skyrocketed.

**Q. What is your view on the outlook of the mobile business?**

A. We expect an increase in profit in comparison with the previous fiscal year, given the improvement to revenue achieved through the closure of unprofitable stores and the anticipated impact of the direct management of second-tier sales agencies and an expansion of the sales network.

**Q. What is your view on the outlook of the ICT solutions business?**

A. We expect the business environment to remain solid on the back of the growing demands for security measures and for digital transformation.

**Q. What is the progress of synergy between Kanematsu Electronics Ltd. (KEL) and Kanematsu Sustech Corporation (KSU) after the TOBs?**

A. We are looking into and promoting an expansion of overseas business especially in Asia, business investments, M&As, personnel development and exchanges among other things, using the global network of Kanematsu. In the development and exchange of personnel, we began initiatives to develop digital human resources. Furthermore, the Digital Transformation Committee (DX Committee) and Green Transformation Committee (GX Committee) are conducting activities under joint promotion structures with KEL and with KSU and other Group companies, respectively.

**Q. Given the depreciation of yen continues, what is the exchange rate you used to make projections and what impact FOREX fluctuations would have on Kanematsu' business performance?**

A. The impact of foreign exchange fluctuations on our performance is generally neutral. Foreign currency-denominated transactions are mostly for imports in the Foods, Meat & Grain segment, and their foreign exchange risk is mostly hedged using foreign exchange forward contracts and yen prices for their sale. In terms of their impact on our balance sheet, a fluctuation of 1 yen against a US dollar will have an impact of approximately 100-200 million yen on foreign translations in shareholders' equity. For our projections, we use the exchange rate of 135 yen to one US dollar.

**Q. How would you manage the interest-bearing debt which increased due to the TOBs.**

A. The net debt-to-equity ratio (DER) for the quarter under review is 1.11 times. We will continue making investments with an awareness of financial discipline. Specifically, we aim to control our net DER at around 1.0 times over the four years of the current and next medium-term vision.

**■ Investment****Q. Please tell us about the progress you made in investments during the quarter under review.**

A. We did not make any notable business investments or conduct any notable M&As in the first quarter. We are internally discussing multiple investment projects and will continue making investments strategically.

**Q. Please tell us about your investment in Samsara Eco, on which you issued a press release on July 6, 2023.**

A. Samsara Eco is an Australian startup that possesses an original enzyme recycling technology that can break down plastic (polymers), and furthermore, revert it into its original molecule (monomers) in a short time frame. We will make investments in startups like this company and business models aiming for long-term growth, with the use of advanced technologies, to create next-generation core businesses.

**Q. Please tell us about the acquisition of the shares of JM Technology Inc., on which you issued a press release on July 24, 2023.**

A. JM Technology Inc. is a company headquartered in Fukuoka and provides various solutions to semiconductor manufacturers centered on engineering services for semiconductor manufacturing equipment. We recently acquired their shares to enhance our engineering service business and solutions business in the semiconductor manufacturing equipment business, given the growing trend of bringing semiconductor production back to Japan.

**■ Shareholders Return****Q. Is there an upper or lower threshold for the annual dividend amount?**

A. 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. 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.

**Q. What is your policy on share buyback?**

A. Considering the balance of our finances, we intend to deliver shareholder return through dividends, instead of share buybacks, for the time being.

**■ Green Transformation (GX)****Q. Please provide details on Kanematsu's initiatives and ideas for GX and decarbonization.**

A. In June 2021, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In June 2022, we launched the 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. Because the Kanematsu Group does not engage in businesses with a high environmental impact, such as the resources business or coal-fired power generation, CO<sub>2</sub> emissions from our business activities are low. We disclose the calculation results of the Group's CO<sub>2</sub> emissions and our long-term goal of achieving carbon neutrality/carbon negativity on our official website.

- Recent GX initiatives
  - Investment in Samsara Eco, an Australian environmental technology startup. Samsara Eco possesses an original enzyme recycling technology that can break down plastic (polymers) into its original

molecule (monomers), which can be recycled repeatedly and will reduce CO2 emissions. (July 2023)

- Began discussions with CARBON FLY, Inc. and F.C.C. Co., Ltd. on the joint creation of a carbon recycling business. (June 2023)
- Kanematsu Petroleum Corporation was chosen as a supporter of the SHIFT Program, a program to promote decarbonization in factories and workplaces, run by the Ministry of the Environment of Japan in 2023. (March 2023)
- Developed and launched an eco-friendly label, "LIMEX Aqua Jet Label," which uses LIMEX Sheet mainly made of limestone. (July 2022)

## ■ Digital Transformation (DX)

**Q. Please provide details of progress on the promotion of groupwide DX which was mentioned in medium-term vision *Future 135* as part of priority initiatives.**

A. The Group established the DX Committee in July 2021 for the purpose of promoting DX. The DX Committee, made up of executive officers from Kanematsu and Kanematsu Electronics, is currently promoting DX for each of our business and the development of a co-owned IT infrastructure for the Group. The Kanematsu Group established the DX Committee in July 2021 for the purpose of promoting DX. Comprising the Executive Officers of Kanematsu and KEL, the DX Committee challenges DX of each business and organizes the Group IT environment.

- Recent DX initiatives
  - Personnel exchanges and the implementation of joint projects with KEL
  - DX training for employees and the promotion of the acquisition of IT passport
  - Launched "Oatmeal BUSINESS," an online information dissemination platform focusing on oatmeal (December 2022)
  - Participation in "Beef CREATOR," a digital medium focusing on the beef industry (December 2022)
  - Launched "KG Ubiregi," a tablet-based POS system (December 2022)
  - Launched "KG matoca," a digital tool to provide services more efficiently to waiting customers (November 2022)
  - Launched "FewTap," a mobile order system for raising the efficiency of order acceptance work (June 2022)

### Disclaimer:

The forward-looking statements, including results forecasts, included in this material (and its attachment) are based on information that Kanematsu Corporation (the Company) has obtained and certain assumptions that the Company considers reasonable. The Company does not promise to achieve them. Actual results may differ materially from forecasts due to a number of factors. This information is subject to change without notice and users are, therefore, advised to use this information and material, together with information obtained by other means, and to exercise their own judgment. The Company does not assume any liability or responsibility for any loss or damage arising from use of this material. Since the figures shown are rounded off to the nearest 1 billion yen, the sum of each item and the total may differ.

## Attachment

## ■ Operating profit and profit attributable to owners of the parent by sub-segment

(Unit: Bn JPY)	Operating Profit			Profit Attributable to Owners of the Parent			
	FY2023 1Q	FY2024 1Q	YoY	FY2023 1Q	FY2024 1Q	YoY	FY2024 (FCST)
ICT Solution	1.3	1.3	+0.1	0.5	0.8	+0.3	9.3
Mobile	0.7	0.5	(0.2)	0.4	0.3	(0.2)	3.2
Others	1.2	1.0	(0.2)	0.8	0.5	(0.3)	1.6
Electronics & Devices	3.1	2.8	(0.3)	1.7	1.6	(0.1)	14.1
Foods	0.4	0.5	+0.0	0.4	0.3	(0.0)	0.3
Meat Products	1.5	1.3	(0.3)	1.2	0.7	(0.5)	0.6
Grain, Oilseeds & Feedstuff	1.2	1.4	+0.2	1.1	0.7	(0.3)	1.7
Others	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0
Foods, Meat & Grain	3.2	3.1	(0.1)	2.6	1.7	(0.9)	2.6
Machine Tools & Industrial Machinery	0.3	0.2	(0.1)	0.3	0.1	(0.2)	1.5
Overseas	0.9	1.6	+0.8	0.4	0.6	+0.2	1.2
Energy, Chemical & Others	1.1	0.8	(0.2)	0.6	0.4	(0.2)	2.2
Steel, Materials & Plant	2.3	2.6	+0.4	1.3	1.2	(0.2)	4.9
Aerospace	0.5	0.6	+0.2	0.3	0.4	+0.1	0.5
Motor Vehicles & Parts	0.1	0.2	+0.0	0.1	0.3	+0.1	0.7
Others	0.0	0.0	+0.0	0.0	0.0	(0.0)	0.0
Motor Vehicles & Aerospace	0.6	0.8	+0.2	0.5	0.7	+0.2	1.2
Others	0.3	0.2	(0.1)	0.3	0.2	(0.0)	0.7
Total	9.5	9.6	+0.1	6.3	5.4	(0.9)	23.5

## • The main factors contributing to the increase or decline in profit are as follows.

- **ICT Solution**

Network and security related transactions were solid against the background of the growing demands for security measures and DX. Profit in the quarter under review also rose due to the impact of the acquisition of 100% shares of KEL.

- **Mobile**

Decreased year-on-year mainly due to a drop in mobile phone sales and the upfront cost of branch restructuring.

- **Electronic Components & Materials in Electronics & Devices segment**

Fell year on year due to stagnant demand for electronic components and materials for smartphones, panels, and displays.

- **Meat Products**

Decreased compared to the same period last year when a strong performance was recorded, mainly due to the impact of higher market prices in overseas and weaker yen.

- **Grain, Oilseeds & Feedstuff**

Major grain prices remained weak, and profits decreased compared to the same period of the previous year, which performed well.

- **Machine Tools & Industrial Machinery**

Decreased year-on-year due to the delays in delivery of machine tools caused by semiconductor shortages.

- **Steel Tubing**

Sales in North America was strong due to solid demand for energy.

- **Aerospace**

Increased year-on-year due to a growth in sales of aircraft-related parts.

- **Motor Vehicles & Parts**

Increased year-on-year due to the improved market conditions.