

【Financial results for the fiscal year ended March 2021】																																																																																																																																																									
Q 1	What is your overall feeling about financial results for the fiscal year ended March 2021, including the business environment, etc.?																																																																																																																																																								
A 1	<p>Operating profit fell 4.7 billion yen (16.6%) year on year, to 23.6 billion yen, and profit attributable to owners of the parent decreased 1.1 billion yen (7.5%), to 13.3 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>◆ In the mobile business, store footfall and business hours decreased due to the impact of the declaration of a state of emergency in 1Q. In the communications business, costs increased temporarily in 2Q. While performance was recovering in 4Q due to growth in sales of new models, this was not enough to make up for the fall in profit up to 3Q.</li> <li>◆ In the meat products business, sales of products for home cooking increased due to stay-at-home demand, but there was an impact of falling prices such as the pushing down of market prices due to the import ban of Australian beef by China, in addition to weak demand for eating out and the building-up of domestic stocks. While inventory adjustment made progress gradually after 3Q, it was not enough to return to profitability. In the food business, sales to the food service sector similarly remained low. On the other hand, profit increased significantly year on year in the feedstuff business on the back of rising prices of mixed feed, but profit decreased 0.9 billion yen year on year in the segment as a whole.</li> <li>◆ In the oilfield tubing business, the rig count was moderately recovering in 4Q due to the recovery of crude oil prices to around US\$60 per barrel, but demand for oilfield tubes continued to be weak following a fall in crude oil and gas production in North America, reflecting a decline in global 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"></th> <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>FY2020 results</th> <th>FY2021 results</th> <th>Change</th> <th>FY2020 results</th> <th>FY2021 results</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>ICT solution</td> <td>11.0</td> <td>11.0</td> <td>( 0.1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mobile</td> <td>7.1</td> <td>5.8</td> <td>( 1.3)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td>0.8</td> <td>0.8</td> <td>0.0</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Electronics &amp; Devices</b></td> <td><b>19.0</b></td> <td><b>17.6</b></td> <td><b>( 1.4)</b></td> <td><b>9.3</b></td> <td><b>8.5</b></td> <td><b>( 0.8)</b></td> </tr> <tr> <td>Foods</td> <td>0.1</td> <td>( 0.4)</td> <td>( 0.5)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Meat</td> <td>0.9</td> <td>( 0.9)</td> <td>( 1.8)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Feedstuff, Grain</td> <td>0.9</td> <td>2.7</td> <td>1.8</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td>0.4</td> <td>0.0</td> <td>( 0.4)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Foods, Meat &amp; Grain</b></td> <td><b>2.4</b></td> <td><b>1.5</b></td> <td><b>( 0.9)</b></td> <td><b>1.3</b></td> <td><b>1.5</b></td> <td><b>0.2</b></td> </tr> <tr> <td>Machine tools, Industrial Machinery</td> <td>1.1</td> <td>0.7</td> <td>( 0.4)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Overseas</td> <td>1.3</td> <td>( 0.5)</td> <td>( 1.7)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chemicals, Energy &amp; Others</td> <td>1.5</td> <td>1.6</td> <td>0.1</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Steel, Materials &amp; Plant</b></td> <td><b>3.8</b></td> <td><b>1.8</b></td> <td><b>( 2.0)</b></td> <td><b>2.3</b></td> <td><b>2.1</b></td> <td><b>( 0.2)</b></td> </tr> <tr> <td>Aerospace</td> <td>1.6</td> <td>1.6</td> <td>( 0.0)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Motor Vehicles &amp; Parts</td> <td>0.2</td> <td>0.2</td> <td>( 0.1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td>0.5</td> <td>0.3</td> <td>( 0.3)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Motor Vehicles &amp; Aerospace</b></td> <td><b>2.4</b></td> <td><b>2.1</b></td> <td><b>( 0.3)</b></td> <td><b>1.7</b></td> <td><b>1.5</b></td> <td><b>( 0.2)</b></td> </tr> <tr> <td>Others</td> <td>0.8</td> <td>0.7</td> <td>( 0.1)</td> <td>( 0.1)</td> <td>( 0.2)</td> <td>( 0.4)</td> </tr> <tr> <td><b>Total</b></td> <td><b>28.4</b></td> <td><b>23.6</b></td> <td><b>( 4.7)</b></td> <td><b>14.4</b></td> <td><b>13.3</b></td> <td><b>( 1.1)</b></td> </tr> </tbody> </table>								(Unit : billion yen)	Operating profit			Profit attributable to owners of the parent			FY2020 results	FY2021 results	Change	FY2020 results	FY2021 results	Change	ICT solution	11.0	11.0	( 0.1)				Mobile	7.1	5.8	( 1.3)				Others	0.8	0.8	0.0				<b>Electronics &amp; Devices</b>	<b>19.0</b>	<b>17.6</b>	<b>( 1.4)</b>	<b>9.3</b>	<b>8.5</b>	<b>( 0.8)</b>	Foods	0.1	( 0.4)	( 0.5)				Meat	0.9	( 0.9)	( 1.8)				Feedstuff, Grain	0.9	2.7	1.8				Others	0.4	0.0	( 0.4)				<b>Foods, Meat &amp; Grain</b>	<b>2.4</b>	<b>1.5</b>	<b>( 0.9)</b>	<b>1.3</b>	<b>1.5</b>	<b>0.2</b>	Machine tools, Industrial Machinery	1.1	0.7	( 0.4)				Overseas	1.3	( 0.5)	( 1.7)				Chemicals, Energy & Others	1.5	1.6	0.1				<b>Steel, Materials &amp; Plant</b>	<b>3.8</b>	<b>1.8</b>	<b>( 2.0)</b>	<b>2.3</b>	<b>2.1</b>	<b>( 0.2)</b>	Aerospace	1.6	1.6	( 0.0)				Motor Vehicles & Parts	0.2	0.2	( 0.1)				Others	0.5	0.3	( 0.3)				<b>Motor Vehicles &amp; Aerospace</b>	<b>2.4</b>	<b>2.1</b>	<b>( 0.3)</b>	<b>1.7</b>	<b>1.5</b>	<b>( 0.2)</b>	Others	0.8	0.7	( 0.1)	( 0.1)	( 0.2)	( 0.4)	<b>Total</b>	<b>28.4</b>	<b>23.6</b>	<b>( 4.7)</b>	<b>14.4</b>	<b>13.3</b>	<b>( 1.1)</b>
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Q 2	<p>While operating profit deviated below the forecast as of 2Q of the fiscal year ended March 2021, profit before tax and profit were above the forecast. What are the details for these?</p> <p>【 Full-year forecast as of 2Q】</p> <table border="1" data-bbox="240 264 1441 421"> <tr> <td data-bbox="240 264 842 315">Operating profit</td> <td data-bbox="842 264 1441 315">24.0 billion yen (result 23.6 billion yen)</td> </tr> <tr> <td data-bbox="240 315 842 367">Profit before the tax</td> <td data-bbox="842 315 1441 367">23.0 billion yen (result 23.6 billion yen)</td> </tr> <tr> <td data-bbox="240 367 842 421">Profit attributable to owns of the parent</td> <td data-bbox="842 367 1441 421">13.0 billion yen (result 13.3 billion yen)</td> </tr> </table>	Operating profit	24.0 billion yen (result 23.6 billion yen)	Profit before the tax	23.0 billion yen (result 23.6 billion yen)	Profit attributable to owns of the parent	13.0 billion yen (result 13.3 billion yen)
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A 2	<p>While operating profit deviated above the forecast by 0.5 billion yen in the mobile business due to growth in sales of new models, it deviated below the forecast by 0.8 billion yen in the food and meat products businesses where sales to the food service sector declined following the second declaration of a state of emergency. As a result, operating profit deviated below the forecast by 0.4 billion yen.</p> <p>On the other hand, profit before tax was able to offset the deviation of operating profit below the forecast with an improvement in interest expenses and growth in the share of profit (loss) of investments accounted for using the equity method. Profit attributable to owners of the parent also deviated above the forecast due to the improvement in profit before tax.</p>						
Q 3	<p>In the Foods, Meat &amp; Grain segment, operating profit declined 0.9 billion yen year on year, but profit attributable to owners of the parent increased 0.2 billion yen from a year earlier. Describe the reason for this.</p>						
A 3	<p>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.</p>						
Q 4	<p>In the Steel, Materials &amp; Plant segment, operating profit declined 2.0 billion yen year on year, to 1.8 billion yen, and profit decreased 0.2 billion yen from a year earlier, to 2.1 billion yen. Describe the reason for this.</p>						
A 4	<p>In the oilfield tubing business, operating profit declined 1.7 billion yen year on year, but profit declined only about 0.5 billion yen year on year mainly because the Group's investment ratio in major subsidiaries in this business is about 50%. A 0.3 billion yen increase in the share of profit of investments accounted for using the equity method as a result of new business investments also made a contribution.</p>						
<p>【 Forecast for the fiscal year ending March 2022】</p>							
Q 5	<p>You expect sales and profits to increase. In what kind of business do you mainly think you can expect growth?</p>						
A 5	<p>The situation continues to be unpredictable with regard to the COVID-19 pandemic, but we expect that the economy will show a moderate recovery trend partly thanks to progress in the rollout of vaccination.</p> <p>We expect profit to increase mainly in the meat products business and the food business, which faced challenges in the previous fiscal year due to weak demand for eating out and inventory adjustment, as well as in the ICT solutions business where an increase in corporate IT spending is expected, the mobile business where a temporary rise in costs in the previous fiscal year will be eliminated, and the machine tools and industrial machinery business where a recovery in capital investment demand is expected.</p>						
Q 6	<p>The ICT solutions business performed solidly despite the COVID-19 pandemic. What is your outlook for this business, including the business environment?</p>						

A 6	We expect that IT investment by companies will continue for the time being, following a recent shift to telework reflecting work style reforms and measures against the COVID-19. 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.
Q 7	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?
A 7	Given that new models for 5G are increasing, carriers are expected to expand the development of base stations for 5G. 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. In addition, we will aim to expand the size of profit by continuously expanding the market share through business acquisition.
Q 8	The recovery of the rig count is moderate, and we are concerned about trends in the energy policy in the United States. What is your view on the oilfield tubing business in the future?
A 8	Demand for oilfield tubes from oil companies turned upwards in 2021, and we have concluded that the business environment is recovering given that operating profit became positive in some areas in the most recent single month. We aim to achieve a balance between profit and loss in the current fiscal year, given the sales expansion of oilfield tubes using new screws we have developed independently and the profit recording of subsidies carried over from the previous fiscal year, in addition to the reduction of transportation costs due to the operation of the second plant in the Houston area this summer.
	<b>【 Progress of the future 135】</b>
Q 9	The target (profit) for the final year has been revised downward. Describe the background for this.
A 9	As stated in the separately disclosed the “Progress of the ‘future 135’ medium-term vision,” the Kanematsu Group made a strong start in the first fiscal year of the six-year medium-term vision, achieving year-on-year growth in revenue and profits. After the second year, however, the COVID-19 pandemic had an impact on progress in business investments, and there was a delay in the growth speed we had envisioned. As a result of reviewing progress in the performance and business investments when three years have passed, as initially planned, we have revised the target profit for the final year to 20 billion yen.
Q10	What are results of business investments for the first three years, and what is your forecast for the latter three years?

A10	<p>The COVID-19 pandemic had an impact on progress in business investments, but cash flows from investment activities totaled about 27 billion yen for the first three years.</p> <p>Due to business investments in business areas in which we have strengths, a contribution to profits such as operating profit and share of profit of investments accounted for using the equity method is expected.</p> <p>For the latter three years, we will also promote effective and efficient business investments to expand the size and acquire added value. In addition, we will promote investment in business areas dealing with the themes of environment, society and safety in order to achieve the SDGs.</p>
Q11	<p>One of the priority initiatives you have set is to promote investments in business areas on the themes of environment, society and safety, to achieve the SDGs. What kind of business are you going to invest in, specifically?</p>
A11	<p>We will invest in business that will contribute to an eco-friendly, safe and comfortable next-generation mobility society, DX-related business that will apply advanced technology to the vitalization of society, business related to the stable supply of safe food, and business to improve social infrastructure for a decarbonized society.</p>
Q12	<p>Another priority initiative you have set is to pursue DX on a groupwide basis. What are you thinking about with this initiative, specifically?</p>
A12	<p>With the aim of increasing the size of profit, we will promote quality improvement through the digitalization and visualization of the business chain by integrating business for corporate customers in the mobile business and the ICT solutions business, which account for about half of the consolidated profit of the Group, with the existing trading company network and enhance the added value of the trading company function.</p>
<p><b>【 Shareholder return 】</b></p>	
Q13	<p>You have revised upward the target range of total return ratio to 30-35%. Is it conceivable that you will raise it further in the future?</p>
A13	<p>Given that the payout ratio for the first three years was 30.3%, 34.8% and 37.6%, exceeding 30%, which is the upper bound of the target range, and that the equity ratio and the net debt-equity ratio stood at 25.8% and 0.3 times respectively, representing a sufficient level of financial stability, we have reviewed our shareholder return policy and raised the target range of total return ratio from 25-30% to 30-35%. Our annual dividend forecast for the fiscal year ending March 2022 is 60 yen per share, and the payout ratio is 33.4%. Our policy of paying dividends continuously and stably while achieving a balance between investments and shareholder returns remains unchanged, and we will continue to increase the amount of annual dividend by growing profit through the building-up of business investments, etc.</p>