

Consolidated Financial Summary for the First Nine Months of the Fiscal Year Ending March 31, 2023 (IFRS)

February 7, 2023

Company name: Kanematsu Corporation

Stock Exchange listing: Prime Market, Tokyo Stock Exchange

Stock code: 8020

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): February 14, 2023

Scheduled date for commencement of dividend payments: -

Supplementary documents for quarterly results: Yes

Quarterly results briefing: No

(Figures of less than one million are rounded down.)

1. Consolidated business results for the first nine months of the fiscal year ending March 2023 (April 1, 2022 – December 31, 2022)

(1) Consolidated business results (sum total)

(%: Change from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Nine Months to December 2022	677,723	20.8	29,634	40.5	28,418	38.4	19,539	31.5	15,523	29.2	23,549	45.5
First Nine Months to December 2021	560,941	19.9	21,094	44.9	20,535	45.8	14,860	46.0	12,012	40.6	16,189	52.5

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Nine Months to December 2022	185.84		185.43	
First Nine Months to December 2021	143.84		143.65	

(Notes) The basic earnings per share and the diluted earnings per share are calculated based on the profit attributable to owners of the parent.

(2) Consolidated financial condition

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of December 31, 2022	680,495	213,224	170,246	25.0
As of March 31, 2022	634,456	199,282	159,484	25.1

2. Dividends

(Record date)	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
Fiscal year ended March 2022	–	30.00	–	35.00	65.00
Fiscal year ending March 2023	–	37.50	–		
Fiscal year ending March 2023 (Forecasts)				37.50	75.00

(Notes) Revisions to dividend forecasts published most recently: No

3. Forecasts for consolidated results ending March 2023 (April 1, 2022 – March 31, 2023)

(%: Changes from the previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	870,000	13.3	38,000	29.5	36,000	25.2	19,000	18.9	227.48

(Note) Revisions to results forecasts published most recently: Yes

* Notes

(1) Important change in subsidiaries during the term (Change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- | | |
|---|------|
| 1. Changes in accounting policies required by IFRS: | None |
| 2. Changes in accounting policies other than 1.: | None |
| 3. Changes in accounting estimates: | None |

(3) Number of outstanding shares (common shares)

- | | | | |
|---|-------------------|------------------------------|-------------------|
| 1. Number of outstanding shares including treasury stock | | | |
| First nine months (2022/12): | 84,500,202 shares | Fiscal year (2022/3): | 84,500,202 shares |
| 2. Number of treasury stock | | | |
| First nine months (2022/12): | 955,943 shares | Fiscal year (2022/3): | 984,933 shares |
| 3. Average number of shares during the period (First nine months) | | | |
| First nine months (2022/12): | 83,530,749 shares | Frist nine months (2021/12): | 83,513,854 shares |

* Quarterly consolidated financial summaries are not subject to quarterly review by a certified public accountant or an audit corporation.

* Explanation about the proper use of results forecasts, and additional information

The forward-looking statements, including results forecasts, included in this document are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not promise to achieve them. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to “(3) Information on the future outlook, including consolidated business performance forecasts” in “1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 31, 2023” on page 4 of accompanying materials for further information on results forecasts.

Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 31, 2023

(1) Details of consolidated results

In the first nine months under review (from April 1, 2022 to December 31, 2022), the global economy saw uncertainties persisting with the lengthening of the Russia-Ukraine war, China's zero-COVID policy and the spread of infections after its cancellation, and partial disruptions in supply networks. Meanwhile, rising inflations and national governments' efforts to control them through tighter monetary policies were approaching a turning point, drawing attention to whether a soft landing is possible.

The U.S. economy sent mixed signals. The rapid pace of monetary tightening with priority firmly placed on fighting inflation increased downward pressures especially on the housing market. On the other hand, the country's employment remained tight, personal consumption was strong, and energy investments increased due to the impact of the Russia-Ukraine situation.

Europe faced concerns over the risk of stagflation as households were hit by energy supply concerns and the rising inflation due to the material impact of the Russia-Ukraine situation.

In China, economic activities had been hampered by its zero-COVID policy, while consumption cooled after the relaxation of regulations as infections spread rapidly. The Chinese economy, however, is expected to recover as the infection situation calms down.

In Japan, personal consumption recovered as restrictions on people's activities were relaxed. In addition, demands for capital investments and IT investments were solid. Due to the rising resources and commodity prices and China's stagnant economic activities placing downward pressure, however, the country's economic outlook remains uncertain.

In this environment, the results of the Group for the nine months under review are as shown below.

Revenue increased in almost all businesses centered on the feedstuff business and steel tubing business, which were supported by rallying market conditions, and the energy business, where the trading volume of petroleum products increased due to the rising crude oil prices. While profit decreased in the mobile business affected by lower fee income resulting from the smaller-than-expected number of units sold and in the meat products business impacted by market setbacks in meat products in general since summer, profit increased mainly in the energy business and the steel tubing business, thanks to the recovery in demand and the rising market conditions, and in the ICT solutions business supported by robust digital investment demands of customers.

As a result, consolidated revenue increased ¥116,782 million (20.8%) year on year, to ¥677,723 million. Consolidated gross profit also increased ¥11,360 million (13.9%) from a year earlier, to ¥92,851 million. Consolidated operating profit rose ¥8,540 million (40.5%) from a year earlier, to ¥29,634 million, reflecting an increase in gross profit, despite a rise in selling, general and administrative expenses. Largely due to the rise in operating profit, profit before tax increased ¥7,883 million (38.4%) year on year, to ¥28,418 million, and profit attributable to owners of the parent rose ¥3,511 million (29.2%) year on year, to ¥15,523 million.

Results for each business segment are described below.

(i) Electronics & Devices

Revenue increased ¥23,530 million year on year, to ¥203,368 million, thanks to higher revenues in the ICT solutions business and the electronic device and materials business. Operating profit rose ¥1,955 million, to ¥13,380 million, due to higher profit in the ICT solutions business and the semiconductor parts and manufacturing equipment business, and profit attributable to owners of the parent increased ¥1,355 million, to ¥5,645 million.

(ii) Foods, Meat & Grain

Revenue increased ¥42,571 million year on year, to ¥257,800 million, reflecting a rise in revenue in the feedstuff business and the meat products business. Operating profit rose ¥1,125 million, to ¥5,467 million, due to higher profit in the feedstuff business and the foods business, and profit attributable to owners of the parent increased ¥515 million, to ¥3,615 million.

(iii) Steel, Materials & Plant

Revenue increased ¥37,764 million year on year, to ¥142,539 million, mainly due to a rise in revenue in the energy business and the steel tubing business. Operating profit rose ¥6,148 million, to ¥9,242 million, mainly due to stronger profit in the energy business and the steel tubing business, and profit attributable to owners of the parent increased

¥2,332 million, to ¥5,319 million.

(iv) Motor Vehicles & Aerospace

Revenue rose ¥12,015 million year on year, to ¥63,163 million, mainly due to a rise in revenue in the aerospace business. Operating profit decreased ¥490 million, to ¥802 million, mainly due to a fall in profit in the motor vehicles and parts business, and profit attributable to owners of the parent declined ¥364 million, to ¥641 million.

(v) Other

Revenue increased ¥903 million year on year, to ¥10,851 million. Operating profit fell ¥201 million, to ¥730 million, and profit attributable to owners of the parent increased ¥118 million, to ¥590 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first nine months of the fiscal year under review increased ¥46,039 million from the end of the previous fiscal year, to ¥680,495 million.

Interest-bearing debt increased ¥27,192 million from the end of the previous fiscal year, to ¥170,644 million, mainly due to a rise in borrowings to finance larger operating capital. Net interest-bearing debt after deducting cash and deposits rose ¥41,546 million from the end of the previous fiscal year, to ¥92,788 million. Interest-bearing debt does not include lease liabilities.

In terms of equity, equity attributable to owners of the parent rose ¥10,762 million from the end of the previous fiscal year, to ¥170,246 million, mainly due to the accumulation of profit attributable to owners of the parent.

As a result, the ratio of equity attributable to owners of the parent came to 25.0%. The net debt-equity ratio (“net DER”) was 0.5 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first nine months of the fiscal year under review fell ¥14,556 million from the end of the previous fiscal year, to ¥76,864 million.

The state of cash flows and factors for each category for the first nine months of the fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash used in operating activities in the first nine months under review stood at ¥12,453 million (versus net cash provided of ¥9,058 million in the first nine months of the previous fiscal year), mainly reflecting an increase in operating funds such as inventories, while cash was provided by the accumulation of operating revenue.

(Cash flows from investing activities)

Net cash used in investing activities in the first nine months under review stood at ¥14,157 million (versus net cash used of ¥10,341 million in the first nine months of the previous fiscal year), due to business investments, including acquisition of subsidiaries.

(Cash flows from financing activities)

Net cash provided in financing activities in the first nine months under review came to ¥11,331 million (versus net cash provided of ¥7,943 million in the first nine months of the previous fiscal year), mainly reflecting expenditures such as cash dividends paid and the redemption of corporate bonds and a cash inflow due to an increase in short-term borrowings.

(3) Information on the future outlook, including consolidated business performance forecasts

We have revised our forecasts for consolidated results of the fiscal year ending March 31, 2023 that we announced on November 4, 2022 as below based on the steady progress made during the first nine months of the fiscal year supported by the demand recovery and improving market conditions, although our performance in the fourth quarter is expected to slow down.

Revised consolidated forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of the parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	870,000	37,000	35,500	19,000	227.48
Revised forecast (B)	870,000	38,000	36,000	19,000	227.48
Change (B-A)	0	1,000	500	0	-
Change (%)	0.0%	2.7%	1.4%	0.0%	-
(Reference) Results of FY Mar. 31, 2022	767,963	29,347	28,765	15,986	191.42

* Note on forward-looking statements:

The forward-looking statements, including results forecasts, included in this material are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not promise to achieve them. Actual results may differ materially from forecasts due to a number of factors.

2. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated statement of financial position

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	91,420	76,864
Trade and other receivables	236,453	252,724
Inventories	121,018	152,154
Other financial assets	12,006	6,675
Other current assets	31,190	32,506
Total current assets	492,090	520,925
Non-current assets		
Property, plant and equipment	42,087	48,436
Goodwill	10,624	16,398
Intangible assets	24,912	24,406
Investments accounted for using the equity method	15,121	21,165
Trade and other receivables	807	1,580
Other investments	35,997	35,224
Other financial assets	7,101	7,137
Deferred tax assets	2,175	1,620
Other non-current assets	3,537	3,599
Total non-current assets	142,365	159,569
Total assets	634,456	680,495

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	214,822	212,506
Bonds and borrowings	73,707	103,782
Lease liabilities	6,674	7,659
Other financial liabilities	7,567	11,448
Income taxes payable	4,893	3,628
Provisions	503	375
Other current liabilities	30,290	28,387
Total current liabilities	338,459	367,787
Non-current liabilities		
Bonds and borrowings	69,745	66,861
Lease liabilities	10,158	13,705
Other financial liabilities	1,608	3,440
Retirement benefits liabilities	6,842	6,844
Provisions	1,712	2,128
Deferred tax liabilities	5,453	5,355
Other non-current liabilities	1,193	1,147
Total non-current liabilities	96,714	99,482
Total liabilities	435,173	467,270
Equity		
Share capital	27,781	27,781
Capital surplus	27,164	25,305
Retained earnings	89,280	99,077
Treasury stock	(1,305)	(1,259)
Other components of equity		
Exchange differences on translation of foreign operations	5,296	9,438
Financial assets measured at fair value through other comprehensive income	10,068	10,913
Cash flow hedges	1,198	(1,010)
Total other components of equity	16,563	19,341
Total equity attributable to owners of the parent	159,484	170,246
Non-controlling interests	39,798	42,977
Total equity	199,282	213,224
Total liabilities and equity	634,456	680,495

(2) Condensed consolidated statements of income / Condensed consolidated statements of comprehensive income
 (Condensed consolidated statements of income)
 (First nine months)

(Million yen)

	FY2022 First nine months (From April 1, 2021 to December 31, 2021)	FY2023 First nine months (From April 1, 2022 to December 31, 2022)
Revenue	560,941	677,723
Cost of sales	(479,450)	(584,871)
Gross profit	81,491	92,851
Selling, general and administrative expenses	(62,692)	(69,417)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(66)	(240)
Impairment loss on property, plant and equipment and intangible assets	(13)	(119)
Other income	2,804	7,171
Other expenses	(428)	(611)
Total other income (expenses)	2,296	6,199
Operating profit	21,094	29,634
Finance income		
Interest income	117	208
Dividend income	733	916
Other finance income	45	341
Total finance income	896	1,467
Finance costs		
Interest expenses	(1,240)	(2,611)
Other finance costs	(1,589)	(8)
Total finance costs	(2,829)	(2,619)
Share of profit (loss) of investments accounted for using the equity method	1,373	(64)
Profit before tax	20,535	28,418
Income tax expense	(5,674)	(8,878)
Profit for the period	14,860	19,539
Profit for the period attributable to:		
Owners of the parent	12,012	15,523
Non-controlling interests	2,847	4,016
Total	14,860	19,539
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	143.84	185.84
Diluted earnings per share (yen)	143.65	185.43

(Condensed consolidated statements of comprehensive income)
(First nine months)

(Million yen)

	FY2022 First nine months (From April 1, 2021 to December 31, 2021)	FY2023 First nine months (From April 1, 2022 to December 31, 2022)
Profit for the period	14,860	19,539
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	55	1,299
Remeasurement of defined benefit pension plans	(0)	(28)
Share of other comprehensive income of investments accounted for using the equity method	7	(8)
Total items that will not be reclassified to profit or loss	62	1,262
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,481	3,206
Cash flow hedges	(461)	(2,198)
Share of other comprehensive income of investments accounted for using the equity method	246	1,739
Total items that may be reclassified to profit or loss	1,266	2,747
Other comprehensive income for the period, net of tax	1,328	4,010
Total comprehensive income for the period	16,189	23,549
Total comprehensive income for the period attributable to:		
Owners of the parent	12,808	18,631
Non-controlling interests	3,380	4,918
Total	16,189	23,549

(3) Condensed consolidated statement of changes in equity

(Million yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	27,781	27,034	78,070	(1,311)	1,633	10,163
Profit for the period			12,012			
Other comprehensive income					1,391	(132)
Total comprehensive income for the period	–	–	12,012	–	1,391	(132)
Dividends			(5,010)			
Dividends paid to non-controlling interests						
Acquisition of treasury stock				(1)		
Disposition of treasury stock		0		8		
Equity transactions with non-controlling interests		12				
Share-based payment transactions		74				
Total transactions with owners	–	86	(5,010)	6	–	–
Transfer from other components of equity to retained earnings			203			(204)
Balance as of December 31, 2021	27,781	27,120	85,275	(1,304)	3,024	9,826

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Cash flow hedges	Remeasurement of defined benefit pension plans	Total other components of equity			
Balance as of April 1, 2021	554	–	12,351	143,926	36,566	180,492
Profit for the period			–	12,012	2,847	14,860
Other comprehensive income	(462)	(0)	795	795	532	1,328
Total comprehensive income for the period	(462)	(0)	795	12,808	3,380	16,189
Dividends			–	(5,010)		(5,010)
Dividends paid to non-controlling interests			–	–	(2,337)	(2,337)
Acquisition of treasury stock			–	(1)		(1)
Disposition of treasury stock			–	8		8
Equity transactions with non-controlling interests			–	12	(16)	(3)
Share-based payment transactions			–	74		74
Total transactions with owners	–	–	–	(4,917)	(2,353)	(7,271)
Transfer from other components of equity to retained earnings		0	(203)	–		–
Balance as of December 31, 2021	91	–	12,943	151,816	37,593	189,409

(Million yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2022	27,781	27,164	89,280	(1,305)	5,296	10,068
Profit for the period			15,523			
Other comprehensive income					4,142	1,202
Total comprehensive income for the period	–	–	15,523	–	4,142	1,202
Dividends			(6,055)			
Dividends paid to non-controlling interests						
Acquisition of treasury stock				(1)		
Disposition of treasury stock		(0)		47		
Equity transactions with non-controlling interests		6				
Share-based payment transactions		60				
Put option granted to non-controlling interests		(1,926)				
Total transactions with owners	–	(1,858)	(6,055)	46	–	–
Transfer from other components of equity to retained earnings			329			(357)
Balance as of December 31, 2022	27,781	25,305	99,077	(1,259)	9,438	10,913

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Cash flow hedges	Remeasurement of defined benefit pension plans	Total other components of equity			
Balance as of April 1, 2022	1,198	–	16,563	159,484	39,798	199,282
Profit for the period			–	15,523	4,016	19,539
Other comprehensive income	(2,208)	(28)	3,107	3,107	902	4,010
Total comprehensive income for the period	(2,208)	(28)	3,107	18,631	4,918	23,549
Dividends			–	(6,055)		(6,055)
Dividends paid to non-controlling interests			–	–	(2,110)	(2,110)
Acquisition of treasury stock			–	(1)		(1)
Disposition of treasury stock			–	47		47
Equity transactions with non-controlling interests			–	6	371	378
Share-based payment transactions			–	60		60
Put option granted to non-controlling interests			–	(1,926)		(1,926)
Total transactions with owners	–	–	–	(7,868)	(1,739)	(9,607)
Transfer from other components of equity to retained earnings		28	(329)	–		–
Balance as of December 31, 2022	(1,010)	–	19,341	170,246	42,977	213,224

(4) Condensed consolidated statements of cash flows

(Million yen)

	FY2022 First nine months (From April 1, 2021 to December 31, 2021)	FY2023 First nine months (From April 1, 2022 to December 31, 2022)
Cash flows from operating activities:		
Profit for the period	14,860	19,539
Depreciation and amortization	9,156	10,199
Impairment loss on property, plant and equipment and intangible assets	13	119
Finance income and costs	1,933	1,151
Share of (profit) loss of investments accounted for using the equity method	(1,373)	64
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	66	240
Income tax expense	5,674	8,878
(Increase) decrease in trade and other receivables	(22,314)	(7,858)
(Increase) decrease in inventories	(8,777)	(28,072)
Increase (decrease) in trade and other payables	19,181	(3,644)
Increase (decrease) in retirement benefit liabilities	56	(13)
Other	(3,815)	(703)
Sub total	14,662	(97)
Interest received	126	190
Dividends received	1,280	1,061
Interest paid	(1,210)	(2,665)
Income taxes paid	(5,800)	(10,941)
Net cash provided by (used in) operating activities	9,058	(12,453)
Cash flows from investing activities:		
Payments for property, plant and equipment	(2,598)	(3,890)
Proceeds from sales of property, plant and equipment	190	961
Payments for intangible assets	(547)	(690)
Purchases of other investments	(5,763)	(3,273)
Proceeds from sale of other investments	1,728	1,939
Proceeds from (payments for) acquisition of subsidiaries	(2,362)	(8,702)
Proceeds from (payments for) sales of subsidiaries	12	–
Payments for acquisition of businesses	(688)	(148)
Proceeds from transfer of business	–	750
Increase in loans receivable	(262)	(2,628)
Proceeds from collection of loans receivable	245	270
Other	(294)	1,255
Net cash provided by (used in) investing activities	(10,341)	(14,157)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings (three months or less)	27,809	31,743
Proceeds from short-term borrowings (more than three months)	500	508
Repayment of short-term borrowings (more than three months)	(456)	(492)
Proceeds from long-term borrowings	5,685	6,924
Repayment of long-term borrowings	(12,154)	(7,877)
Redemption of bonds	(114)	(5,014)
Dividends paid	(4,880)	(5,874)
Capital contribution from holders of non-controlling interests	6	–
Refund of contribution to holders of non-controlling interests	(17)	–
Dividends paid to non-controlling interests	(2,276)	(2,056)
Repayments of lease liabilities	(6,151)	(6,526)
Other	(5)	(1)
Net cash provided by (used in) financing activities	7,943	11,331
Increase (decrease) in cash and cash equivalents, net	6,660	(15,278)
Cash and cash equivalents at the beginning of the period	81,045	91,420
Effect of exchange rate changes on cash and cash equivalents	442	722
Cash and cash equivalents at the end of the period	88,148	76,864

(5) Notes on condensed consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Segment information)

Profit figures for reportable segments are based on profit attributable to owners of the parent.

Inter-segment revenue and transfers are determined according to transaction prices with outside customers.

I. Previous first nine months (From April 1, 2021 to December 31, 2021)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods, Meat & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	179,838	215,229	104,775	51,148	550,992	9,948	–	560,941
Inter-segment	326	1	29	4	362	177	(540)	–
Total revenues	180,165	215,231	104,805	51,153	551,355	10,126	(540)	560,941
Operating profit (loss)	11,425	4,342	3,094	1,292	20,154	931	8	21,094
Segment profit (loss)	4,290	3,100	2,987	1,005	11,385	472	154	12,012

(Note 1) “Other” is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and geotech business, etc.

(Note 2) Adjustments are as follows.

- The adjustment of ¥8 million for operating profit (loss) includes an inter-segment elimination of ¥8 million.
- The adjustment of ¥154 million for segment profit (loss) includes an inter-segment elimination of -¥3 million and corporate expenses that are not allocated to any particular segment of ¥158 million. Corporate expenses include the difference between actual income taxes incurred by the Company and income taxes allocated to each segment by an internal calculation method.

II. First nine months under review (From April 1, 2022 to December 31, 2022)

(Million yen)

	Reported segments					Other (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods, Meat & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total			
Revenue								
External	203,368	257,800	142,539	63,163	666,872	10,851	–	677,723
Inter-segment	168	1	87	102	359	188	(547)	–
Total revenues	203,536	257,801	142,627	63,266	667,231	11,039	(547)	677,723
Operating profit (loss)	13,380	5,467	9,242	802	28,893	730	10	29,634
Segment profit (loss)	5,645	3,615	5,319	641	15,220	590	(288)	15,523

(Note 1) “Other” is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and geotech business, etc.

(Note 2) Adjustments are as follows.

- The adjustment of ¥10 million for operating profit (loss) includes an inter-segment elimination of ¥10 million.
- The adjustment of -¥288 million for segment profit (loss) includes an inter-segment elimination of -¥14 million and corporate expenses that are not allocated to any particular segment of -¥274 million. Corporate expenses include the difference between actual income taxes incurred by the Company and income taxes allocated to each segment by an internal calculation method.

(Significant subsequent events)

(Tender offer for Kanematsu Electronics Ltd. shares)

At our Board of Directors meeting held on January 27, 2023, we resolved to acquire common shares of our consolidated subsidiary, Kanematsu Electronics Ltd. (hereinafter, “KEL”), by making a tender offer (hereinafter, the “KEL Tender Offer”) under the Financial Instruments and Exchange Act of Japan.

1. Purpose of the KEL Tender Offer

KEL provides designing, building, and operation services of corporate information systems based on information communication technology (IT) as well as a system consulting service, sales, leasing, maintenance, development and manufacturing of IT system products and software, and a temporary staff agency service. Based on its multi-vendor approach

that does not rely excessively on specific manufactures and its technological prowess that can accommodate dramatic changes in customer needs and the IT industry, KEL supports its clients in expanding and transforming their businesses by offering one-stop services that range from the designing, sales and building of information systems to their maintenance and operation support.

Meanwhile, we established our six-year, medium-term vision, “*future 135*” (April 2018 to March 2024), in May 2018, with the goal of achieving a sustainable growth in fundamental businesses and the basic policy of revenue base expansion and seeking added values through business investments in the areas of our strengths. Under this policy, we have included initiatives to address the SDGs and digital transformation (hereinafter, “DX”) in our priority initiatives and are working on improving our corporate value. In addition, under the new medium-term vision that will start in April 2024, we plan to continue promoting DX and promoting the expansion of new businesses with advanced technology as one of our priority initiatives.

As workstyle reforms are progressing against the backdrop of the spread of COVID-19 and the needs for DX are increasing, we expect that the roles played by KEL, which is the core company of our ICT business, and their importance will further grow as we explore sustainable growth strategy for the future of the Group. We have therefore reached a conclusion that acquiring all shares of KEL and aiming to collaborate with KEL, while developing a structure for mutual use of management resources, would be an appropriate action from the viewpoint of improving corporate values of both companies. Based on this view, we have decided to make the KEL Tender Offer.

2. KEL’s Profile

(1) Name	Kanematsu Electronics, Ltd.
(2) Address	13-10 Kyobashi 2-chome, Chuo-ku, Tokyo
(3) Representative	Akira Watanabe, Representative Director, President and CEO
(4) Business	KEL Designs and implements information systems and provides operation and consulting services for businesses based on KEL’s expertise in information technologies (IT). KEL retails, leases, maintains, develops IT system products and software, and also send loan engineers.
(5) Capital	9,031 million yen (as of December 31, 2022)
(6) Established	July 23, 1968

3. Overview of the KEL Tender Offer

As of January 27, 2023, we owned 16,554,665 shares of KEL, which was listed on the Prime Market of the Tokyo Stock Exchange. This represented the shareholding ratio (Note 1) of 57.84%. KEL is therefore one of our consolidated subsidiaries. At the Board of Directors meeting held on January 27, 2023, we resolved to make the KEL Tender Offer as part of transactions designed to acquire all shares of KEL (excluding the shares already owned by us and shares in KEL’s treasury stock; the same shall apply hereinafter), and to make KEL our wholly owned subsidiary.

(Note 1) The “shareholding ratio” refers to the ratio of shares held to the total number of outstanding shares issued (28,633,952 shares) as of December 31, 2022, which is stated in KEL’s Consolidated Financial Summary for the First Nine Months of the Fiscal Year Ending March 31, 2023 [Japanese Standard] released on January 27, 2023 (hereinafter, the “KEL Third Quarter Financial Summary”), less the number of shares in the treasury stock (13,354 shares) owned by KEL as of the same date as stated in the KEL Third Quarter Financial Summary (which comes to 28,620,598 shares). Any figure less than the third decimal point is rounded. The same shall apply when the shareholding ratio is mentioned below.

The KEL Tender Offer is contingent upon the minimum number of shares to be purchased, which is set at 2,525,735 shares (shareholding ratio: 8.82%). If the total number of share certificates and so on offered for sale for the KEL Tender Offer (hereinafter, the “KEL Tendered Share Certificates”) does not reach the minimum number (2,525,735 shares), we will forgo purchasing all of the KEL Tendered Share Certificates. On the other hand, as mentioned above, we intend to make KEL’s shares private by acquiring all of its shares. We therefore have not set the ceiling for the number of shares we intend to purchase. If the total number of the KEL Tendered Share Certificates is equal to or above the minimum number of shares to be purchased (2,525,735 shares), we will purchase all the KEL Tendered Share Certificates.

(1) Number of shares to be purchased	12,065,933 shares
(2) Minimum number of shares to be purchased	2,525,735 shares

(3) Ceiling for the number of shares to be purchased	— shares
(4) Purchase period	Monday, January 30, 2023 to Monday, March 13, 2023 (30 business days)
(5) Purchase price	6,200 yen per a share of a common stock
(6) Total purchase price	74,808,784,600 yen (Note) Obtained by multiplying the scheduled number of shares to be purchased in the KEL Tender Offer (12,065,933 shares) by the purchase price (6,200 yen)
(7) Settlement starting date	Monday, March 20, 2023
(8) Funding method of purchase funds	Borrowings from MUFG Bank, Ltd.

(Tender Offer for Kanematsu Sustech Corporation shares)

At our Board of Directors meeting held on January 27, 2023, we resolved to acquire common shares of our consolidated subsidiary, Kanematsu Sustech Corporation (hereinafter, “KSU”), by making a tender offer (hereinafter, the “KSU Tender Offer”) under the Financial Instruments and Exchange Act of Japan.

1. Purpose of the KSU Tender Offer

KSU has three core business segments: (1) geo-tech business mainly comprising ground stabilization and various ground inspections; (2) wood and housing materials business mainly comprising timber preservation and anti-ant treatment services; and (3) CCTV system business mainly comprising sales and installation of various security equipment including security cameras. Its priority initiatives are to seek profitability from new technologies while maintaining and expanding the existing business rights in each business segment, to allocate its budget to R&D of and investments in new technologies and production methods, and to position sustainability at the center of its business management. With these priority initiatives, KSU is working on improving its corporate value. KSU especially promotes initiatives to achieve a decarbonized society using environmentally friendly ground stabilization methods using timber in its geo-tech business.

Meanwhile, we have specified five issues as our materiality (key issues) in 2021 in response to the growing awareness about ESG management and sustainability in the world. We are working on building a stable and sustainable supply chain and promoting proactive initiatives for green transformation (hereinafter, “GX”) to realize a decarbonized society. In addition, under the new medium-term vision that will start in April 2024, we plan to continue promoting GX and DX as one of our priority initiatives and promoting the expansion of new businesses with advanced technology.

As shown above, the initiatives of KSU and our initiatives share the same direction. We have thus determined that the optimal allocation of management resources as the entire Kanematsu Group would be appropriate from the viewpoint of improving the corporate value of both companies, instead of each company working alone, and have decided to make the KSU Tender Offer.

2. KSU’s Profile

(1) Name	Kanematsu Sustech Corporation
(2) Address	3-3-2 Nihonbashi-Hamacho, Chuo-ku, Tokyo
(3) Representative	Koichi Koizumi, President
(4) Business	<Geo-tech business> Ground stabilization through various certified methods of construction: ground resurfacing, cement foundation pile repair, steel foundation pile repair, and ecological lumber piles. KSU also provides various types of ground inspections and sinkage repair. <Wood and housing materials business> Timber drying; wet method preservative treatment processing and sales; dry method preservative treatment processing device and chemical sales <CCTV system business> Security camera (system) sales and installation works
(5) Capital	3,325 million yen (as of December 31, 2022)
(6) Established	March 6, 1934

3. Overview of the KSU Tender Offer

As of January 27, 2023, we owned 2,192,200 shares of KSU, which was listed on the Standard Market of the Tokyo Stock Exchange. This represented the shareholding ratio (Note 2) of 52.89%. KSU is therefore one of our consolidated subsidiaries. At the Board of Directors meeting held on January 27, 2023, we resolved to make the KSU Tender Offer as part of transactions designed to acquire all shares of KSU (excluding the shares we already owned and shares in KSU's treasury stock; the same shall apply hereinafter), and to make KSU our wholly owned subsidiary.

(Note 2) The "shareholding ratio" refers to the ratio of shares held to the total number of outstanding shares issued (4,149,200 shares) as of December 31, 2022 stated in KSU's Consolidated Financial Summary for the First Nine Months of the Fiscal Year Ending March 31, 2023 [Japanese Standard] released on January 27, 2023 (hereinafter, the "KSU Third Quarter Financial Summary"), less the number of shares in the treasury stock (4,700 shares) owned by KSU as of the same date as stated in the KSU Third Quarter Financial Summary (which comes to 4,144,500 shares). Any figure less than the third decimal point is rounded. The same shall apply when the shareholding ratio is mentioned below.

The KSU Tender Offer is contingent upon the minimum number of shares to be purchased, which is set at 570,800 shares (shareholding ratio: 13.77%). If the total number of share certificates and so on offered for sale for the KSU Tender Offer (hereinafter, the "KSU Tendered Share Certificates") does not reach the minimum number (570,800 shares), we will forgo purchasing all of the KSU Tendered Share Certificates. On the other hand, as mentioned above, we intend to make KSU's shares private by acquiring all of its shares. We therefore have not set the ceiling for the number of shares we intend to purchase. If the total number of the KSU Tendered Share Certificates is equal to or above the minimum number of shares to be purchased (570,800 shares), we will purchase all the KSU Tendered Share Certificates.

(1) Number of shares to be purchased	1,952,300 shares
(2) Minimum number of shares to be purchased	570,800 shares
(3) Ceiling for the number of shares to be purchased	— shares
(4) Purchase period	Monday, January 30, 2023 to Monday, March 13, 2023 (30 business days)
(5) Purchase price	2,250 yen per a share of common stock
(6) Total purchase price	4,392,675,000 yen (Note) Obtained by multiplying the scheduled number of shares to be purchased in the KSU Tender Offer (1,952,300 shares) by the purchase price (2,250 yen)
(7) Settlement starting date	Monday, March 20, 2023
(8) Funding method of purchase funds	Use own funds