

【Financial results for the fiscal year ended March 2022】																																																																																																																																																																																																																																																	
Q 1	Please explain an overall picture of Kanematsu's business results by segment for the fiscal year ended March 31, 2022, taking into consideration the business environment.																																																																																																																																																																																																																																																
A 1	<p>Operating profit rose ¥5.7 billion (24.2%) year on year, to ¥29.3 billion and profit attributable to owners of the parent increased ¥2.7 billion (20.1%), to ¥16.0 billion. The profits returned to the level recorded in the fiscal year ended March 31, 2019 before the COVID-19 pandemic.</p> <p>The main factors contributing to the increase or decrease in operating profit are as follows:</p> <ul style="list-style-type: none"> ● The ICT solutions business posted a higher operating profit, reflecting the concentration of efforts on developing the solutions business and the remote work environment in addition to operating the infrastructure development business amid solid IT investment by businesses, and strong performances in projects related to network security and storage-related projects. ● The mobile business posted a smaller operating profit, mainly due to smaller fee income including smaller COVID monetary assistance to shops during the COVID-19 pandemic, despite a recovery in footfall. ● 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 was sluggish due to the impact of the state of emergency declarations and priority measures to prevent the spread of COVID-19. ● In the steel tubing business, operating profit grew as demand for steel tubes in North America was on the recovery trend helped by the 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 fell because contracts with government agencies were between seasons and the aircraft components business remained sluggish. <p>Operating profit (Segment margin) / Profit attributable to owners of the parent</p> <table border="1"> <thead> <tr> <th rowspan="3">(Unit : billion yen)</th> <th colspan="3">Operating profit</th> <th colspan="3">Profit attributable to owners of the 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Q 2	The results of the Foods, Meat & Grain segment were below the forecast made in 3Q; operating profit and profit attributable to owners of the parent both only reached 74% of the targets. What were the reasons for the slowdown?
A 2	The meat products business had performed strongly on the back of rising prices. As 4Q began, however, prices plateaued, especially in the beef market, and the valuation losses of inventories arose under the lower-of-cost-or-market method. In addition, we posted the valuation losses of commodity futures contracts in the grain and feedstuff business in advance. As a result, operating profit in the Foods, Meat & Grain segment did not grow as projected in 4Q.
Q 3	Operating profit of the Steel, Materials & Plant segment was almost as planned, while profit attributable to owners of the parent reached only 88% of the target. What were the reasons?
A 3	Operating profit of the steel tubing business rose ¥2.1 billion year on year. The Group's investment ratio in major subsidiaries in this business, however, was only about 50%. This limited the year-on-year rise in profit attributable to parents of the owner to ¥800 million.
Q 4	Please explain what "Other finance costs" of ¥1.69 billion consist of.
A 4	This mostly consists of a loss arising from the write-off of the entire amount of preferred shares in an equity-method investee in 2Q.
【Forecast for the fiscal year ending March 2023】	
Q 5	You forecast both revenue and profits to increase. In what kind of business do you mainly think you can expect growth?
A 5	While there are concerns about the economic environment due to the expansion of geopolitical risks and the impact of the infectious disease, we expect profits to grow in the semiconductor parts and manufacturing equipment business where we anticipate the continuous tightening in demand-supply balances, the mobile business that is expected to benefit from the impact of the acquisition of agents, the machine tools and industrial machinery business that is likely to see a full-scale recovery in capital investment demand from the COVID-19, and the energy business that posted valuation losses on futures contracts in advance in the previous fiscal year.
Q 6	Operating profit of the mobile business fell year on year. Please explain the reason for the smaller operating profit, given that the number of units sold is considered to be recovering as evidenced by the year-on-year increase in revenue. Also, what is your view on the future outlook, including the impact of semiconductor shortages and online-only rate plans?

A 6	<p>The number of units sold recovered to around 105% of the previous year. It is, however, still only around 90% of the level recorded two years ago before the spread of COVID-19 infections. Revenue growth is slow, reflecting a decrease in COVID monetary assistance from carriers, in addition to a weak recovery in footfall, with some stores seeing footfall halved from two years ago, mainly in urban areas.</p> <p>Semiconductor shortages and supply chain disruptions are causing product shortages of models popular among businesses. This is also impacting sales and operating profit.</p> <p>Given that online-only rate plans 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 footfall, we are in the process of optimizing their size (relocating stores and reviewing the number of staff) as a priority issue. Fee income from carriers, which had significantly declined in 3Q, recovered to a certain degree in 4Q through our sales efforts including on-the-road sales. Going forward, however, we anticipate the industry environment to be tougher. We will work on building a new earnings pillar such as a new business using carriers' shopfront and a solutions business for corporate customers with a sense of urgency.</p>
Q 7	<p>Regarding the steel tubing business in North America, you said that you would aim to achieve a break-even level in the fiscal year under review. The business, however, posted a full-year operating profit of ¥1.7 billion, up ¥2.1 billion year on year. Can we expect this strong performance to continue in the next fiscal year?</p>
A 7	<p>As crude oil prices are rising further due to the Russia-Ukraine crisis, the United States has made a policy change toward increasing its energy supply capacity. This is expected to facilitate investments in the shale industry. On the other hand, there are restrictions placed on investments to promote decarbonization and the labor market is tight. We need to watch their impact.</p> <p>The steel tubing sales business is certainly recovering, firmly establishing itself as a profitable business. However, the rig count level itself was still only mid- to late-600 units as of the end of March 2022 and is only increasing slowly. We therefore consider that uncertainties remain regarding the recovery speed of the business environment of the steel tubing business.</p>
Q 8	<p>The USD/JPY exchange rate used in the performance forecasts for the term ending March 31, 2023 was ¥115 to a dollar, which differs significantly from the current exchange rate of ¥130 to a dollar. What impact will this situation of the cheaper yen have on your performance forecasts?</p>
A 8	<p>We start finalizing our forecasts for the next fiscal year from the start of each new year. The USD/JPY exchange rate around that time was in the range of ¥113 to ¥116 to a dollar. From early-March, however, a flurry of US dollar buying began in anticipation of an interest rate hike decision at the FOMC meeting (Mar. 16). A significant volume of US dollar buying continued thereafter with an awareness of the interest rate gap between Japan and the United States. As a result, a discrepancy has arisen between the current exchange rate and the exchange rate we used for our forecasts.</p> <p>As for its impact on our performance forecasts, its impact on our P/L is mostly neutral as many of The company's foreign currency-denominated transactions are for imports, mainly in the Foods, Meat & Grain segment, and their foreign exchange risk is basically transferred to the domestic buyers.</p> <p>In terms of its impact on our B/S, the depreciation of ¥1 against a US dollar will increase exchange differences on foreign translation in shareholders' equity by approximately ¥300 million. This means that it will have a positive impact on our shareholders' equity.</p>

【 Investment 】	
Q 9	Please provide the details on the progress of investments made during the fiscal year under review and an outlook of investments in the next fiscal years.
A 9	<p>Multiple projects are underway. The investment projects executed or whose execution became final and binding during the fiscal year under review were as follows.</p> <ul style="list-style-type: none"> ● Acquisition of an IC test handler business from Seiko Epson Corporation ● Investment in a hexane-free soybean processing company ● Acquisition of all shares of NSC Company Limited, a mobile phone sales agent, by Kanematsu Communications Ltd. ● Acquisition of all shares of Kinki Telecom Company Limited, a mobile phone sales agent, by Kanematsu Communications Ltd. ● Capital and business alliance between Keyware Solutions Inc. that develops applications and provides IT consulting services and Kanematsu Electronics Ltd. ● Additional investment in an equity-method investee which manufactures sheet steel products in South Korea ● Acquisition of all shares of Kangawa Shoji Co., Ltd., which is an electronic materials trading company, by Kanematsu Advanced Materials Corp. ● Launch of TW Link Corporation, a strategic investment company established for the purpose of promoting the adoption of a trade platform across the industry ● Establishment of the second plant in the steel tubing business in North America ● Investment in a general food company that owns dairy product, food processing, and logistics companies in Indonesia ● Capital and business alliance with a British venture company that operates vertiports for flying cars ● Investment in a new company aiming to roll out carbon nanotubes in society <p>We currently have multiple investment projects in the pipeline in addition to the foregoing.</p>
【 Shareholder returns 】	
Q10	What is the reasoning behind the increasing the year-end dividend by ¥5 to ¥35?
A10	We have revised upward the total return ratio for the last three years of the period covered by our medium-term vision <i>future 135</i> (fiscal year ended March 31, 2022 to fiscal year ending March 31, 2024) from the previous 25-30% to 30-35%. In the fiscal year under review, our business results matched the revision we made in 3Q to our original forecast (which raised our forecast for profit attributable to owners of the parent from ¥15.0 billion to ¥16.0 billion). At the time of making this upward revision, we also revised our dividend forecast upward from ¥30 to ¥35 for the year-end dividend, based on which we increased the year-end dividend by ¥5 and paid the annual dividend of ¥65. As a result of this dividend increase, the payout ratio is expected to be 34.0%.
Q11	What is the reasoning behind the annual dividend forecast of ¥70 (interim dividend ¥35 and year-end dividend ¥35) for the next fiscal year?
A11	We forecast profit attributable to owners of the parent in the next fiscal year to increase ¥2.0 billion year on year, to ¥18.0 billion. Based on the target payout ratio of 30-35% set under the medium-term vision, we expect to pay the annual dividend of ¥70 in the next fiscal year, which is an increase of ¥5 from the fiscal year under review. As a result, our payout ratio will be 32.5%.

Q12	Do you set any upper or lower limit for the annual dividend?
A12	<p>We intend to increase our annual dividend through the growth of profit attributable to owners of the parent under the basic policy of providing continuous and stable dividends while maintaining a balance between investments and shareholder returns.</p> <p>Although we do not have any specific view on the lower limit for our dividend, we maintained the same amount of dividend in the fiscal years ended March 31, 2020 and March 31, 2021, despite the downward trend in profits caused by the COVID-19.</p>
	【 Realization of a decarbonized society 】
Q13	Please provide details on Kanematsu's efforts and approach for realizing a decarbonized society.
A13	<p>In June 2021, we expressed our support for the Task Force on Climate-related Financial Disclosures (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 resources business and coal-fired power generation, and CO₂ emissions from our business activities are at an extremely low level relative to the scale of our businesses. We are currently calculating the Group's CO₂ emissions and will create a specific plan to achieve net zero emission in the future. To realize carbon neutrality and a decarbonized society, we aim to achieve net zero emissions early through our emissions reduction efforts and the use of credits we have generated in emissions trading. Furthermore, we plan to work toward future carbon negativity.</p> <p>[The Group's initiatives to achieve a decarbonized society]</p> <ul style="list-style-type: none"> ● Kanematsu KGK Corp., our subsidiary, installed the largest solar power generation system in Vietnam, An Giang Province, in the south of the Country, using a joint crediting mechanism (JCM) designed to promote the use of energy-saving and renewal energy technologies in developing countries. In addition to this project, the Group is executing JCM projects in Indonesia, Saudi Arabia, Thailand, and Vietnam. ● Kanematsu began supporting the promotion of cacao farming in Gorontalo Province, Indonesia from 2011 as an international initiative to promote sustainable forest management in developing countries (REDD+). Through this project, we contribute to the preservation of tropical forests. ● The Company and its subsidiary, Datatec Co., Ltd., have agreed to run joint proof of concept (PoC) experiments with PT Pertamina, a state-run oil company in Indonesia, to promote decarbonization and to improve logistics efficiency by improving the fuel efficiency of freight trucks. We have already begun providing support and running PoC experiments. ● Kanematsu Petroleum Corp., our subsidiary, has joined the Japan Climate Leaders' Partnership (JCLP), a group of companies aiming to achieve a sustainable, decarbonized society.

【 Promotion of DX 】	
Q14	<i>Future135</i> includes “Pursue DX on a groupwide basis” as a priority initiative. What progress have you made?
A14	<p>The Group established the DX Project Office in July 2021 with the Executive Officers of Kanematsu and Kanematsu Electronics Ltd. as its members. The Project Office is currently working on initiatives such as the examination of DX of each business and the organization of the Group IT environment. It is also working with core Group companies, sharing the initiatives of each company. More specifically, the Project Office is, through individual subcommittees, examining and promoting initiatives such as the use of common IDs throughout the consolidated Group to raise the efficiency of systems management and operation, the development of infrastructure for using the data collected through the promotion of DX, and the sharing of the Group’s IT assets to reduce costs and make equal the security level within the Group.</p> <p>[Examples of promotion of DX]</p> <ul style="list-style-type: none"> ● Began rolling out HI-MAWARI, an internal approval system, in the Group and analyzing the accumulated data ● Introduction of Concur, expense report software to automate settlement of business expenses ● Launch of the Business Co-Creation Center, a platform for business co-creation, and commencement of sales of AIPENET, an AI-based image inspection service, and KG ZAICO, a warehouse management SaaS ● Proposal and introduction of DX promotion solutions, such as a container platform and subscription-type wireless service for companies, at Kanematsu Electronics Ltd. ● Development of new businesses at Kanematsu Sustech Corporation using big data on soil accumulated in e-soil, a total soil support system developed by Kanematsu Sustech Corporation, and outside sales of the said system ● Development of industry-specific DX solutions at Kanematsu Communications Ltd. for the manufacturing, construction, retail, healthcare, and aged care industries, in addition to back-office DX solutions ● DX training for employees of Group companies tailored to their organizations and roles