

2 Q Earnings for FY2024

November 2, 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. Please tell us about your full-year forecasts (profit attributable to owners of the parent of ¥23.5 billion).

A. We have not changed the full-year forecasts we made at the beginning of the period. In the first six months of the fiscal year, we made good progress against the full-year forecasts with the 53% progress rate. We therefore consider that we can achieve our forecasts.

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. We expect those businesses to continue performing strongly on the back of solid demand, although we also 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 the mobile business to continue performing solidly given the 44% progress rate against the full-year forecasts in the first six months of the fiscal year. This was attributable to the improved earnings achieved through the closure of unprofitable stores and the 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 established the Group Strategy Office directly reporting to the President on October 1, 2023, and 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 human resources specializing in digital technologies. 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.

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 1.19 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.

Q. What are the direct and indirect impacts of the situation in the Middle East?

- A. We consider that there is not much direct impact. There could, however, be indirect impact if crude oil prices remain high and our end customers in Japan start holding off purchases.

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

- A. In the first half of the fiscal year ending March 31, 2024, we made a business investment in Sierra Space Corporation (the U.S.), among others.

Q. What is the purpose of investing in Sierra Space?

- A. Sierra Space is a company developing space stations and transportation systems to and from Earth with a history spanning over thirty years when counting the years of operation of its predecessor. It also has a track record of doing business with NASA and space related businesses. We aim to strengthen our transaction relationship with the company through this investment and to work on the use of commercial space stations and *Dream Chaser*® spaceplane in the future.

■ 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, CO2 emissions from our business activities are low. We disclose the calculation results of the Group's CO2 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)

■ 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 KEL, 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 "KG Q Navi," a trouble-shooting application for stores/facilities (September 2023)
- Launched "KG NEXT ENGINE," a centralized web-based order management system (July 2023)
- 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)

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 2Q | FY2024 2Q | YoY | FY2023 2Q | FY2024 2Q | YoY | FY2024 (FCST) |
| ICT Solution | 6.7 | 6.5 | (0.2) | 2.6 | 4.3 | +1.7 | 9.3 |
| Mobile | 1.7 | 2.2 | +0.5 | 1.0 | 1.4 | +0.4 | 3.2 |
| Others | 2.1 | 1.2 | (0.9) | 1.0 | 0.5 | (0.5) | 1.6 |
| Electronics & Devices | 10.4 | 9.8 | (0.6) | 4.7 | 6.2 | +1.5 | 14.1 |
| Foods | 0.6 | 0.9 | +0.2 | 0.5 | 0.6 | +0.1 | 0.3 |
| Meat Products | 2.2 | 2.1 | (0.1) | 1.5 | 1.0 | (0.4) | 0.6 |
| Grain, Oilseeds & Feedstuff | 1.9 | 2.4 | +0.5 | 1.4 | 0.9 | (0.5) | 1.7 |
| Others | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | (0.0) | 0.0 |
| Foods, Meat & Grain | 4.7 | 5.3 | +0.6 | 3.3 | 2.5 | (0.8) | 2.6 |
| Machine Tools & Industrial Machinery | 0.7 | 0.6 | (0.1) | 0.5 | 0.4 | (0.1) | 1.5 |
| Overseas | 1.9 | 3.2 | +1.3 | 0.8 | 1.2 | +0.4 | 1.2 |
| Energy, Chemical & Others | 3.0 | 1.2 | (1.8) | 2.0 | 0.5 | (1.4) | 2.2 |
| Steel, Materials & Plant | 5.7 | 5.1 | (0.6) | 3.3 | 2.1 | (1.2) | 4.9 |
| Aerospace | 0.5 | 1.3 | +0.8 | 0.3 | 0.7 | +0.4 | 0.5 |
| Motor Vehicles & Parts | 0.1 | 0.4 | +0.2 | 0.2 | 0.4 | +0.2 | 0.7 |
| Others | 0.1 | 0.0 | (0.0) | 0.1 | 0.0 | (0.0) | 0.0 |
| Motor Vehicles & Aerospace | 0.7 | 1.7 | +1.0 | 0.5 | 1.1 | +0.6 | 1.2 |
| Others | 0.5 | 0.4 | (0.1) | 0.4 | 0.4 | +0.0 | 0.7 |
| Total | 22.1 | 22.4 | +0.4 | 12.2 | 12.3 | +0.1 | 23.5 |

• The main factors contributing to the increase or decline in net 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**

Increased year on year mainly due to branch restructuring.

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

Decreased 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 due to the rising purchase cost and selling, general and administrative expenses.

- **Steel Tubing (included in "Overseas" in the Steel, Materials & Plant segment)**

Increased due to strong transactions in North America helped by solid demand for energy.

- **Energy (included in "Others" in the Steel, Materials & Plant segment)**

Decreased from the same period of the previous year when a strong performance was recorded, due to the impact of the falling domestic demand.

- **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.