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Q&A Summary for FY2026 Full-Year Financial Results Briefing

Kanematsu Corporation held a financial results briefing for institutional investors and the media regarding its full-year results for the fiscal year ended March 31, 2026, on Monday, May 18, 2026. This document summarizes and discloses the questions and answers received from participants at the briefing. In order to facilitate better understanding, certain portions have been edited and revised, and are presented in summary form.

The presentation materials and video for the financial results briefing for the fiscal year ended March 31, 2026 are available at the following URL:

- Presentation Materials / Video URL
https://www.kanematsu.co.jp/en/ir/library/financial_statements

Please note that these materials are either translations from the original Japanese documents or are provided in Japanese only, for reference purposes. In the event of any discrepancy between the translated materials and the original Japanese documents, the original Japanese documents shall prevail.

Date:	Monday, May 18, 2026, 14:00–15:00	
Speakers:	Yoshiya Miyabe	President & CEO
	Taro Unno	Director, Executive Officer
		Chief Officer, Finance, Accounting, Business Accounting

Q 1

Net profit for FY2026 came in at ¥32.5 billion. Adjusting for one-off items such as valuation losses on futures transactions in the energy business and gains/losses from the sale of affiliates, I understand the underlying earnings level was roughly ¥33.0 billion. Compared with the company's previous explanation that "underlying earnings are approximately ¥31–32 billion," this appears to represent upside. Could you explain the factors behind this stronger-than-expected underlying performance?

Miyabe

Toward the end of the fiscal year, all segments delivered results above our assumptions. While it is difficult to identify a single clear factor, we believe market-wide concerns over future supply shortages—driven by factors such as soaring prices and heightened tensions in the Middle East—may have contributed positively to performance.

Q 2

The FY2027 plan targets ¥35.0 billion in net profit. If we take the FY2026 underlying earnings level of ¥33.0 billion as the base, this implies profit growth of roughly 6%. Compared with the company's historical growth pace, this seems somewhat slower. Does the plan incorporate risk buffers or conservative assumptions?

Miyabe

Given the continued high level of uncertainty surrounding the business environment, the plan is based on the final target of ¥35.0 billion set in the Medium-Term Management Plan (“MTP”). However, we intend to revise our earnings forecast as necessary while monitoring business progress and changes in the external environment during the fiscal year.

Q 3

Could you explain the breakdown of profit growth during the MTP period between organic growth and growth through M&A?

Unno

By the second year of the MTP, distinguishing between organic and inorganic growth has become increasingly difficult. To simplify, of the increase in net profit from ¥23.2 billion in FY2024 to ¥32.5 billion in FY2026, approximately ¥1.8 billion was attributable to investment returns from investments including M&A executed during the current MTP period. The remainder was generated through organic growth, one-off gains/losses, and other factors.

For FY2027, the final year of the MTP, only projects for which investments were completed in the previous fiscal year and contributions are expected to begin from April after closing are included in the plan. Investment returns are expected to be around ¥0.5 billion.

Of the ¥60.0 billion growth investment plan, approximately ¥40.0 billion had been earmarked for ICT-related investments, but only around ¥2.0 billion has been executed to date, meaning progress is behind schedule. However, organic earnings in businesses such as mobile and food have grown significantly more than initially expected when the MTP was formulated, offsetting the shortfall in growth originally expected from investment and M&A. As a result, we believe we are now within reach of achieving the ¥35.0 billion profit target.

Q 4

Of the ¥60.0 billion growth investment plan, only around ¥2.0 billion has been invested in ICT-related areas against the ¥40.0 billion target. I do not necessarily view this negatively, but could you explain why progress has been slow? Also, regarding future investment policy, will the company remain committed to the ¥40.0 billion target, or will it continue taking a selective approach and refrain from investing unless appropriate opportunities arise?

Miyabe

At present, there have been various reasons behind this, including valuation gaps between our expectations and sellers' expectations, as well as cases where counterparties decided not to proceed. In addition, investment prices across the ICT sector have risen substantially, and we are therefore carefully evaluating potential synergies before moving forward.

That said, we continue to position ICT-related businesses as a future growth driver. We will therefore continue exploring large-scale investment opportunities. If high-quality projects meeting our criteria become available, we intend to execute investments flexibly, and if necessary, we are prepared to exceed the original ¥40.0 billion framework.

Q 5

If growth investments progress more slowly than expected this fiscal year, is there room to consider additional shareholder returns?

Miyabe

At least during the current MTP period, we are not considering additional shareholder returns. However, in the next MTP, we would not rule out shareholder returns as one possible option, while balancing growth investment opportunities and capital availability.

Q 6

Regarding financial strategy, the current net debt-to-equity ratio (net DER) is in the 0.4x range, while the target is around 1.0x. Looking ahead, there are concerns that capital accumulation could place downward pressure on ROE. How do you view the appropriate long-term net DER level and capital efficiency?

Unno

At present, delays in executing investments have temporarily improved our balance sheet, resulting in a net DER of 0.45x. From a longer-term perspective, we aim to maintain at least a “1:1” balance between gross interest-bearing debt and shareholders’ equity, and at that level of leverage, we would like to achieve an ROE roughly twice our actual ROIC. This is a level we consider important to maintain as part of our financial strategy. Based on our balance sheet and business model, we believe a net DER of 1.0x is an acceptable level. Under such assumptions, we estimate that we would have additional financing capacity of approximately JPY 50 billion on a gross basis and around JPY 100 billion on a net basis.

On the other hand, if growth investment opportunities do not materialize, we expect our long-term net profit attributable to owners of the parent to remain in the range of JPY 30–35 billion annually, which would result in an annual accumulation of shareholders’ equity of approximately JPY 20–25 billion even after excluding shareholder returns. Such capital accumulation could become a factor putting downward pressure on ROE. Accordingly, while remaining mindful of maintaining the “1:1” leverage level, we intend to appropriately balance capital efficiency and financial soundness, taking into account the progress and realization of growth investment opportunities.

Q 7

While earnings growth remains strong, the company’s valuation metrics such as PER remain around 10x despite the share price increase. Compared with other general trading companies, your growth rate appears higher, yet the valuation remains relatively low. How do you analyze this situation?

Also, regarding shareholder returns, the payout ratio is around 30%, which may appear less attractive relative to peers. Including shareholder returns and capital policy, what measures or levers do you believe would help further improve the company’s market valuation?

Miyabe

Investors often ask why overseas institutional investors such as Berkshire Hathaway have not invested in our company, and this may be one factor behind the valuation gap with larger trading companies. In addition, many peers are aggressively implementing diverse shareholder return measures, including share buybacks, which we believe is also reflected in valuation metrics.

Unno

As you pointed out, we believe our efficiency and ROE are at reasonable levels, while our PER remains relatively low. Over the past two years, earnings have grown at an average annual rate of approximately 18%, driven largely by the strength of our existing trading businesses and our diversified procurement capabilities.

On the other hand, in the ICT field—which we position as our core growth area—large-scale investments have progressed more slowly than expected, and we believe market expectations in this area are not yet fully reflected in our PER. We recognize this as a future challenge.

Although our balance sheet has temporarily improved due to slower investment execution, our current priority remains growth investment rather than addressing valuation metrics directly. Regarding shareholder returns, our basic policy is to increase dividends in line with EPS growth. Compared with peers actively conducting share buybacks, our total payout ratio may appear less attractive, but we believe our dividend level itself is generally reasonable relative to market standards.

Q 8

Amid rising costs across the board, what costs are most important from a management perspective? In areas such as food and raw materials, prices can presumably be passed on to some extent. Is the company prioritizing maintaining supply chains regardless of cost increases, or prioritizing cost control to steadily achieve MTP targets?

Miyabe

Both are important, but as a trading company operating in areas such as food and security, we believe ensuring stable supply is a responsibility that must be upheld under all circumstances. This applies not only to food and raw materials but across all sectors. We also recognize that we bear significant responsibility in defense-related fields tied to national security, and we place great importance on maintaining stable supply and fulfilling these responsibilities.

Q 9

In the ICT Solution segment, operating margins in the systems business have been declining, while margins in the service and support business have improved. What is the outlook for operating margins in these businesses? Also, given the growth in orders received and order backlog, is there further upside potential for sales?

Miyabe

The systems business is currently transitioning from a traditional on-premise model to a cloud-based subscription model. Because upfront costs are incurred when acquiring new projects, profit margins are temporarily declining. In addition, semiconductor shortages have created supply constraints for equipment procurement, and rising procurement prices have also had some impact.

Meanwhile, profitability in the service and support business has improved as the transition to subscriptions has progressed. Overall growth may appear to be slowing temporarily, but the shift toward subscriptions is proceeding steadily and should contribute to earnings growth and more stable revenues over the longer term.

Q 10

Regarding the ICT Solution segment, as AI agents become more widely utilized by client companies, is there a risk that your business areas could shrink and your services could ultimately be replaced or eroded by AI?

Miyabe

We are utilizing AI agents primarily to improve operational efficiency in response to a shortage of programming engineers in the ICT Solution segment. As you pointed out, some of our customers are also expected to adopt AI agents in these fields. On the other hand, the core strengths of the ICT Solution segment lie in its advanced design and system integration capabilities, as well as its ability to provide comprehensive and continuous support ranging from maintenance and operations to security services. Therefore, we do not believe AI adoption will lead to our business being replaced or eroded by other companies.

Q 11

There has recently been discussion about the so-called “end of the SaaS business model,” and related stocks have declined. While the short-term impact on your group’s earnings may be limited, how do you see this affecting the business model and earnings structure of Kanematsu Electronics Ltd. over the medium to long term?

Miyabe

Regarding SaaS-based subscription business models, we recognize the possibility that pricing may decline over time. However, one major advantage of this model is the ability to secure recurring revenue once a contract is acquired. Given these characteristics, we believe it remains necessary to continue promoting the shift toward SaaS-based business models.

Q 12

Growth investments in the ICT field appear to be behind plan. Does the company still intend to continue increasing the number of engineers? Could the use of AI agents reduce the need for investment in engineer recruitment?

Miyabe

We are currently focused on improving internal operational efficiency, but going forward, we expect increasing demand from clients for projects involving generative AI, infrastructure development support, and ICT consulting. Therefore, we intend to continue strengthening our engineering workforce, including through M&A.

Q 13

Regarding the Food segment, although performance varies by product category, I had viewed it as a stable earnings business of a certain scale overall. However, FY2026 net profit increased significantly to ¥5.4 billion. What is the outlook going forward?

Miyabe

As you noted, the Food segment tends to experience fluctuations in performance. In recent years, the livestock business had been particularly weak, mainly because soaring beef prices created a difficult earnings environment for beef trading.

As a result, demand shifted from beef to chicken, and strong chicken trading became one factor behind the earnings increase this fiscal year. In pork, imports had struggled last year due to disease outbreaks in some supplier countries and resulting import restrictions, but performance recovered toward the fiscal year-end. These factors combined to drive strong earnings growth across the Food segment.

While favorable conditions are expected to continue for the time being, it remains unclear how long they will persist.

Q 14

Regarding the Food segment, you explained that chicken trading performed strongly in FY2026 and that this trend is likely to continue for some time. Could you elaborate on the background and outlook?

Miyabe

In the livestock business, beef prices remain elevated, and consumer demand continues shifting from beef toward pork and chicken. We believe this trend is unlikely to change significantly in the near term.

Q 15

I understand that fertilizer prices are rising and supply shortages are emerging due to the situation in the Middle East. What measures is the company taking to maintain supply chains under these conditions?

Miyabe

As you pointed out, the situation is affecting food products broadly, including through rising prices. Even before the tensions in the Middle East, we had already experienced situations where certain food products became difficult to procure due to growing geopolitical risks. As a result, we have long pursued diversification of sourcing regions. While price increases are unavoidable, we aim to pass on higher procurement costs to selling prices wherever possible. More importantly, however, our greatest concern is not prices themselves but physical shortages of goods. Avoiding such shortages is our top priority. Therefore, we will continue promoting diversified sourcing and procurement to stabilize supply chains and ensure stable procurement and supply.