

Consolidated Financial Summary for the First Half of the Fiscal Year Ending March 2021 (IFRS)

October 30, 2020

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): November 10, 2020

Scheduled date for commencement of dividend payments: December 1, 2020

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

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

1. Consolidated business results for the first half of the fiscal year ending March 2021 (April 1, 2020 – September 30, 2020)

(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 Six Months to September 2020	304,879	(14.6)	9,970	(32.2)	9,582	(32.6)	7,215	(26.3)	5,874	(24.8)	7,245	(10.5)
First Six Months to September 2019	356,955	(0.1)	14,698	(4.9)	14,220	(4.1)	9,793	(2.1)	7,810	(3.5)	8,098	(36.4)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Six Months to September 2020	70.34		70.28	
First Six Months to September 2019	93.53		93.49	

(Note) 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 September 30, 2020	522,039	169,882	134,419	25.7
As of March 31, 2020	551,671	166,174	130,829	23.7

2. Dividends

	Annual dividends				
(Record date)	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2020	—	30.00	—	30.00	60.00
Fiscal year ending March 2021	—	30.00	—	30.00	60.00
Fiscal year ending March 2021 (Forecasts)	—	—	—	30.00	60.00

(Note) Revisions to dividend forecasts published most recently: None

3. Forecasts for consolidated results ending March 2021 (April 1, 2020 – March 31, 2021)

(%: 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	670,000	(7.2)	24,000	(15.4)	23,000	(14.6)	13,000	(9.7)	155.67

(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 half (2020/9): | 84,500,202 shares | Fiscal year (2020/3): | 84,500,202 shares |
| 2. Number of treasury stock | | | |
| First half (2020/9): | 988,648 shares | Fiscal year (2020/3): | 988,557 shares |
| 3. Average number of shares during the period (First six months) | | | |
| First half (2020/9): | 83,511,606 shares | First half (2019/9): | 83,543,565 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 results forecasts and forward-looking statements included in this document are based on information that the Consolidated Group has obtained on the date of the announcement and certain assumptions that the Consolidated Group considers reasonable. The Consolidated Group makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. 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 Half of the Fiscal Year Ending March 2021” on page 4 of accompanying materials for further information on results forecasts.

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1. Qualitative Information on Consolidated Results, Etc. for the First Half of the Fiscal Year Ending March 2021

(1) Details of consolidated results

In the first half under review (from April 1, 2020 to September 30, 2020), the global economy faced one of the greatest collapses in history amid the continued COVID-19 pandemic. However, the economy subsequently began to recover, albeit in a patchy pattern, due to progress in measures to control infections.

In the U.S., both the number of infections and the number of fatalities reached the highest in the world, and the economy in the first quarter registered its most severe negative growth since statistics were first compiled. While the employment situation deteriorated sharply, especially in the service sector, it is recovering rapidly, mainly driven by the strong performance of certain sectors, such as IT, in addition to the thorough implementation of all policy measures, including the largest fiscal stimulus in U.S. history and a return to a zero interest-rate policy. European economies experienced their most severe negative growth since statistics began, with results worse than in the U.S., China and Japan due to the COVID-19 pandemic and lockdowns. Given growing concern about the arrival of a full-scale second wave, a double-dip recession is likely. Meanwhile, China, which succeeded in quickly containing the virus thanks to extremely severe measures, has been the first major country to return to positive growth and is accelerating growth with consumer activities improving following production.

The Japanese economy also experienced its biggest downturn since World War Two, as consumption recorded a record decline following the declaration of a state of emergency, which caused people to stop going out. This situation lasted for around two months, while foreign demand also fell significantly, affected by lockdowns in Europe and the U.S. This sharp economic deterioration bottomed out in August, and an economic turnaround is expected, mainly driven by foreign demand. However, the recovery remains moderate compared with that of the U.S. and China.

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

Revenue increased in areas such as transactions involving agricultural products, oils and fats and the meat products business due to increased at-home consumption since the first quarter amid the COVID-19 pandemic. In contrast, revenue declined in feed transactions due to falling prices of auxiliary feedstock, such as fish meals, and areas such as the energy business, which were hit by falling demand as people refrained from going out due to the declaration of a state of emergency. Profit increased in the aerospace business, where aircraft parts transactions with public offices were brisk, and in the feedstuff business, which remained firm due to rising prices of soybeans. However, profit decreased in the mobile business, where store footfall decreased as people refrained from going out and opening hours were shortened, in the meat products business, which was affected by falling prices, and in the oilfield tubing business, where inquiries decreased due to falling oil prices.

Consolidated revenue fell ¥52,076 million (14.6%) year on year, to ¥304,879 million. Consolidated gross profit also decreased ¥7,495 million (13.6%) from a year earlier, to ¥47,461 million. Consolidated operating profit fell ¥4,728 million (32.2%) from a year earlier, to ¥9,970 million, due chiefly to a decrease in gross profit. Largely due to the fall in operating profit, profit before tax declined ¥4,638 million (32.6%) year on year, to ¥9,582 million, and profit attributable to owners of the parent fell ¥1,936 million (24.8%) year on year, to ¥5,874 million.

Results for each business segment are described below.

(i) Electronics & Devices

In the ICT solutions business, transactions continued to be solid, despite the postponement of investment observed in the manufacturing industry. The semiconductor parts and manufacturing equipment business remained solid due to the resumption of shipments of equipment to China, which had been postponed due to the impact of the pandemic. The mobile business remained weak due to decreased store footfall reflecting shorter business hours, as well as cautious spending before the launch of new models and expectations for lower telephone charges in the current fiscal year, although there had been last-minute demand before the consumption tax hike in the previous fiscal year.

As a result of these conditions, revenue in the Electronics and Devices segment fell ¥23,897 million year on year, to ¥102,940 million. Operating profit sank ¥1,834 million, to ¥7,465 million. Profit attributable to owners of the parent shrank ¥1,293 million, to ¥3,528 million.

(ii) Foods, Meat & Grain

The feedstuff business remained strong on the back of growing demand for home-cooked food in transactions

involving agricultural products, oils and fats, such as soybeans and rice, partially aided by rising prices of soybeans. The food business and meat products business remained weak and experienced difficulties caused by the sluggish recovery of demand from the food service sector because of the impact of self-restraint on going out, despite brisk transactions with supermarkets, reflecting efforts to tap into at-home consumption, in addition to the impact of falling prices in the meat products business.

As a result, revenue in the Foods, Meat & Grain segment fell ¥4,538 million year on year, to ¥122,939 million. Operating profit decreased ¥1,361 million, to ¥328 million. Profit attributable to owners of the parent rose ¥1 million, to ¥796 million.

(iii) Steel, Materials & Plant

The energy business posted higher profits despite lower revenue thanks to the improvement of profitability of domestic oil sales transactions despite the impact of declining demand affected by falling crude oil prices and the COVID-19 pandemic. The chemicals business also continued to remain firm, especially transactions involving pharmaceuticals. However, the iron and steel business was lackluster, reflecting a slump in demand related to automobiles and oils, and the impact of lockdowns on overseas markets. The machine tools and industrial machinery business was also weak because of the impact of postponed capital investment plans due to the COVID-19 pandemic. The oilfield tubing business was also strongly affected by weak drilling demand caused by falling crude oil prices. As a result, revenue in the Steel, Materials & Plant segment declined ¥21,351 million year on year, to ¥41,166 million. Operating profit fell ¥1,373 million, to ¥471 million. Profit attributable to owners of the parent fell ¥216 million, to ¥866 million.

(iv) Motor Vehicles & Aerospace

In the aerospace business, core transactions involving aircraft parts with public offices held firm. The motor vehicles and parts business continued to be affected by a decline in global demand.

As a result, revenue in the Motor Vehicles & Aerospace segment decreased ¥1,439 million year on year, to ¥32,544 million. Operating profit climbed ¥2 million, to ¥1,318 million. Profit attributable to owners of the parent rose ¥51 million, to ¥929 million.

(v) Other

Revenue decreased ¥852 million from a year earlier, to ¥5,287 million. Operating profit fell ¥142 million, to ¥400 million. Profit attributable to owners of the parent rose ¥5 million, to ¥237 million.

(2) Details of financial position

(i) Assets, liabilities and equity

Total assets at the end of the first half of the fiscal year under review declined ¥29,632 million from the end of the previous fiscal year, to ¥522,039 million.

Interest-bearing debt decreased ¥15,162 million from the end of the previous fiscal year, to ¥128,232 million. Net interest-bearing debt after deducting cash and deposits fell ¥9,203 million from the end of the previous fiscal year, to ¥42,604 million. Interest-bearing debt does not include lease liabilities.

In terms of equity, equity attributable to owners of the parent rose ¥3,590 million from the end of the previous fiscal year, to ¥134,419 million, chiefly due to an increase in retained earnings.

As a result, the ratio of equity attributable to owners of the parent came to 25.7%. The net debt-equity ratio ("net DER") was 0.3 times.

(ii) Cash flows

Cash and cash equivalents at the end of the first half under review fell ¥6,096 million from the end of the previous fiscal year, to ¥85,009 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities in the first half under review stood at ¥20,366 million (versus net cash provided of ¥12,977 million in the first half of the previous fiscal year), primarily reflecting the accumulation of operating income.

(Cash flows from investing activities)

Net cash used in investing activities in the first half under review stood at ¥3,645 million (versus net cash used of

¥5,177 million in the first half of the previous fiscal year), mainly due to the acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities in the first half under review came to ¥22,539 million (versus net cash used of ¥16,780 million in the first half of the previous fiscal year), mainly due to repayment of borrowings and lease liabilities and cash dividends paid.

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

We have changed the forecasts for consolidated results that we announced on May 8, 2020 as described below in light of the results for the first half under review and the future outlook.

Revision of consolidated business performance for the fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

	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
Previously announced forecast (A)	700,000	27,000	26,000	14,500	173.63
Revised forecast (B)	670,000	24,000	23,000	13,000	155.67
Difference (B-A)	(30,000)	(3,000)	(3,000)	(1,500)	—
Increase/decrease (%)	(4.3)	(11.1)	(11.5)	(10.3)	—
(for reference) Actual results of the previous fiscal year	721,802	28,352	26,944	14,399	172.43

The forecasts above are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not guarantee that the forecasts will be achieved. 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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	91,105	85,009
Trade and other receivables	204,920	176,164
Inventories	100,766	105,094
Other financial assets	5,383	3,471
Other current assets	24,580	25,267
Total current assets	426,756	395,007
Non-current assets		
Property, plant and equipment	40,756	40,918
Goodwill	10,304	10,242
Intangible assets	23,382	23,572
Investments accounted for using the equity method	7,506	7,914
Trade and other receivables	1,428	1,326
Other investments	28,279	30,173
Other financial assets	7,370	7,358
Deferred tax assets	2,761	2,411
Other non-current assets	3,126	3,115
Total non-current assets	124,915	127,031
Total assets	551,671	522,039

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	172,922	155,650
Bonds and borrowings	68,164	55,956
Lease obligations	6,303	6,178
Other financial liabilities	4,614	5,007
Income taxes payable	3,393	2,212
Provisions	30	14
Other current liabilities	29,073	29,538
Total current liabilities	284,503	254,558
Non-current liabilities		
Bonds and borrowings	75,229	72,275
Lease obligations	11,251	10,583
Other financial liabilities	2,063	2,029
Retirement benefits liabilities	6,779	6,754
Provisions	1,914	1,914
Deferred tax liabilities	2,385	2,839
Other non-current liabilities	1,369	1,200
Total non-current liabilities	100,994	97,598
Total liabilities	385,497	352,156
Equity		
Share capital	27,781	27,781
Capital surplus	26,957	26,943
Retained earnings	69,540	72,873
Treasury stock	(1,309)	(1,310)
Other components of equity		
Exchange differences on translation of foreign operations	930	28
Financial assets measured at fair value through other comprehensive income	6,816	8,142
Cash flow hedges	113	(40)
Total other components of equity	7,860	8,130
Total equity attributable to owners of the parent	130,829	134,419
Non-controlling interests	35,344	35,463
Total equity	166,174	169,882
Total liabilities and equity	551,671	522,039

(2) Condensed consolidated statements of income / Condensed consolidated statements of comprehensive income
(Condensed consolidated statements of income)
(First half)

(Million yen)

	FY2020 First half (From April 1, 2019 to September 30, 2019)	FY2021 First half (From April 1, 2020 to September 30, 2020)
Revenue	356,955	304,879
Cost of sales	(301,999)	(257,418)
Gross profit	54,956	47,461
Selling, general and administrative expenses	(39,946)	(38,094)
Other income (expenses)		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(109)	(23)
Impairment loss on property, plant and equipment and intangible assets	—	(14)
Other income	516	1,004
Other expenses	(717)	(362)
Total other income (expenses)	(311)	604
Operating profit	14,698	9,970
Finance income		
Interest income	149	95
Dividend income	472	423
Total finance income	621	519
Finance costs		
Interest expenses	(1,428)	(1,030)
Other finance costs	(97)	(150)
Total finance costs	(1,525)	(1,181)
Share of profit (loss) of investments accounted for using the equity method	426	273
Profit before tax	14,220	9,582
Income tax expense	(4,427)	(2,366)
Profit for the period	9,793	7,215
Profit for the period attributable to:		
Owners of the parent	7,810	5,874
Non-controlling interests	1,983	1,341
Total	9,793	7,215
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	93.53	70.34
Diluted earnings per share (yen)	93.49	70.28

(Condensed consolidated statements of comprehensive income)
(First half)

(Million yen)

	FY2020 First half (From April 1, 2019 to September 30, 2019)	FY2021 First half (From April 1, 2020 to September 30, 2020)
Profit for the period	9,793	7,215
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(238)	1,334
Remeasurement of defined benefit pension plans	2	(2)
Share of other comprehensive income of investments accounted for using the equity method	1	8
Total items that will not be reclassified to profit or loss	(234)	1,340
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,254)	(963)
Cash flow hedges	47	(149)
Share of other comprehensive income of investments accounted for using the equity method	(253)	(197)
Total items that may be reclassified to profit or loss	(1,460)	(1,310)
Other comprehensive income for the period, net of tax	(1,695)	30
Total comprehensive income for the period	8,098	7,245
Total comprehensive income for the period attributable to:		
Owners of the parent	6,340	6,108
Non-controlling interests	1,757	1,136
Total	8,098	7,245

(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, 2019	27,781	26,882	60,748	(1,318)	1,865	9,580
Profit for the period			7,810			
Other comprehensive income					(1,270)	(250)
Total comprehensive income for the period	–	–	7,810	–	(1,270)	(250)
Dividends			(2,922)			
Dividends paid to non-controlling interests						
Acquisition of treasury stock				(3)		
Disposition of treasury stock		(0)		14		
Equity transactions with non-controlling interests		31				
Share-based payment transactions		20				
Total transactions with owners	–	52	(2,922)	10	–	–
Transfer from other components of equity to retained earnings			4			(1)
Balance as of September 30, 2019	27,781	26,935	65,640	(1,308)	595	9,329

	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, 2019	(293)	—	11,153	125,246	33,451	158,698
Profit for the period			—	7,810	1,983	9,793
Other comprehensive income	47	2	(1,469)	(1,469)	(225)	(1,695)
Total comprehensive income for the period	47	2	(1,469)	6,340	1,757	8,098
Dividends			—	(2,922)		(2,922)
Dividends paid to non-controlling interests			—	—	(941)	(941)
Acquisition of treasury stock			—	(3)		(3)
Disposition of treasury stock			—	14		14
Equity transactions with non-controlling interests			—	31	58	90
Share-based payment transactions			—	20		20
Total transactions with owners	—	—	—	(2,859)	(883)	(3,743)
Transfer from other components of equity to retained earnings		(2)	(4)	—		—
Balance as of September 30, 2019	(245)	—	9,679	128,727	34,325	163,053

(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, 2020	27,781	26,957	69,540	(1,309)	930	6,816
Profit for the period			5,874			
Other comprehensive income					(901)	1,292
Total comprehensive income for the period	—	—	5,874	—	(901)	1,292
Dividends			(2,505)			
Dividends paid to non-controlling interests						
Acquisition of treasury stock				(0)		
Disposition of treasury stock						
Equity transactions with non-controlling interests		(42)				
Share-based payment transactions		29				
Total transactions with owners	—	(13)	(2,505)	(0)	—	—
Transfer from other components of equity to retained earnings			(35)			33
Balance as of September 30, 2020	27,781	26,943	72,873	(1,310)	28	8,142

	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, 2020	113	—	7,860	130,829	35,344	166,174
Profit for the period			—	5,874	1,341	7,215
Other comprehensive income	(154)	(2)	234	234	(204)	30
Total comprehensive income for the period	(154)	(2)	234	6,108	1,136	7,245
Dividends			—	(2,505)		(2,505)
Dividends paid to non-controlling interests			—	—	(924)	(924)
Acquisition of treasury stock			—	(0)		(0)
Disposition of treasury stock			—	—		—
Equity transactions with non-controlling interests			—	(42)	(93)	(136)
Share-based payment transactions			—	29		29
Total transactions with owners	—	—	—	(2,518)	(1,018)	(3,536)
Transfer from other components of equity to retained earnings		2	35	—		—
Balance as of September 30, 2020	(40)	—	8,130	134,419	35,463	169,882

(4) Condensed consolidated statements of cash flows

(Million yen)

	FY2020 First half (From April 1, 2019 to September 30, 2019)	FY2021 First half (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities:		
Profit for the period	9,793	7,215
Depreciation and amortization	4,287	5,635
Impairment loss on property, plant and equipment and intangible assets	—	14
Finance income and costs	903	661
Share of (profit) loss of investments accounted for using the equity method	(426)	(273)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	109	23
Income tax expense	4,427	2,366
(Increase) decrease in trade and other receivables	20,504	30,301
(Increase) decrease in inventories	(2,483)	(4,928)
Increase (decrease) in trade and other payables	(16,168)	(16,129)
Increase (decrease) in retirement benefit liabilities	114	(20)
Other	(4,702)	(1,613)
Sub total	16,360	23,253
Interest received	147	160
Dividends received	836	822
Interest paid	(1,413)	(1,003)
Income taxes paid	(2,953)	(2,867)
Net cash provided by (used in) operating activities	12,977	20,366
Cash flows from investing activities:		
Payments for property, plant and equipment	(3,343)	(2,544)
Proceeds from sales of property, plant and equipment	487	251
Payments for intangible assets	(404)	(492)
Purchases of other investments	(588)	(630)
Proceeds from sale of other investments	195	95
Increase in loans receivable	(214)	(281)
Proceeds from collection of loans receivable	89	185
Other	(1,397)	(228)
Net cash provided by (used in) investing activities	(5,177)	(3,645)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings (three months or less)	(7,342)	(10,391)
Proceeds from short-term borrowings (more than three months)	1,164	127
Repayment of short-term borrowings (more than three months)	(1,310)	(289)
Proceeds from long-term borrowings	1,350	2,200
Repayment of long-term borrowings	(4,239)	(6,625)
Dividends paid	(2,914)	(2,499)
Payments for acquisition of subsidiaries' interests from the non-controlling interests	—	(167)
Capital contribution from holders of non-controlling interests	90	11
Dividends paid to non-controlling interests	(949)	(1,006)
Repayments of lease obligations	(2,638)	(3,897)
Other	9	(1)
Net cash provided by (used in) financing activities	(16,780)	(22,539)
Increase (decrease) in cash and cash equivalents, net	(8,980)	(5,818)
Cash and cash equivalents at the beginning of the period	88,941	91,105
Effect of exchange rate changes on cash and cash equivalents	(316)	(277)
Cash and cash equivalents at end of the period	79,645	85,009

(5) Notes on condensed consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Changes in presentation method)

(Condensed consolidated statements of cash flows)

"Payments for leasehold deposits," which was included in "Cash flows from investing activities" in the first half of the previous fiscal year, is presented in "Other" in the first half under review because its significance in terms of value has decreased. Associated with this, -¥1,386 million presented in "Payments for leasehold deposits" of "Net cash provided by (used in) investing activities" in the condensed consolidated statements of cash flows in the first half of the previous fiscal year has been reclassified into "Other." "Purchase of treasury stock" of "Cash flows from financing activities," which was presented separately in the first half of the previous fiscal year, is presented in "Other" in the first half under review because its significance in terms of value has decreased. Associated with this, -¥2 million presented in "Purchase of treasury stock" of "Cash flows from financing activities" in the condensed consolidated statements of cash flows in the first half of the previous fiscal year has been reclassified into "Other."

(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.

Profit figures for reportable segments used to be based on operating profit, but the measurement method has changed starting from the current fiscal year, taking into consideration comparability with other management indicators. The profit of reportable segments after the change is profit attributable to owners of the parent. As a result, the profit of reportable segments for the first half of the previous fiscal year has also been changed to profit attributable to owners of the parent.

I. Previous first six months (From April 1, 2019 to September 30, 2019)

(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	126,837	127,477	62,517	33,983	350,816	6,139	—	356,955
Inter-segment	239	1	65	4	311	58	(369)	—
Total revenues	127,077	127,478	62,582	33,988	351,127	6,197	(369)	356,955
Operating profit (loss)	9,299	1,689	1,844	1,316	14,149	542	6	14,698
Segment profit (loss)	4,821	795	1,082	878	7,578	232	(0)	7,810

(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 ¥6 million for segment profit (loss) includes an inter-segment elimination of ¥6 million.
- The adjustment of -¥0 million for segment profit (loss) includes an inter-segment elimination of -¥2 million and corporate expenses that are not allocated to any particular segment of ¥1 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 six months under review (From April 1, 2020 to September 30, 2020)

(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	102,940	122,939	41,166	32,544	299,592	5,287	–	304,879
Inter-segment	126	0	19	2	148	103	(251)	–
Total revenues	103,067	122,940	41,186	32,547	299,740	5,390	(251)	304,879
Operating profit (loss)	7,465	328	471	1,318	9,583	400	(12)	9,970
Segment profit (loss)	3,528	796	866	929	6,121	237	(484)	5,874

(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 -¥12 million for segment profit (loss) includes an inter-segment elimination of -¥12 million.
- The adjustment of -¥484 million for segment profit (loss) includes an inter-segment elimination of -¥16 million and corporate expenses that are not allocated to any particular segment of -¥468 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)

Not applicable.

Highlights of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2021 (IFRS)

■ Revenue and profits both fell.

◇Revenue	304.9 billion yen	14.6% down
◇Operating profit	10.0 billion yen	32.2% down
◇Profit before tax	9.6 billion yen	32.6% down
◇Profit attributable to owners of the parent	5.9 billion yen	24.8% down

■ Full-year forecasts have been revised (Operating profit: 27.0 billion yen → 24.0 billion yen,
Profit for the period: 14.5 billion yen → 13.0 billion yen)

■ Annual dividend forecast is maintained at 60 yen, as in the initial forecast.

Profit & loss statement							
(Unit: billion yen)		Q2 of FY2020	Q2 of FY2021	Year-on-year		FY2021	
				Change	Change(%)	Forecast	Progress (%)
Revenue		357.0	304.9	(52.1)	(14.6%)	670.0	45.5%
Gross profit		55.0	47.5	(7.5)	(13.6%)	-	-
Selling, general and administrative expenses		(39.9)	(38.1)	1.9	-	-	-
Other income (expenses)		(0.3)	0.6	0.9	324.4%	-	-
Operating profit		14.7	10.0	(4.7)	(32.2%)	24.0	41.5%
	Interest income (expenses)	(1.3)	(0.9)	0.3	-	-	-
	Dividend income	0.5	0.4	(0.0)	-	-	-
	Other finance income (costs)	(0.1)	(0.2)	(0.1)	-	-	-
Finance income (costs)		(0.9)	(0.7)	0.2	-	-	-
Share of profit (loss) of investments accounted for using the equity method		0.4	0.3	(0.2)	(35.8%)	-	-
Profit before tax		14.2	9.6	(4.6)	(32.6%)	23.0	41.7%
Income tax expense		(4.4)	(2.4)	2.1	-	-	-
Profit for the period		9.8	7.2	(2.6)	(26.3%)	-	-
Profit attributable to owners of the parent		7.8	5.9	(1.9)	(24.8%)	13.0	45.2%
Earnings per share (yen)		93.53	70.34	(23.19)	(24.8%)	155.67	45.2%

【Revenue】
Decreased 52.1 billion yen, primarily in the Electronics & Devices and the Steel, Materials & Plant segments.

【Operating profit】
Decreased 4.7 billion yen, primarily in the Electronics & Devices segment.

【Profit before tax】
Decreased 4.6 billion yen due to a drop in operating profit.

【Profit attributable to owners of the parent】
Decreased 1.9 billion yen as a result of a decline in profit before tax.

Segment information										Causes of increase/decrease in operating profit	
(Unit: billion yen)		Revenue			Operating profit			Profit attributable to owners of the parent			【Electronics&Devices】A decline in revenue and profit The ICT solutions business performed solidly, despite the postponement of investment observed in the manufacturing industry. The semiconductor parts and manufacturing equipment business remained solid due to the resumption of shipments of equipment to China, which had been postponed due to the impact of the COVID-19 pandemic. The mobile business remained weak given decreased store footfall reflecting shorter business hours, as well as cautious spending before the launch of new models and expectations for lower telephone charges in the current fiscal year, although there had been last-minute demand before the consumption tax hike in the previous fiscal year.
		Q2 of FY2020	Q2 of FY2021	Change	Q2 of FY2020	Q2 of FY2021	Change	Q2 of FY2020	Q2 of FY2021	Change	
	Electronics & Devices	126.8	102.9	(23.9)	9.3	7.5	(1.8)	4.8	3.5	(1.3)	【Foods, Meet & Grain】A decline in revenue and profit The feedstuff business remained strong on the back of growing demand for home-cooked food in transactions involving agricultural products, oils and fats, such as soybeans and rice, partially aided by rising prices of soybeans. The food business and meat products business remained weak and experienced difficulties caused by the sluggish recovery of demand from the food service sector due to the impact of self-restraint on going out, despite brisk transactions with supermarkets, reflecting efforts to tap into at-home consumption, in addition to the impact of falling prices in the meat products business.
	Foods, Meet & Grain	127.5	122.9	(4.5)	1.7	0.3	(1.4)	0.8	0.8	0.0	
	Steel, Materials & Plant	62.5	41.2	(21.4)	1.8	0.5	(1.4)	1.1	0.9	(0.2)	
	Motor Vehicles & Aerospace	34.0	32.5	(1.4)	1.3	1.3	0.0	0.9	0.9	0.1	【Steel, Materials & Plant】A decline in revenue and profit The energy business posted higher profits despite lower revenue thanks to an improvement in the profitability of domestic oil sales transactions, which offset the impact of declining demand attributable to falling crude oil prices and the pandemic. The chemicals business also remained firm, especially transactions involving pharmaceuticals. The iron and steel business was lackluster, reflecting a slump in demand related to automobiles and oils and the impact of lockdowns in overseas markets. The machine tools and industrial machinery business was weak because of the impact of postponed capital investment plans due to the COVID-19 pandemic. The oilfield tubing business was also strongly affected by weak drilling demand caused by falling crude oil prices.
Total for reportable segments		350.8	299.6	(51.2)	14.1	9.6	(4.6)	7.6	6.1	(1.5)	
Other (including adjustment)		6.1	5.3	(0.9)	0.5	0.4	(0.2)	0.2	(0.2)	(0.5)	
Grand total		357.0	304.9	(52.1)	14.7	10.0	(4.7)	7.8	5.9	(1.9)	【Motor Vehicles & Aerospace】Revenue decreased and profit stayed flat In the aerospace business, core transactions involving aircraft parts with public offices held firm. The motor vehicles and parts business continued to be affected by a decline in global demand.

Assets, Liabilities and Net Assets					【Total assets】 Decreased 29.6 billion yen mainly due to a fall in trade and other receivables.
(Unit: billion yen)	3/2020	9/2020	Comparison with 3/2020		
			Change	Change(%)	
Total assets	551.7	522.0	(29.6)	(5.4%)	【Interest-bearing debt】 Net interest-bearing debt decreased 9.2 billion yen.
Gross interest-bearing debt (Note 1)	143.4	128.2	(15.2)	(10.6%)	
Net interest-bearing debt	51.8	42.6	(9.2)	(17.8%)	【Shareholders' equity】 Increased 3.6 billion yen chiefly due to a rise in retained earnings.
Shareholders' equity (Note 2)	130.8	134.4	3.6	2.7%	
Retained earnings	69.5	72.9	3.3	4.8%	
Other components of equity	7.9	8.1	0.3	3.4%	
Equity ratio (Note 3)	23.7%	25.7%	2.0% up	-	Equity ratio is 25.7%. Net debt-equity ratio stood at 0.32 times.
Net debt-equity ratio (Note 4)	0.40 times	0.32 times	0.08pt down	-	

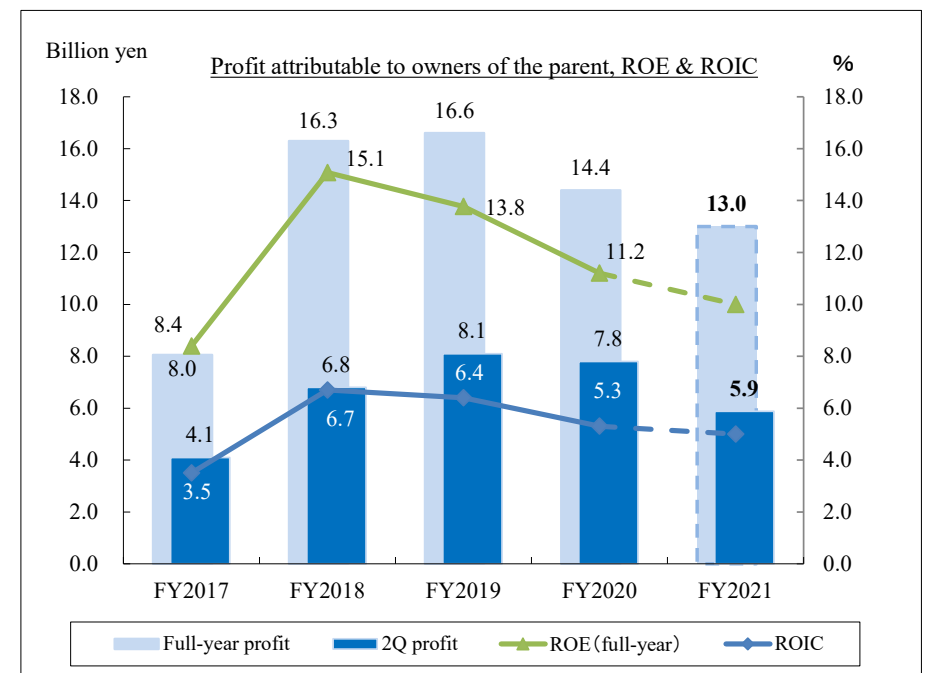
(Note1) Gross interest-bearing debt = Total amount of bonds and loans minus lease liabilities

(Note2) 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

Cash Flows			<div>【CF from operating activities】 Net cash provided by operating activities was 20.4 billion yen, mainly reflecting the accumulation of operating revenue.</div> <div>【CF from investing activities】 Net cash used in investing activities was 3.6 billion yen, mainly due to the acquisition of property, plant and equipment.</div> <div>【CF from financing activities】 Net cash used in financing activities was 22.5 billion yen, mainly due to the repayment of borrowings and lease liabilities.</div>
	Q2 of FY2020	Q2 of FY2021	
(Unit: billion yen)			
CF from operating activities	13.0	20.4	
CF from investing activities	(5.2)	(3.6)	
Free cash flows	7.8	16.7	
CF from financing activities	(16.8)	(22.5)	
Increase (decrease) in cash and cash equivalents	(9.0)	(5.8)	
Ending balance of cash and cash equivalents	79.6	85.0	

Dividends			
【FY2020】			
Interim	30 yen per share		
Year-end	30 yen per share		
Annual	60 yen per share		
【FY2021】			
Interim	30 yen per share		
Year-end (Plan)	30 yen per share		
Annual (Plan)	60 yen per share		
Annual	FY2019	FY2020	FY2021 (plan)
Consolidated payout ratio	30.3%	34.8%	38.5%



* 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 might differ materially from the forecasts due to a number of factors.

* Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.