



Overview of Results for the first half of FY2020

Note: The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties. Because of changes in the business environment, the emergence of unknown risks, among other factors, actual results could be significantly different from the forward-looking statements. Since the figures above are rounded off to the nearest 1 billion yen, the sum of each item and the total may differ



November 7, 2019
KANEMATSU CORPORATION

<http://www.kanematsu.co.jp/>

1. Results for the first half of FY2020

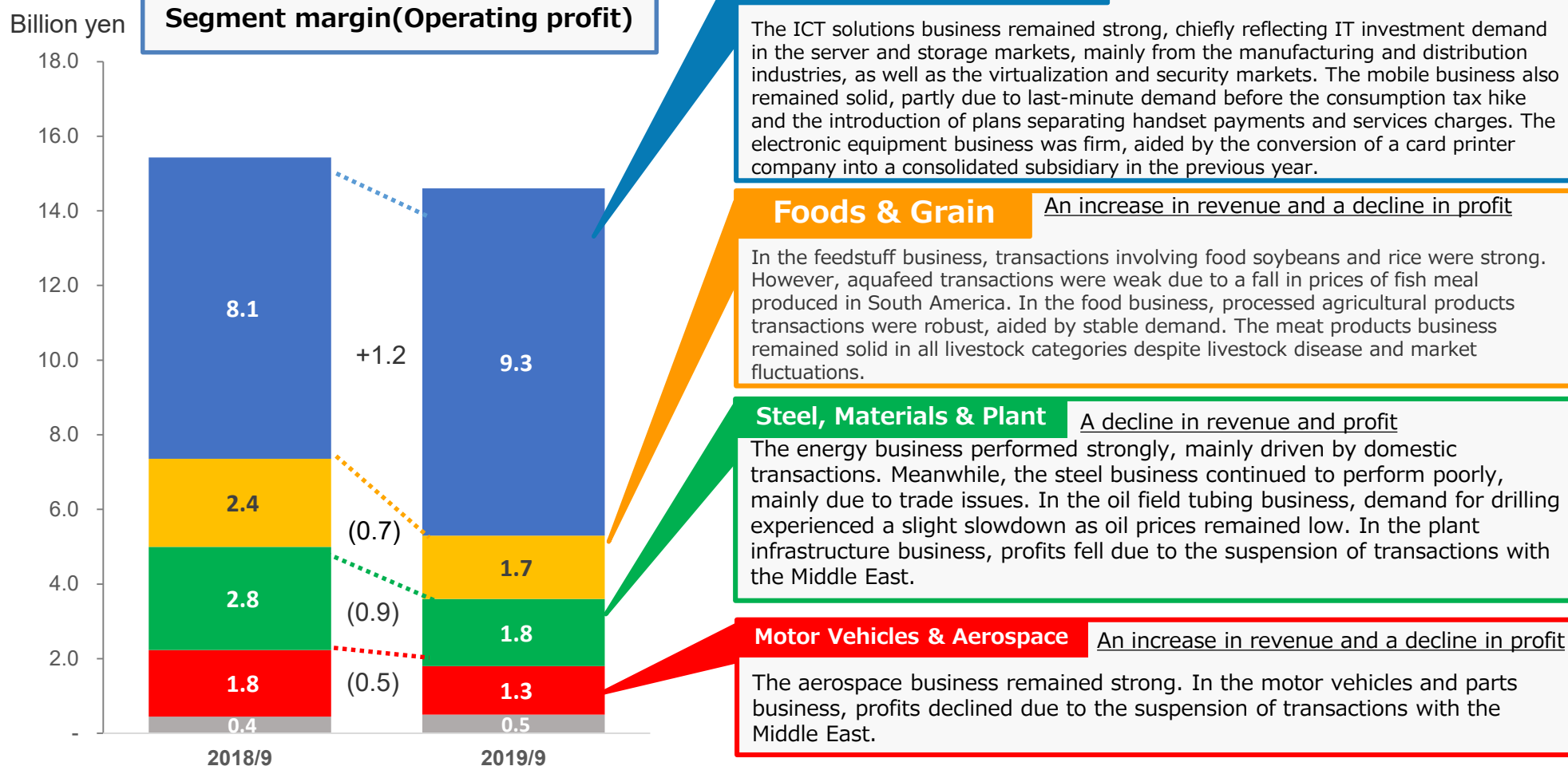
1-1. 1H of FY2020 Highlight (P/L)

- ✓ Both revenue and profits decreased.
- ✓ Progress achievement of profit for the period attributable to owners of the parent improved to 46%.

(Unit: billion yen)	1H of FY2019 results	1H of FY2020 results	Change
Revenue	357.5	357.0	(0.5)
Gross profit	54.1	55.0	0.8
Operating profit	15.5	14.7	(0.8)
Finance income (costs)	(0.7)	(0.9)	(0.2)
Share of profit (loss) of investmens accounted for using the equity method	0.1	0.4	0.4
Profit before tax	14.8	14.2	(0.6)
Profit for the year attributable to owner of the parent	8.1	7.8	(0.3)

1-2. 1H of FY2020 Highlight (segment margin)

✓ Despite an increased margin in the Electronics & Device segment, the overall margin declined by 0.8 billion yen.



1-3. 1H of FY2019 Highlight (B/S)

- ✓ The equity ratio rose due to the increase in retained earnings.
- ✓ Net D/E ratio continued to maintain a sound level, standing at 0.5-times the scale.

(Unit: billion yen)	FY2019 results	1H of FY2020 results
Total Assets	549.5	543.3
Shareholders' equity (Note 2)	125.2	128.7
BPS(yen)	1,500	1,541
Equity ratio(Note 3)	22.8%	23.7%

(Unit: billion yen)	FY2019 results	1H of FY2020 results
Gross Interest-bearing debt (Note 1)	139.5	145.9
Net interest-bearing debt	50.0	65.7
Net debt-equity ratio (Note 4)	0.40 times	0.51times

(Note 1) Increased, reflecting the recognition of lease obligations amounting to approximately 16.9 billion yen at the beginning of the fiscal year due to the mandatory application of IFRS 16 (leases), starting from the fiscal year ending March 31, 2020.

(Note 2) Shareholder's equity = Total equity attribute to owners of the parent

(Note 3) Equity ratio = Shareholder's equity / Total assets

(Note 4) Net debt-equity ratio = Net interest-bearing debt / Equity capital

2. FY2020 forecast

2-1. FY2020 forecast

✓ Steady progress is expected for achievement of the initial forecast.

(Unit : billion yen)	1H of FY2020 results	FY2020 forecast	Progress
Revenue	357.0	740.0	48.2%
Operating profit	14.7	31.0	47.4%
Profit before tax	14.2	30.0	47.4%
Profit attributable to owners of the parent	7.8	17.0	46.0%

2-2. FY2019 forecast (segment margin)

- ✓ Driven by the Electronics & Devices segment, the operating margin is expected to remain steady because 2H is the peak season for profits in the Steel, Materials & Plant segment.

(Unit : billion yen)	1H of FY2020 results	FY2020 Forecast	Progress
Electronics & Devices	9.3	18.5	50.3%
Foods & Grain	1.7	4.0	42.2%
Steel, Materials & Plant	1.8	5.5	33.5%
Motor Vehicles & Aerospace	1.3	2.5	52.7%
Other	0.5	0.5	110.4%
Total	14.7	31.0	47.2%

2-3. FY2020 forecast (segment margin breakdown)

Forecast for segment operating profit

(Unit : billion yen)		1H of FY2020 results	FY2020 forecast	Progress
	ICT solution	5.2	10.4	50%
	Mobile	3.7	6.7	55%
	Others	0.5	1.4	34%
Electronics & Devices		9.3	18.5	50%
	Foods, Meat	1.2	1.6	74%
	Feedstuff, Grain	0.6	2.1	30%
	Others	(0.1)	0.3	-
Foods & Grain		1.7	4.0	42%
	Machine tools, Industrial Machinery	0.4	1.8	23%
	Overseas	0.8	1.9	44%
	Chemicals, Energy & Others	0.6	1.8	33%
Steel, Materials & Plant		1.8	5.5	33%
	Aerospace	0.9	1.7	53%
	Motor Vehicles & Parts	0.2	0.5	32%
	Others	0.3	0.3	87%
Motor Vehicles & Aerospace		1.3	2.5	53%
Others		0.6	0.5	110%
Total		14.7	31.0	47%

Since IT investment demands in virtualization and security are robust, profits are expected to make steady progress in 2H.

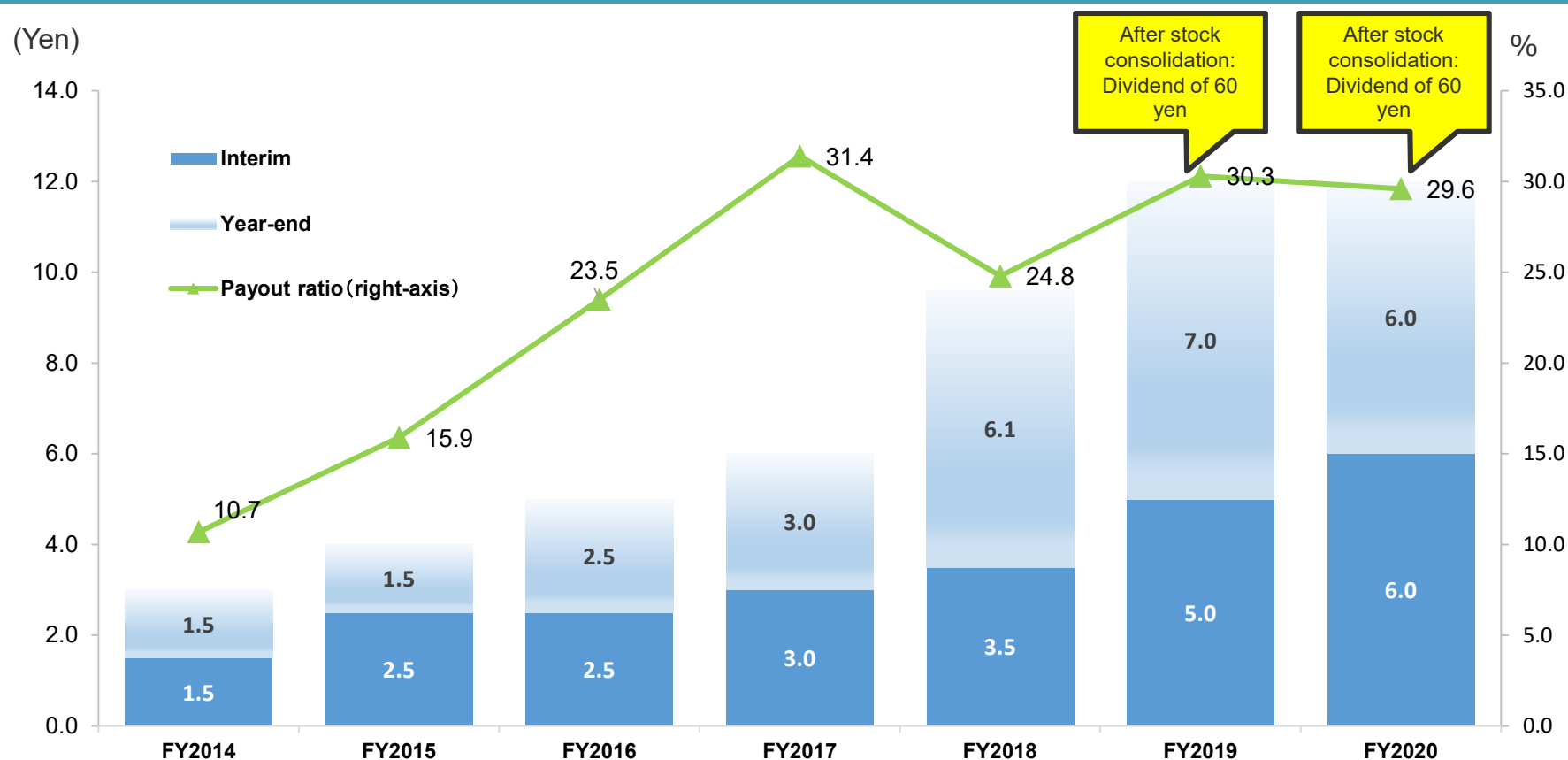
Although market fluctuations impacted by trade friction is feared, profits are expected to be generally in line with the forecast, supported by a strong Meat business.

2H is the peak season for profits in Machine tools, Industrial Machinery and Energy businesses, so profits with catch up.

Profits are expected to remain firm in 2H.

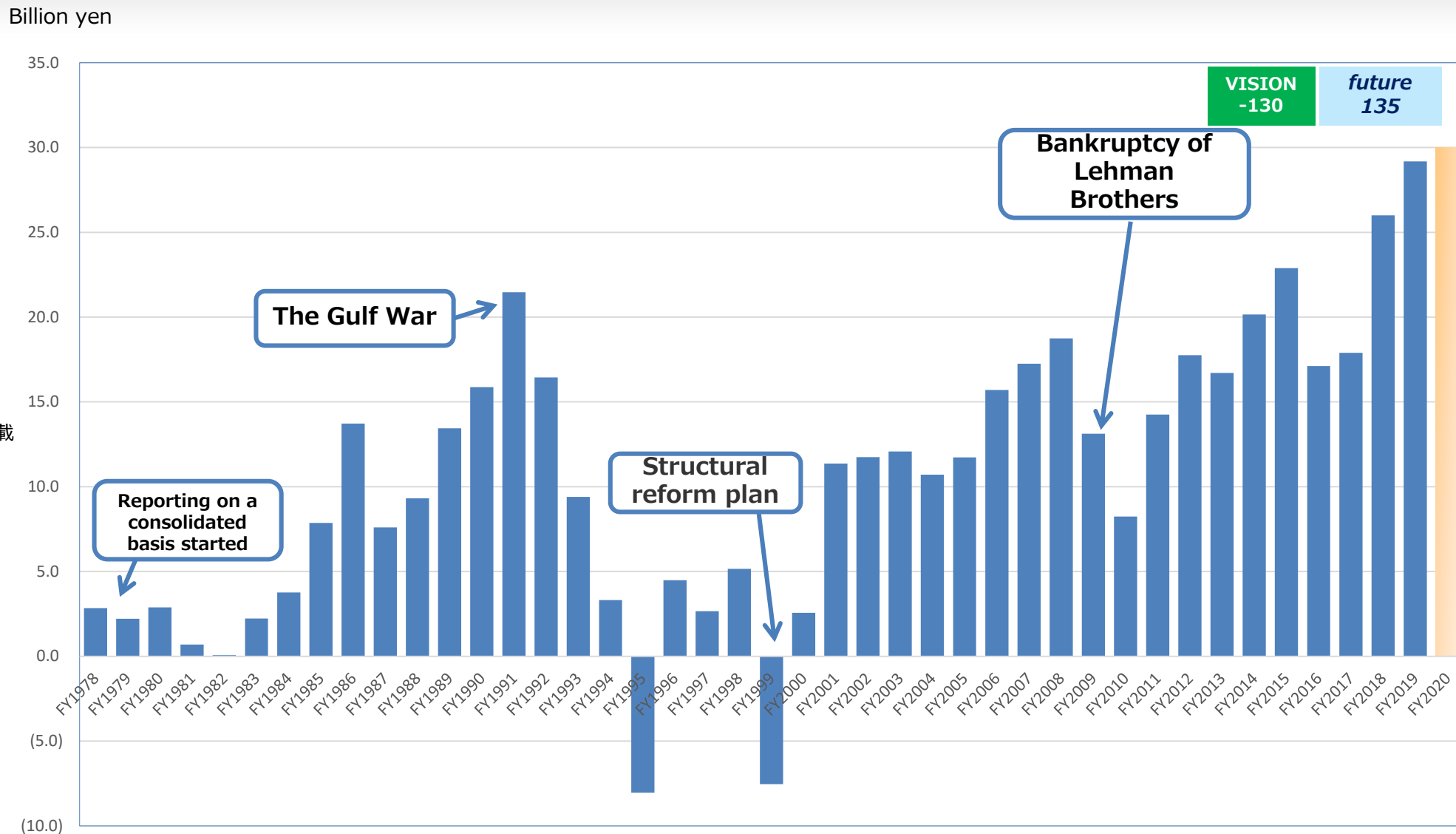
2-4. FY2020 forecast Dividends

- ✓ The total return ratio is within the range of 25%-30%. Stable and continuous dividend payments are expected.
- ✓ A stable dividend has been paid since FY2014, and an annual dividend payment of 60 yen is planned for FY2020.



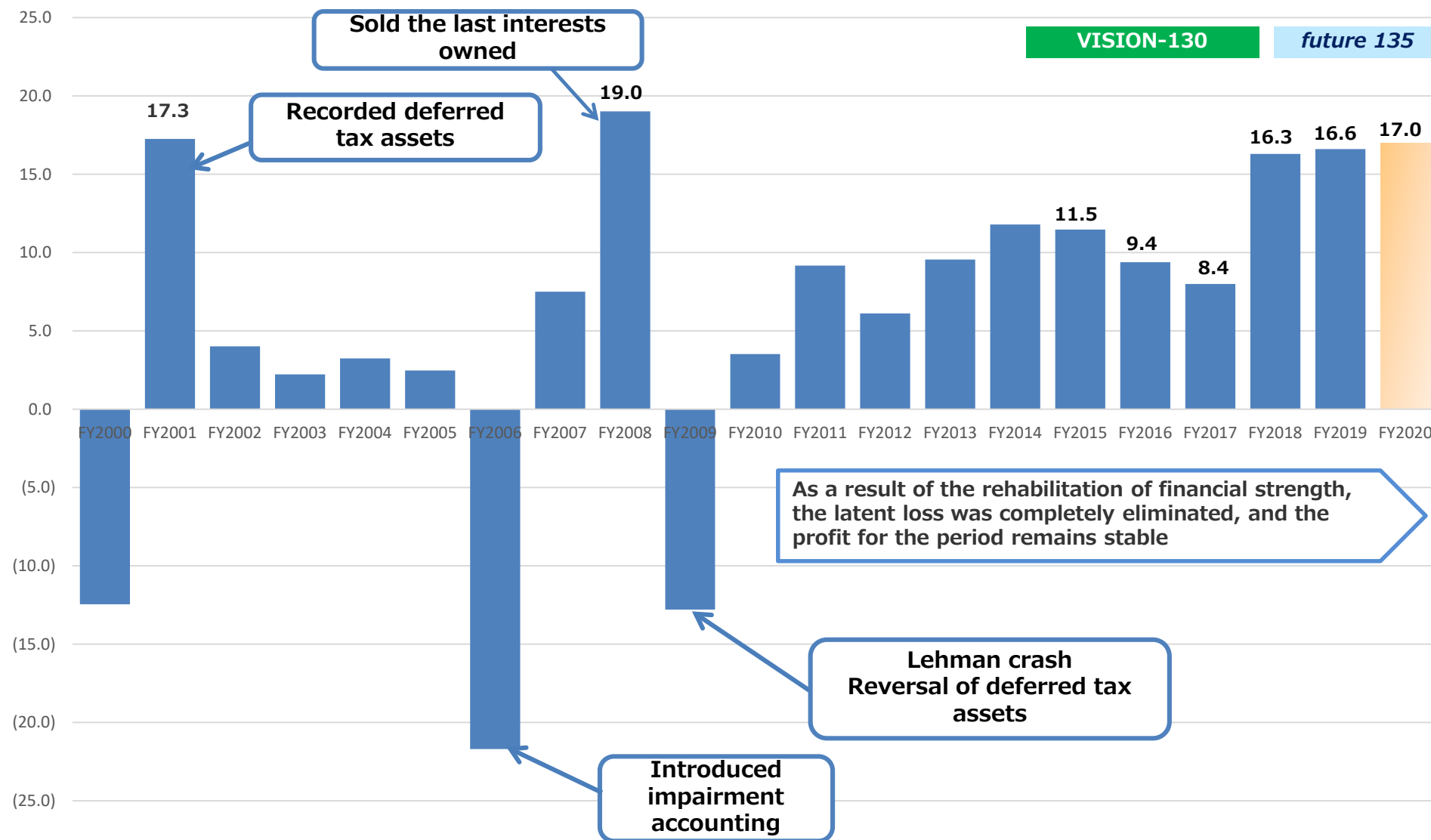
Appendix

Appendix 1-1. Consolidated Ordinary income (from FY1978)

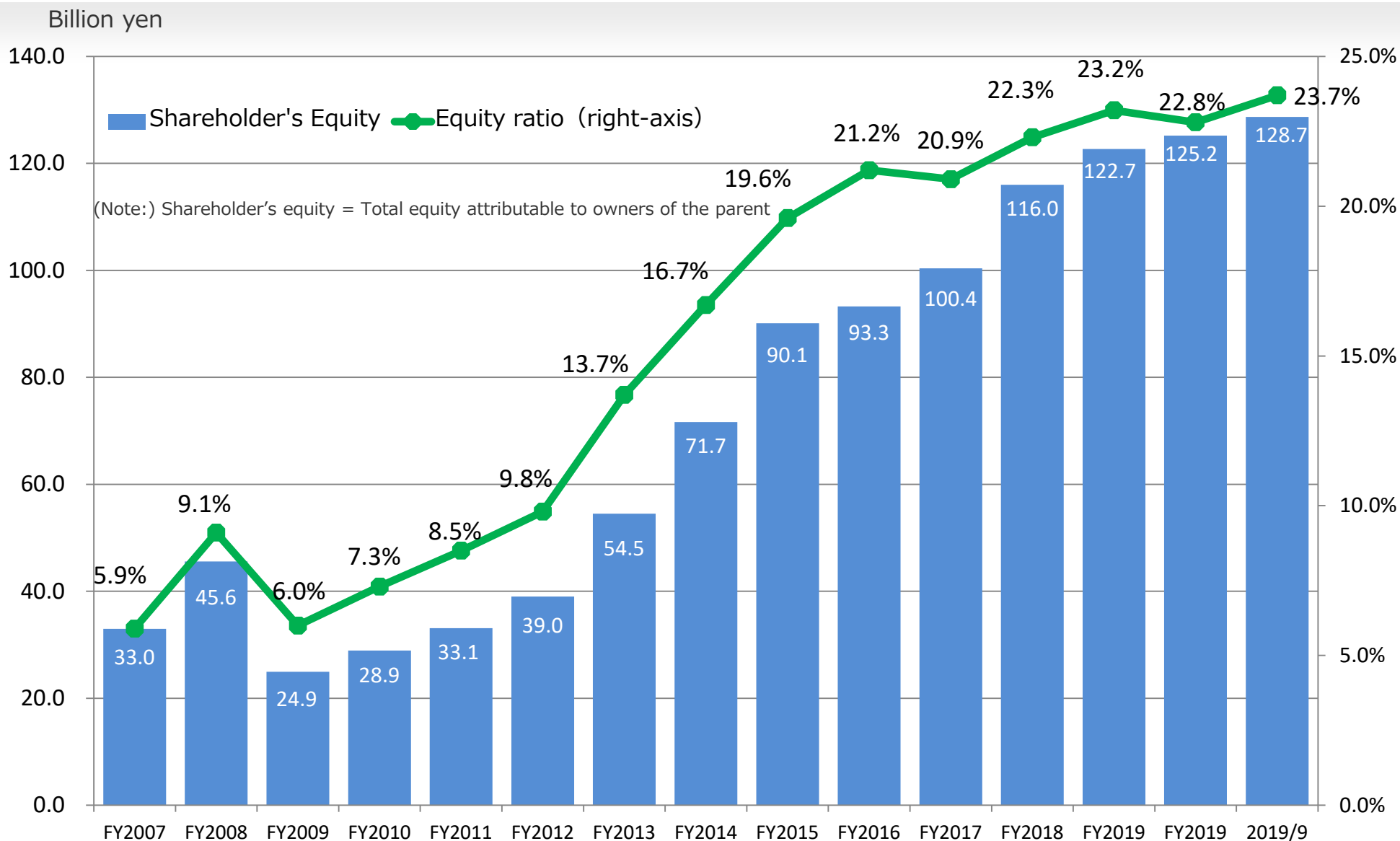


Appendix 1 -2. Consolidated Net income (from FY2000)

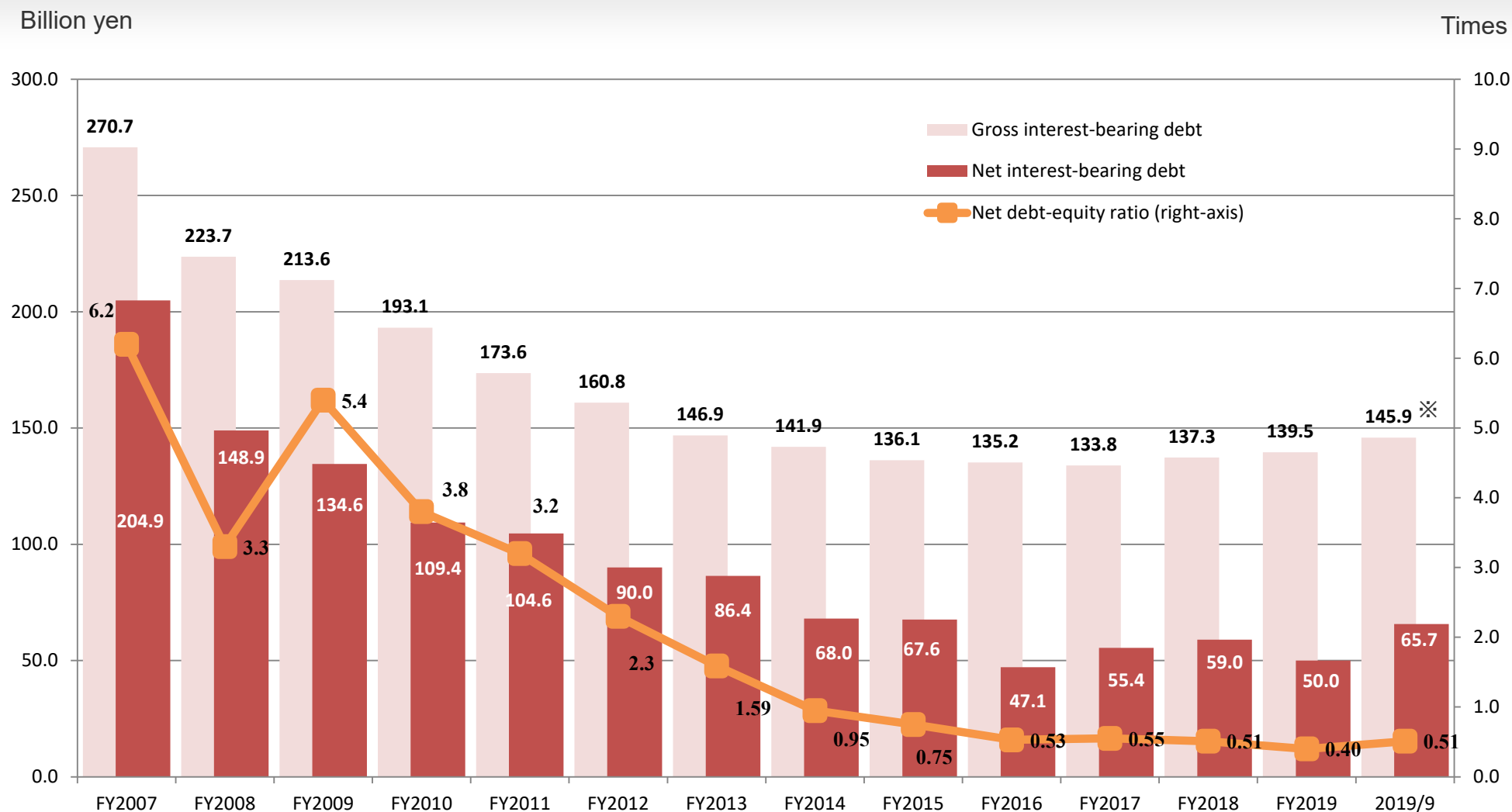
Billion yen



Appendix 1 - 3 . Shareholders' Equity & Equity Ratio

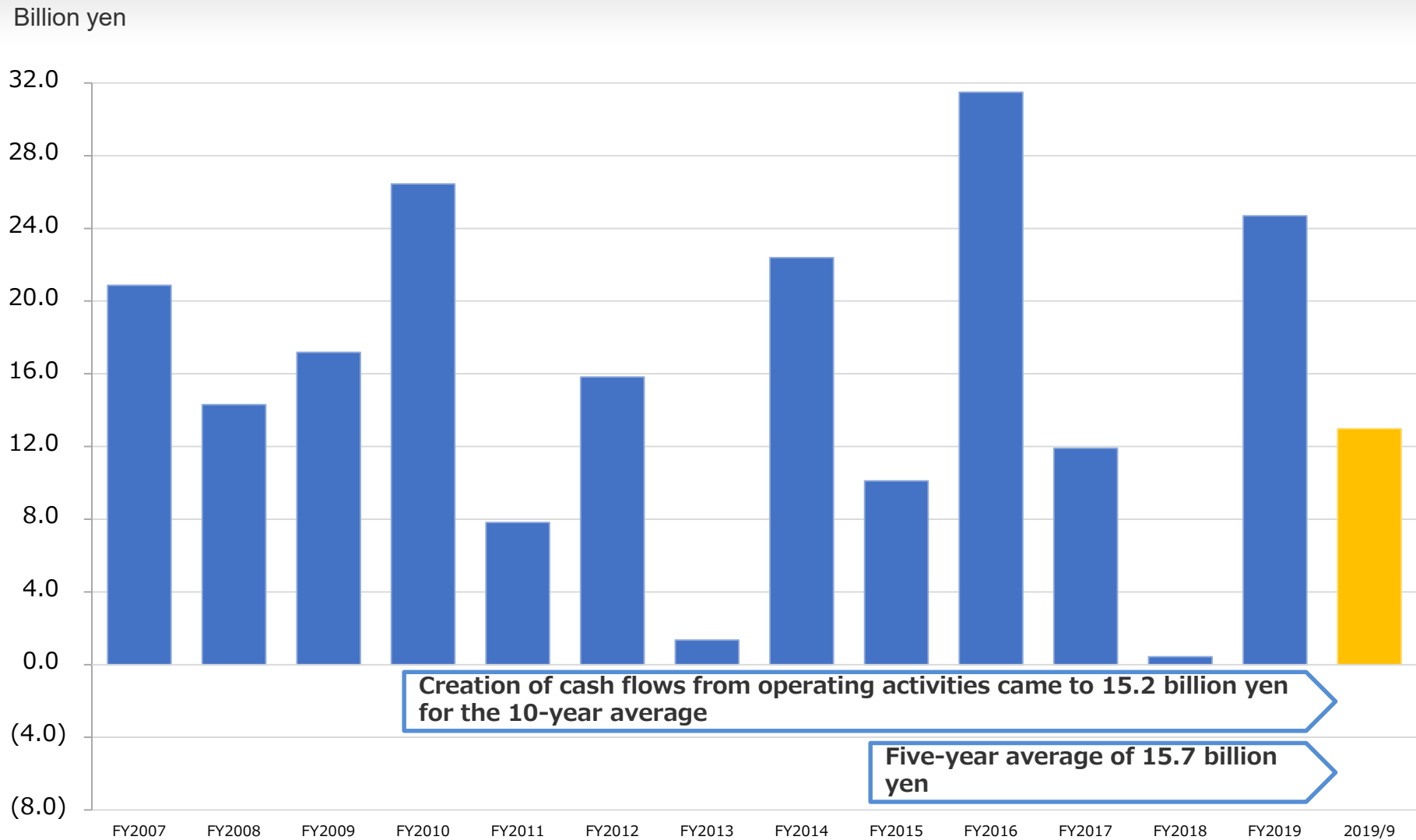


Appendix 1 -4. Interest-bearing debt & Net debt-equity ratio



※Increased, reflecting the recognition of lease obligations amounting to approximately 16.9 billion yen at the beginning of the fiscal year due to the mandatory application of IFRS 16 (leases), starting from the fiscal year ending March 31, 2020.

Appendix 1 -4. 1H of FY2020 Cash Flow from operating activities



Appendix 2. Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
Electronics & Devices	Semiconductor Parts & Equipment	Semiconductor / electronics parts, Electronic modules / materials, Semiconductor	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Kanematsu Susteck Corporation Kanematsu Futuretech Solutions Corp. Kanematsu Advanced Materials
	Industrial electronics & Electronics materials	Printer equipment, Electronic modules	
	ICT Solutions & Mobile Solutions	System solutions , Communication equipment / parts, Mobile communications terminals, Mobile content, / mobile advertisement	
	Security system	Security Monitoring Camera, video recorder, security related equipment	
Foods & Grain	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanematsu Shintoa Foods Corp. Kanemory Food Service Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp.
	Meat & Marine Products	All meat ,seafood	
	Grains, Feedstuff, Fertilizer and Pet Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Steel, Materials & Plant	Steel trading	Surface-treated steel plates, seamless piping	Steel Service Oilfield Tubular Benoit Premium Threading Kanematsu Trading Corp. Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp Kanematsu KGK Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Domestic steel/Steel materials	Steel products, iron ore, cokes	
	Crude oil, Petroleum products and gas	Crude oil, petroleum products, LPG, carbon credit trading	
	Functional chemicals, Life sciences	Battery materials, fertilizer materials, adhesive materials, solvents, Pharmaceuticals, pharmaceutical intermediates, functional food materials, nutritional supplements	
	Plant & Vessels	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Motor vehicles & Aerospace	Motor Vheicles & parts	Automobiles, Motorcycles and related parts, Precision-Forged Cast Products	Kanematsu Aerospace Corp. Shintoa Corp. KG Aircraft Rotables Co., Ltd.
	Aerospace	Aircraft, Helicopters, Satellites, Components and parts	

Appendix 3. Subsidiaries and Affiliates (Net sales and Ordinary income)

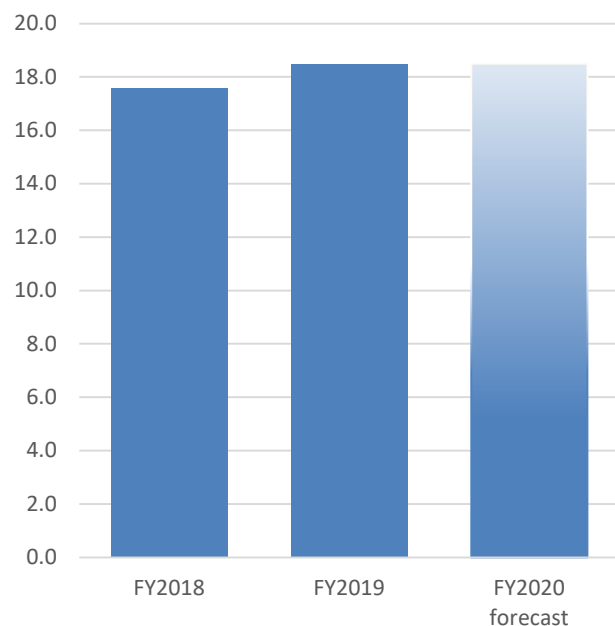
(Unit: billion yen)	Business	Ownership ratio	1H of FY2019		1H of FY2020	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.28%	32.9	4.8	35.2	5.2
Kanematsu Communications Ltd.	Mobile	100.00%	62.6	3.1	59.6	3.7
Kanematsu Sustech Corp.	Security system etc.	52.89%	6.1	0.4	6.5	0.6
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100.00%	13.8	0.1	15.2	0.1
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	6.1	0.1	5.3	0.1
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	5.0	0.2	4.5	0.1
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	4.7	0.8	4.7	0.4
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	9.2	0.1	8.9	0.3
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	2.2	0.3	2.5	0.4
Shintoa Corporation	Trading company	100.00%	20.1	1.0	21.8	1.0
Kanematsu USA Inc.	Overseas subsidiary	100.00%	54.9	1.3	54.4	1.0

Appendix4-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2019		FY2020		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Revenue	127.8	265.5	126.8	270.0	(0.9)	+ 4.5
Operating profit	8.1	18.5	9.3	18.5	1.2	+ 0.0

Billion yen

Operating profit



1H of FY2020 results

The ICT solutions business remained strong, chiefly reflecting IT investment demand in the server and storage markets, mainly from the manufacturing and distribution industries, as well as the virtualization and security markets. The mobile business also remained solid, partly due to last-minute demand before the consumption tax hike and the introduction of plans separating handset payments and services charges. The electronic equipment business was firm, aided by the conversion of a card printer company into a consolidated subsidiary in the previous year.

FY2020 forecast

Since IT investment demands in virtualization and security are robust, profits are expected to make steady progress in 2H.

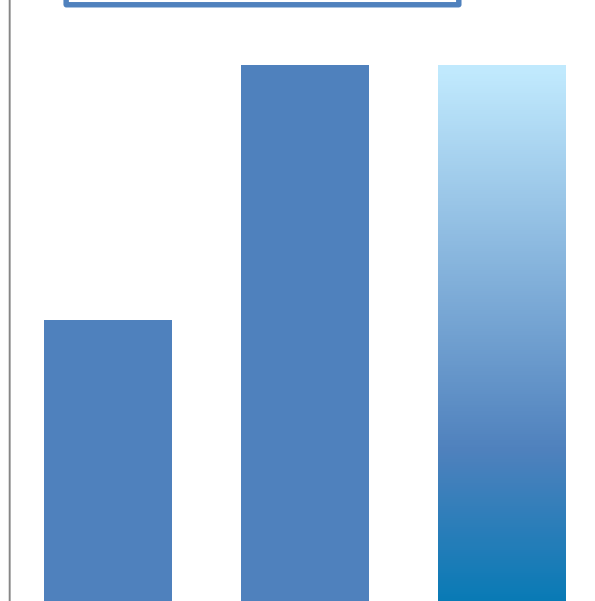
Appendix4-2. Segments (Foods & Grain)

(Unit: billion yen)	FY2019		FY2020		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Revenue	121.6	244.9	127.5	250.0	5.9	5.1
Operating profit	2.4	4.0	1.7	4.0	(0.7)	0.0

Billion yen

4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0

Operating profit



FY2018

FY2019

FY2020

forecast

1H of FY2020 results

In the feedstuff business, transactions involving food soybeans and rice were strong. However, aquafeed transactions were weak due to a fall in prices of fish meal produced in South America. In the food business, processed agricultural products transactions were robust, aided by stable demand. The meat products business remained solid in all livestock categories despite livestock disease and market fluctuations.

FY2020 forecast

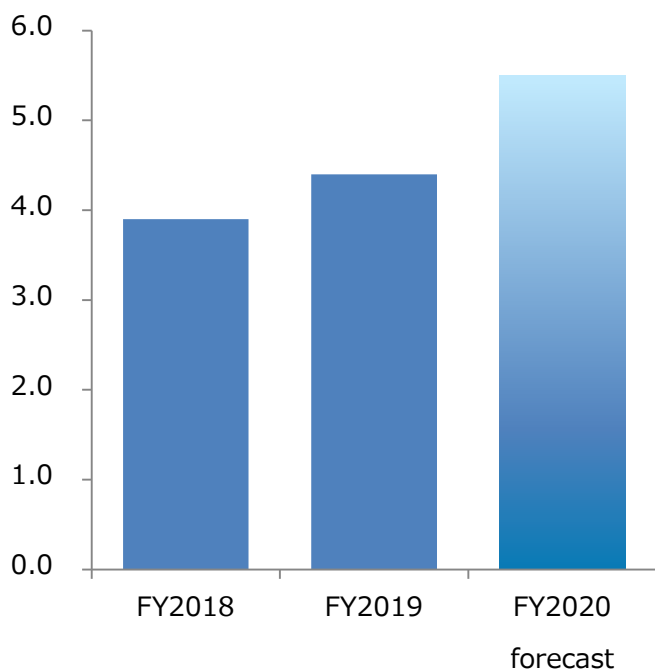
Although market fluctuations impacted by trade friction is feared, profits are expected to be generally in line with the forecast, supported by a strong Meat business.

Appendix4-3. Segments (Steel, Materials & Plant)

(Unit: billion yen)	FY2019		FY2020		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Revenue	68.1	139.4	62.5	150.0	(5.6)	10.6
Operating profit	2.8	4.4	1.8	5.5	(0.9)	1.1

Billion yen

Operating profit



1H of FY2020 results

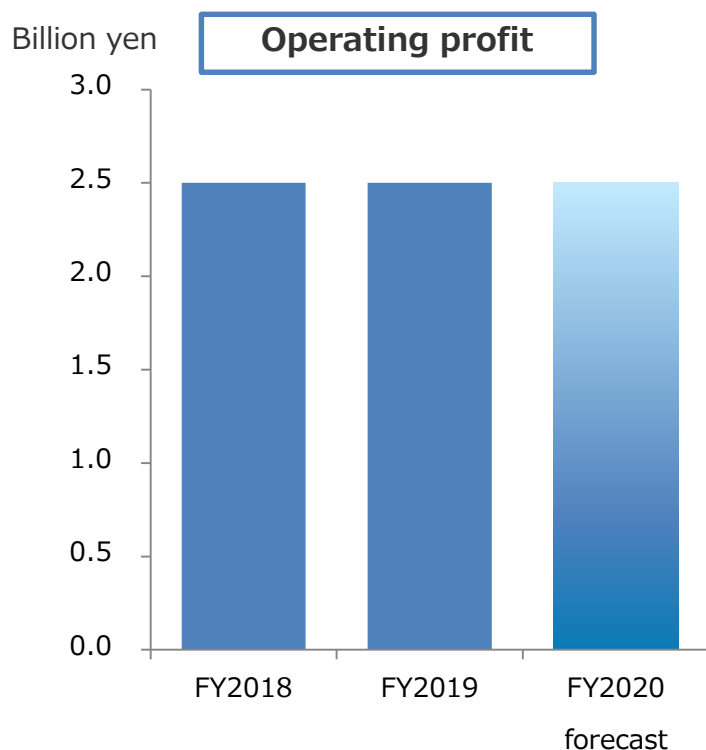
The energy business performed strongly, mainly driven by domestic transactions. Meanwhile, the steel business continued to perform poorly, mainly due to trade issues. In the oil field tubing business, demand for drilling experienced a slight slowdown as oil prices remained low. In the plant infrastructure business, profits fell due to the suspension of transactions with the Middle East.

FY2020 forecast

2H is the peak season for profits in Machine tools, Industrial Machinery and Energy businesses, so profits will catch up.

Appendix4-4. Segments (Motor Vehicles & Aerospace)

(Unit: billion yen)	FY2019		FY2020		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Revenue	33.9	62.1	34.0	60.0	0.1	(2.1)
Operating profit	1.8	2.5	1.3	2.5	(0.5)	0.0



1H of FY2020 results

The aerospace business remained strong. In the motor vehicles and parts business, profits declined due to the suspension of transactions with the Middle East.

FY2020 forecast

In the aerospace business and the motor vehicles and parts business, profits are expected to remain firm in 2H.