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Q&A Summary for FY2026 Q2 Results Briefing

Kanematsu Corporation held the FY2026 Second Quarter Financial Results Briefing for institutional investors and the media online on Tuesday, November 11, 2025. This document summarizes the Q&A session based on questions received from attendees. Please note that some content has been edited to enhance clarity and readability.

The presentation materials and video are available at the following links.

*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.

■ Presentation Materials / Video URL

https://www.kanematsu.co.jp/en/ir/library/financial_statements

Date:	Tuesday, November 11, 2025, 14:00–14:55	
Presenters:	Yoshiya Miyabe	President & CEO
	Taro Unno	Director, Executive Officer Chief Officer, Finance, Accounting, Business Accounting

Q 1

What were the motivations and intentions behind updating “integration 1.1” and introducing the Mission, Vision, and Values (MVV) at this point in the medium-term management plan? Please share the thoughts or convictions that led to making this change at this stage.

Miyabe

Since assuming the role of President, I have returned to our founding spirit and encouraged the pursuit of new challenges. The first half of medium-term management plan focused on integrated group management, which progressed smoothly and led to new achievements. For the second half, we have shifted our focus to another key policy: enhancing the value we provide. This involves exploring new functions and embracing new challenges.

Our junior employees proposed new missions and values that support this direction, and we incorporated our vision into their proposals, redefining them collectively as Mission, Vision, and Values (MVV). We updated “integration 1.0” to “integration 1.1” to emphasize our commitment to value creation. As the core numerical targets of the plan have not changed, we chose “1.1” rather than “2.0.”

Q 2

The net D/E ratio as of the end of September 2025 (0.59x) is below the medium-term management plan target of approximately 1.0x. How do you plan to utilize financial leverage to increase ROE going forward?

Unno

One of the major reasons is that the investment execution, as outlined in the cash flow allocation of the medium-term management plan, is not progressing as expected. In addition, factors such as a significant increase in equity resulting from higher stock prices and yen depreciation, as well as earlier-than-expected cash inflows from the sale of strategic shareholdings, have contributed to the current situation.

Going forward, as our investment execution progresses, we plan to appropriately utilize debt and increase the gross D/E ratio, controlling it around 1.0x. If ROIC reaches the targeted 8%, we anticipate ROE to reach approximately 16%, in line with the financial targets we officially announced.

Q 3

With approximately ¥40.0 billion remaining from the new investment allocation of ¥60.0 billion under the medium-term management plan, there is a possibility that, given the rising stock prices, even more capital may be required for M&A. With ample cash flow, is there any consideration to execute large-scale investments by increasing leverage? Also, how do you view the balance with shareholder returns (dividend payout ratio of 30–35%) in such a scenario?

Miyabe

In ICT-related investments, it is essential to carefully and thoroughly examine potential synergies, especially given the recent rise in valuations. At the same time, we are considering investments in fields related to aerospace and defense, where we can leverage our strengths, and we regard these as important initiatives. During the period of the current medium-term management plan, there might be a review of the allocation within the investment framework, and the total investments could potentially exceed ¥60.0 billion. Regardless, our basic policy to allocate the cash generated primarily to growth investments.

Q 4

What is your strategy to achieve the final year profit target of ¥35.0 billion under the medium-term management plan? Additionally, are investments in the aerospace and defense sectors expected to be executed during this medium-term management plan period?

Miyabe

The net profit increase from ¥27.5 billion (actual result for the fiscal year ending March 2025) to ¥35.0 billion (target for the fiscal year ending March 2027) is ¥7.5 billion. Of this increase, approximately ¥3.5 billion is projected to come from organic growth, and about ¥4.0 billion from M&A.

For the fiscal year ending March 2026, it is expected that around ¥1.5 billion will come from organic growth, and about ¥1.0 billion from M&A, leaving the remaining increase will require approximately ¥2.0 billion from organic growth and ¥3.0 billion from M&A. As M&A accounts for a significant portion, and successful execution of investments in both ICT-related field as well as aerospace and defense will be key.

Regarding aerospace and defense, we are currently considering several investment projects and are aiming to execute them during the current medium-term management plan period. As for organic growth, if the U.S. steel tubing business and the livestock business—both of which are currently facing challenging market conditions—recover, we believe it is possible to achieve an increase of more than ¥2.0 billion.

Q 5

Please provide an update on the progress of the Nippon Cybersecurity Fund, and explain how it is expected to contribute to the ICT solutions business, including the anticipated scale of its profit contribution.

Miyabe

We have raised funds mainly from cybersecurity-related companies and have executed two investments. The primary objective of this fund is not to pursue capital gains, but rather to generate synergies with our businesses by acquiring new technologies and expertise through collaboration with the investee companies.

Q 6

In the ICT Solution segment, profit for the second quarter (three months) alone decreased year on year. What was the background behind this?

Miyabe

This temporary decrease in profit was due to improved compensation and other measures taken to secure engineers.

Q 7

Is the trend of increasing costs in the ICT Solution segment expected to continue going forward?

Miyabe

Some of the cost increases are temporary, and we expect improvement from the second half onwards.

Q 8

Regarding order trends in the ICT Solution segment, the order backlog for the systems business appears to be low compared to order intake. Is this due to the nature of the business, or is the order backlog on a declining trend?

Miyabe

Orders for system-related projects are typically completed on a project-by-project basis, so the order backlog does not tend to accumulate. On the other hand, support and service-related contracts are often continuous, resulting in a larger order backlog compared to systems. This is due to the nature of the business, and does not indicate that the order backlog for system-related projects is declining.

Q 9

As competition for M&A in the digital field intensifies among trading companies, what differentiates your ICT and digital fields, and what are your strengths? Additionally, with the acquisition of Root Riff Systems, Inc. in October, how will your engineering team be strengthened and developed?

Miyabe

Our strength lies in the integration of our SIer business and trading company business. With a customer base of approximately 20,000 companies, we are deeply involved in our customers' business through daily trading activities. This enables us to discover issues that customers themselves may not have noticed and propose solutions. We believe this is a significant advantage over general SIers and consulting firms, who typically respond to issues presented to them by customers.

Another area of strength is cybersecurity, which we have been focusing on for some time. Leveraging the recent surge in cybersecurity demand, we are able to expand our proposals to cover broader system architecture and solutions. Regarding our engineering team, the acquisition of Root Riff Systems, Inc. has added about 50 engineers. While the number is limited, securing engineers specialized in networking is a significant value to us.

Q 10

Regarding the defense business, what is the expected scale of engine supply for frigates? Also, do you expect this business to continue generating profits in the future?

Miyabe

We are currently supplying frigate engines to Japan's Ministry of Defense. In addition, vessels equipped with our engines have been selected as final candidates for the Royal Australian Navy. If achieved, we expect this to become a business of considerable scale.