

Consolidated Financial Results Briefing for the First Three Months of FY2022

Main Questions and Answers

August 3, 2021

【Results for the First Three Months of FY2022】									
Q 1	Please provide details of the business results by segment for the first three months, in light of the business environment.								
A 1	<p>Operating profit rose 1.7 billion yen (49.0%) year on year, to 5.0 billion yen, and profit attributable to owners of the parent increased 0.9 billion yen (37.9%), to 3.3 billion yen.</p> <p>The main factors contributing to the increase or decline in operating profit are as follows.</p> <ul style="list-style-type: none"> • In the semiconductor parts and manufacturing equipment business, operating profit increased due to steady progress in shipments of manufacturing equipment and consumables related to semiconductors and LCD panels on the back of stay-at-home demand for home electric appliances and games, etc. amid the shortage of semiconductor supply. • In the meat products business, operating profit increased mainly due to the elimination of inventories in the previous fiscal year and higher prices of meat products, although demand from the food service sector continued to be weak due to the impact of the declaration of a state of emergency and priority measures to prevent the spread of COVID-19. • In the food business, operating profit also rose due to growth in transactions involving products for the retail market, despite weak demand for products for the food service sector. • In the steel tubing business, energy demand had declined significantly in the previous fiscal year, but we have seen signs of a rebound in demand for steel tubes in North America, reflecting recovering economies in the United States and Europe, resulting in an increase in operating profit. • In the aerospace business, operating profit declined because contracts with government agencies were between seasons and the aircraft components business remained sluggish. 								
(Ref.) Operating profit (Segment margin)/Profit attributable to owners of the parent									
		Operating profit			Profit attributable to owners of the parent			(Ref.)FY2022 forecast	
	(Unit : billion yen)	FY2021 1Q results	FY2022 1Q results	Change	FY2021 1Q results	FY2022 1Q results	Change	Operating profit	Profit attributable to owners of the parent
	ICT Solutions	0.9	0.9	0.0				11.5	
	Mobile	1.0	1.0	0.0				6.5	
	Others	(0.0)	0.2	0.3				1.2	
	Electronics & Devices	1.9	2.2	0.3	1.0	1.1	0.2	19.2	9.0
	Foods	(0.2)	0.1	0.3				0.2	
	Meat products	(0.1)	0.5	0.6				0.8	
	Grain, Oilseeds & Feedstuff	0.7	0.9	0.2				2.5	
	Others	(0.1)	(0.0)	0.1				0.0	
	Foods, Meat & Grain	0.4	1.5	1.2	0.4	1.1	0.6	3.5	2.3
	Machine Tools & Industrial Machinery	(0.1)	0.1	0.2				1.4	
	Overseas	(0.0)	0.4	0.4				0.0	
	Energy, Chemical & Others	0.2	0.1	(0.1)				1.7	
	Steel, Materials & Plant	0.0	0.6	0.5	0.3	0.4	0.2	3.1	2.5
	Aerospace	1.0	0.4	(0.6)				0.4	
	Motor Vehicles & Parts	(0.1)	0.1	0.2				0.7	
	Others	0.0	0.1	0.1				0.3	
	Motor Vehicles & Aerospace	0.9	0.6	(0.3)	0.6	0.3	(0.2)	1.4	0.9
	Others	0.2	0.2	(0.0)	0.1	0.3	0.1	0.8	0.3
	Grand total	3.4	5.0	1.7	2.4	3.3	0.9	28.0	15.0

【FY2022 Forecast】	
Q 2	The rate of progress during the first three months, compared with 25%, or a quarter, was 18% for operating profit and 22% for profit attributable to owners of the parent. What is your view on the future outlook?
A 2	<p>The commercial distribution of the Group tends to increase in the second and fourth quarters, particularly in ICT solutions, machine tools and industrial machinery, and energy, and we do not think that at this moment the situation requires major changes in our full-year forecast announced at the beginning of the period.</p> <p>In the ICT solutions business, profit is expected to be posted in the second and the fourth quarters, given that projects for security and network enhancement are building up. In the machine tools and industrial machinery business, corporate capital spending is recovering, and contracts are being concluded. As a result, acceptance inspection tends to increase toward the end of the fiscal year. Also, in the energy business, we have expectations for kerosene demand in the winter.</p> <p>On the other hand, since uncertainty remains in the domestic market, given the repeated declaration of a state of emergency and application of priority measures to prevent the spread of COVID-19, we will continue to monitor changes in the environment and respond to them cautiously.</p>
Q 3	Profit of the mobile business remains flat from a year ago. Since the number of units sold was already on the recovery trend, you expected an increase in profit. Is there any reason for this? Also, what is your view on the future outlook, including the impact of online sales?
A 3	<p>The number of units sold is recovering, compared with the previous year, but still remains 80% of the level two years ago. At some stores, particularly those in urban areas, customer traffic decreased by half from the level two years ago, and growth in revenue is sluggish.</p> <p>Given that online sales appear to have spread to some extent in urban areas, the downward trend of customer traffic at stores is expected to continue. Therefore, for stores with a large decrease in customer traffic, we are in the process of optimizing the size of the stores (relocating stores and reviewing the number of staff) as a priority issue.</p> <p>On the other hand, preparations are underway for a new business utilizing carrier storefronts, and we plan to start accepting orders in the second quarter. In this way, we will strengthen these efforts as a new revenue source not relying on carrier fees.</p>
Q 4	Regarding the steel tubing business in North America, you said that you would aim to achieve a break-even level in the current fiscal year, but it has already posted operating profit of 0.4 billion yen in the first quarter. Can we expect this recovery trend to continue in the full year?
A 4	With the economic recovery in Europe and the United States, crude oil prices and rig counts have been on track to recover since the previous fiscal year, and it is certain that the steel tube sales business is recovering. However, given that the rig count level itself remains at the same level as in the previous price crash in 2014 through 2016, and that the steel pipe processing business continues to post a periodic loss, we expect that any recovery will remain slow for some time.

【 Investment 】	
Q 5	Please provide details on the progress of investments.
A 5	<p>Multiple projects are underway, and we made the following investments in the first quarter.</p> <ul style="list-style-type: none"> ● Acquisition of IC test handler business ● Investment in a hexane-free soybean processing company ● Acquisition of all shares of N.S.C Co. Ltd., a mobile phone sales agent, by Kanematsu Communications Ltd.. ● Capital and business alliance with Keyware Solutions Inc. that develops applications and provides IT consulting by Kanematsu Electronics Ltd..
【 Realization of a decarbonized society 】	
Q 6	Please provide details on Kanamatsu's initiatives to realize a decarbonized society.
A 6	<p>In June 2021, we expressed our support for the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.</p> <p>We recognize that environmental issues are our corporate responsibility. The Group does not engage in businesses with a high environmental impact, such as the resource business and coal-fired power generation, and our GHG emissions are not very high. However, we will calculate the Group's GHG emissions and develop a specific plan for net zero emissions in the future. We would like to achieve net zero emissions early by utilizing the emissions trading and others, with the aim of realizing carbon neutral and a decarbonized society.</p>