

About Results for the First Nine Months of FY2021																																																																																																																																																			
Q1	Provide details of the business results by segment for the first nine months, taking into consideration the business environment.																																																																																																																																																		
A2	<p>Operating profit fell 4.2 billion yen (22.3%) year on year, to 14.6 billion yen, and profit attributable to owners of the parent decreased 0.9 billion yen (9.2%), to 8.5 billion yen.</p> <p>The main factors contributing to the decline in operating profit are as follows.</p> <ul style="list-style-type: none"> <li>• The mobile business was mainly affected by cautious spending on expectations for plans with new tariffs, in addition to shorter business hours and decreased store footfall due to the effects of COVID-19 including the declaration of a state of emergency in the first quarter. In addition, the communications business saw a temporary increase in costs during the second quarter, resulting in significant profit decline.</li> <li>• The meat products business was impacted by falling prices, as the COVID-19 crisis caused inbound demand to evaporate, demand from the food service sector to stagnate, and domestic stocks to accumulate, and China's import ban on Australian beef also pushed down prices. While the third quarter saw a gradual improvement including progress with inventory adjustment, this was not enough to make up for lost ground. Despite growth in sales of products for home-cooked food driven by at-home consumption, sales to the food service sector fell sharply and the meat products business continued to struggle.</li> <li>• In the machine tools and industrial machinery business, profits decreased due to a decline in capital investment demand caused by the economic downturn as well as delays in the delivery schedule of imported machinery due to restrictions on entry to Japan by overseas engineers.</li> <li>• In the oilfield tubing business, demand for oilfield tubes was weak, reflecting decreased crude oil and gas production in North America in face of a global slump in energy demand.</li> </ul> <p>(Ref.) Forecast for segment operating profit &amp; Profit attributable to owners of the parent</p> <table border="1"> <thead> <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> </tr> <tr> <th>3Q of FY2020 results</th> <th>3Q of FY2021 results</th> <th>Change</th> <th>3Q of FY2020 results</th> <th>3Q of FY2021 results</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>ICT solution</td> <td>6.8</td> <td>6.4</td> <td>( 0.4)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mobile</td> <td>5.2</td> <td>3.1</td> <td>( 2.0)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td>0.7</td> <td>0.4</td> <td>( 0.2)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Electronics &amp; Devices</b></td> <td><b>12.6</b></td> <td><b>10.0</b></td> <td><b>( 2.6)</b></td> <td><b>6.3</b></td> <td><b>4.7</b></td> <td><b>( 1.6)</b></td> </tr> <tr> <td>Foods</td> <td>0.5</td> <td>( 0.1)</td> <td>( 0.6)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Meat</td> <td>0.9</td> <td>( 0.7)</td> <td>( 1.6)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Feedstuff, Grain</td> <td>0.5</td> <td>2.6</td> <td>2.1</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Foods, Meat &amp; Grain</b></td> <td><b>1.9</b></td> <td><b>1.8</b></td> <td><b>( 0.1)</b></td> <td><b>0.7</b></td> <td><b>1.8</b></td> <td><b>1.1</b></td> </tr> <tr> <td>Machine tools, Industrial Machinery</td> <td>0.5</td> <td>0.1</td> <td>( 0.4)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Overseas</td> <td>1.0</td> <td>( 0.5)</td> <td>( 1.5)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chemicals, Energy &amp; Others</td> <td>0.2</td> <td>1.1</td> <td>0.9</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Steel, Materials &amp; Plant</b></td> <td><b>1.8</b></td> <td><b>0.8</b></td> <td><b>( 1.0)</b></td> <td><b>1.1</b></td> <td><b>1.3</b></td> <td><b>0.2</b></td> </tr> <tr> <td>Aerospace</td> <td>1.2</td> <td>1.3</td> <td>0.1</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Motor Vehicles &amp; Parts</td> <td>0.3</td> <td>0.1</td> <td>( 0.2)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td>0.4</td> <td>0.1</td> <td>( 0.2)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Motor Vehicles &amp; Aerospace</b></td> <td><b>1.8</b></td> <td><b>1.5</b></td> <td><b>( 0.3)</b></td> <td><b>1.2</b></td> <td><b>1.0</b></td> <td><b>( 0.2)</b></td> </tr> <tr> <td>Others</td> <td>0.7</td> <td>0.6</td> <td>( 0.2)</td> <td>0.1</td> <td>( 0.2)</td> <td>( 0.4)</td> </tr> <tr> <td><b>Total</b></td> <td><b>18.7</b></td> <td><b>14.6</b></td> <td><b>( 4.2)</b></td> <td><b>9.4</b></td> <td><b>8.5</b></td> <td><b>( 0.9)</b></td> </tr> </tbody> </table>	(Unit : billion yen)	Operating profit			Profit attributable to owners of the parent			3Q of FY2020 results	3Q of FY2021 results	Change	3Q of FY2020 results	3Q of FY2021 results	Change	ICT solution	6.8	6.4	( 0.4)				Mobile	5.2	3.1	( 2.0)				Others	0.7	0.4	( 0.2)				<b>Electronics &amp; Devices</b>	<b>12.6</b>	<b>10.0</b>	<b>( 2.6)</b>	<b>6.3</b>	<b>4.7</b>	<b>( 1.6)</b>	Foods	0.5	( 0.1)	( 0.6)				Meat	0.9	( 0.7)	( 1.6)				Feedstuff, Grain	0.5	2.6	2.1				Others	0.0	0.0	0.0				<b>Foods, Meat &amp; Grain</b>	<b>1.9</b>	<b>1.8</b>	<b>( 0.1)</b>	<b>0.7</b>	<b>1.8</b>	<b>1.1</b>	Machine tools, Industrial Machinery	0.5	0.1	( 0.4)				Overseas	1.0	( 0.5)	( 1.5)				Chemicals, Energy & Others	0.2	1.1	0.9				<b>Steel, Materials &amp; Plant</b>	<b>1.8</b>	<b>0.8</b>	<b>( 1.0)</b>	<b>1.1</b>	<b>1.3</b>	<b>0.2</b>	Aerospace	1.2	1.3	0.1				Motor Vehicles & Parts	0.3	0.1	( 0.2)				Others	0.4	0.1	( 0.2)				<b>Motor Vehicles &amp; Aerospace</b>	<b>1.8</b>	<b>1.5</b>	<b>( 0.3)</b>	<b>1.2</b>	<b>1.0</b>	<b>( 0.2)</b>	Others	0.7	0.6	( 0.2)	0.1	( 0.2)	( 0.4)	<b>Total</b>	<b>18.7</b>	<b>14.6</b>	<b>( 4.2)</b>	<b>9.4</b>	<b>8.5</b>	<b>( 0.9)</b>
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Q2	In the Foods, Meat & Grain segment, operating profit declined 0.1 billion yen year on year, but profit increased 1.1 billion yen from a year earlier. Describe the reason for this.
A2	This was due to significant improvement in finance income reflecting falling interest rates in the U.S. dollar for profit items below the operating profit, as well as the contribution of smaller income tax expenses as a result of recognizing the tax effect of businesses sold in the previous fiscal year.
Q3	In the Steel, Materials & Plant segment, operating profit declined 1.0 billion yen year on year, but profit increased 0.2 billion yen from a year earlier. Describe the reason for this.
A3	In the oilfield tubing business, operating profit declined 1.5 billion yen year on year, but profit declined only about 0.3 billion yen year on year mainly because the Group's investment ratio in major subsidiaries in this business is about 50%.
	About FY2021 Forecast
Q4	The rate of progress made during the first nine months is 60.7% for operating profit, and 65.7% for profit attributable to owners of the parent. What is your view on the likelihood of achieving the full-year forecasts?
A4	Despite some uncertainty following the declaration of a state of emergency at the beginning of the fourth quarter, we decided not to change our forecasts, which we revised at the time of the second-quarter announcement (October 30, 2020). This is largely because the impact of COVID-19 was already being felt in the latter part of the fourth quarter of the previous fiscal year and that the impact of COVID-19 in the ICT solutions business, where the fourth quarter is the most profitable quarter, will also be limited. In the machine tools and industrial machinery business, profit tends to be recognized predominantly in the fourth quarter as, in most projects, deliverables are checked towards the end of the fiscal year. Meanwhile, in the energy business, a harsh winter is expected to lead to demand for kerosene.
Q5	The ICT solutions business performed solidly despite the COVID-19 pandemic. What is your outlook for this business, including the business environment?
A5	Despite delays to negotiations for new business under the state of emergency at the beginning of the fiscal year, potential demand stemming from IT investment by businesses in the medium run remains at a high level due to the recent shift towards telework largely as part of workstyle reform or COVID-19 control measures, and we expect ICT solutions business results for this fiscal year to be mostly unchanged year on year. In the medium and long run, we intend to raise the level of revenue by promoting digital transformation (DX) initiatives in collaboration with Kanematsu's existing businesses.

Q6	The mobile business is facing a variety of changes in the environment, such as response to 5G and moves to introduce plans with new tariffs (lower prices). How do you see the future business environment and what are your growth strategies for the business?
A6	<p>Since the start of the second half, customer turnout has been good due to the launch of new 5G models, but store footfall still tends to be below pre-COVID-levels due to the third wave of infections. However, given the increase in new 5G models, carriers are expected to expand the development of base stations for 5G in the future.</p> <p>Similarly in corporate business, because demand for local 5G from companies is also expected to increase gradually, the carriers are developing a system that is able to meet these needs. The future growth of telework-related demand is promising, given that demand is extending into a variety of solutions as well as mobile devices due to the COVID-19 pandemic and that companies working to advance DX are increasing.</p>
Q7	In the oilfield tubing business, production decreased as a result of decline in energy demand amid the COVID-19 crisis. What is your outlook for the oilfield tubing business?
A 7	We see the oilfield tubing business as one of the most hard hit out of all our businesses in FY2021. The business environment has remained difficult throughout the first nine months as expected. While we are dealing with the challenging conditions through cost reductions, government subsidies and so forth, we will take steps to minimize negative impacts in face of ongoing decline in energy demand due to second waves of COVID-19 in Europe and the United States.
	Investment
Q8	Provide details on the progress of investments.
A8	<p>Despite the COVID-19 pandemic, multiple projects are underway, and the number of projects in progress is increasing. Despite delays with some due diligence, projects are progressing mostly in line with initial expectations and since the start of the fourth quarter we have implemented a number of projects including taking over IC test handler business (announced on January 28) and acquiring shares in Datatec Co., Ltd. (announced on February 1).</p> <p>Net DER is temporarily down to 0.31 but is expected to converge to its previous level along with the implementation of projects.</p>

Shareholder return	
Q 9	The full-year dividend forecast for the fiscal year ending March 31, 2021 is 60 yen and the dividend payout ratio forecast is 38.5%. Do you have any plans to change this? The dividend payout ratio forecast is above the target total return ratio range of 25-30%. Do you intend to raise the total return ratio target?
A 9	For the current fiscal year, we will maintain our initial annual dividend forecast of 60 yen per share and, as result, the payout ratio will be in the high 30% range, which is higher than the target range set out in "future 135," our medium-term vision. This does not mean that we have raised our total return ratio target. This result is based on our management decision to prioritize continuous and stable dividends to shareholders, even if the payout ratio deviates above the target range, on the grounds that performance fluctuations due to the contingency of the COVID-19 pandemic is a factor and the Company's financial structure also maintains a stable level based on indicators such as the equity ratio and the risk-asset ratio. We will consider reviewing our shareholder return policy, taking into account factors such as the status of accumulated investments and control of the COVID-19 pandemic, because the end of the current fiscal year will mark the end of the first three years, or the turnaround point, of "future 135."
Others	
Q10	A state of emergency was declared at the start of the year. What action has Kanematsu taken regarding employee working arrangements?
A10	During the state of emergency, we aim for a telework rate of 70%, in accordance with government guidelines. This applies to all our employees and to temporary staff, and we determine whether they come into the office or work from home based on a number of factors including relations with business partners, the nature of the business operations, and busy days.