



Financial Results Briefing Material for the Fiscal Year Ended March 31, 2022

May 26, 2022

KANEMATSU ELECTRONICS LTD.



1 Financial Results Overview, Fiscal Year Ended March 31, 2022

2 Review of the Previous Medium-term Management Plan (FY March 2020 – FY March 2022)

3 New Medium-term Management Plan (FY March 2023 – FY March 2025)



Financial Results Overview, Fiscal Year Ended March 31, 2022

Full-year Financial Results Overview, FY March 2022 (PL)



Ordinary profit **grew for the 12th year in a row** to set a new record, thanks to service-oriented businesses centered on the 3Ks as well as virtual desktop infrastructure (VDI) and security solutions.

Income

(Million yen)	FY Mar 2021 Full-year	FY Mar 2022 Full-year	Year-on-year change	FY Mar 2023 Full-year forecast	
				Change (%)	Change (%)
Net sales	65,542	71,331	5,788	8.8	72,000 0.9
Operating profit	10,870	12,687	1,817	16.7	12,750 0.5
Ordinary profit	11,041	12,784	1,742	15.8	12,800 0.1
Profit attributable to owners of parent	7,382	8,785	1,402	19.0	8,600 (2.1)

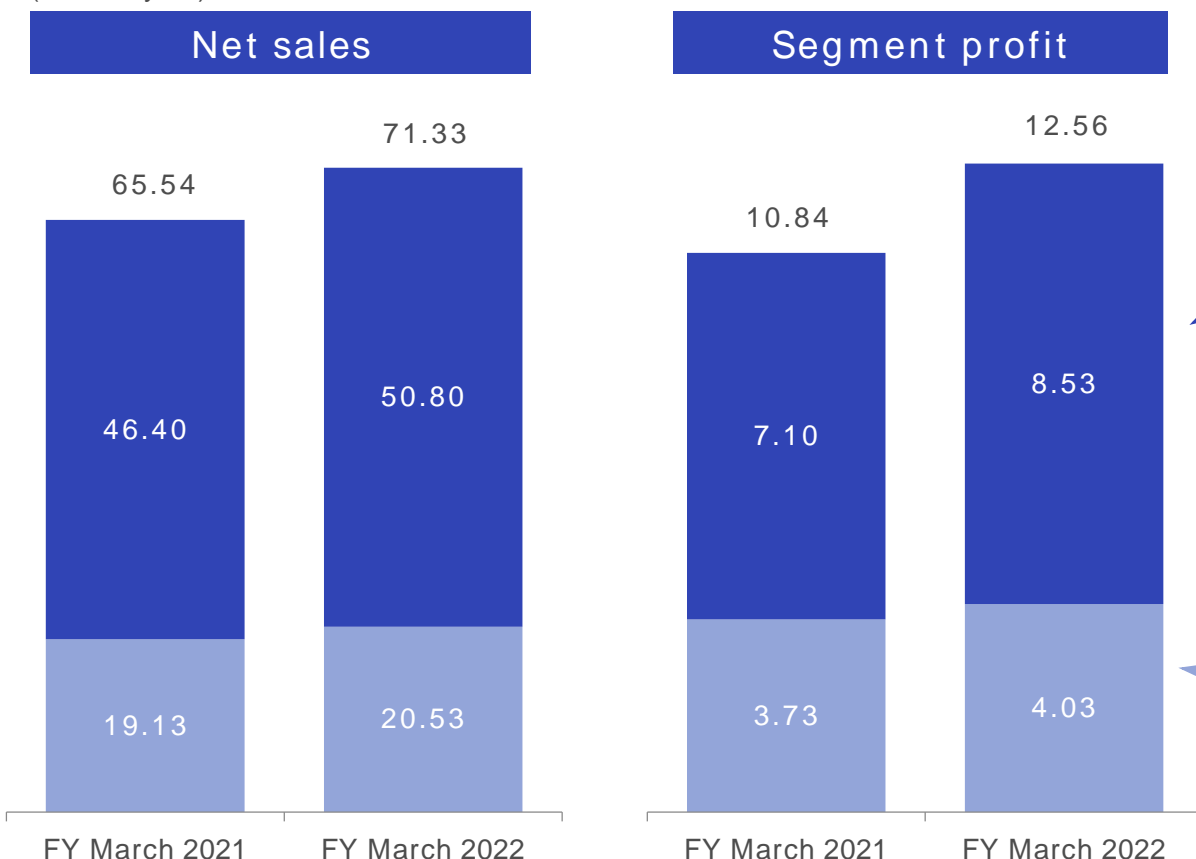
Full-year Financial Results Overview, FY March 2022 (Segment Profit)



(Billion yen)

Net sales

Segment profit



IT Systems Business

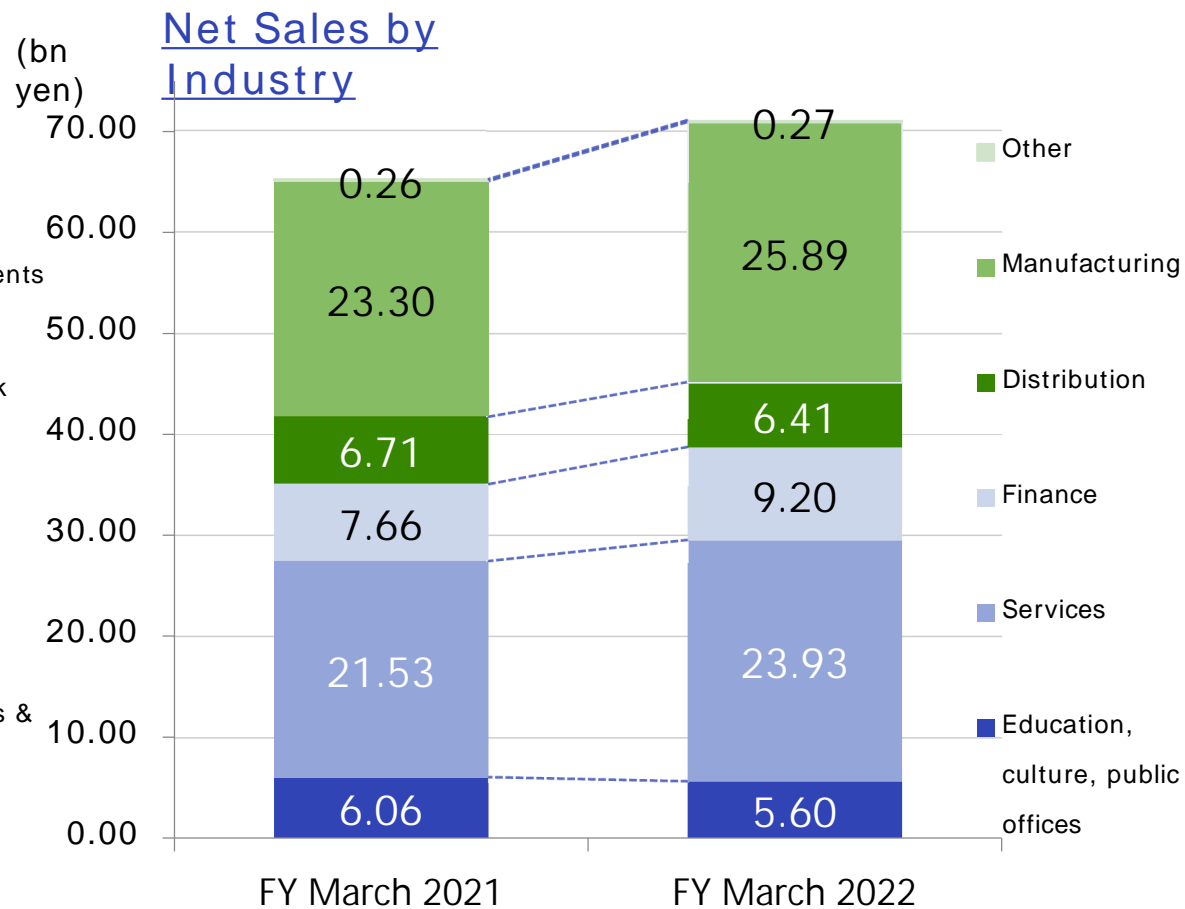
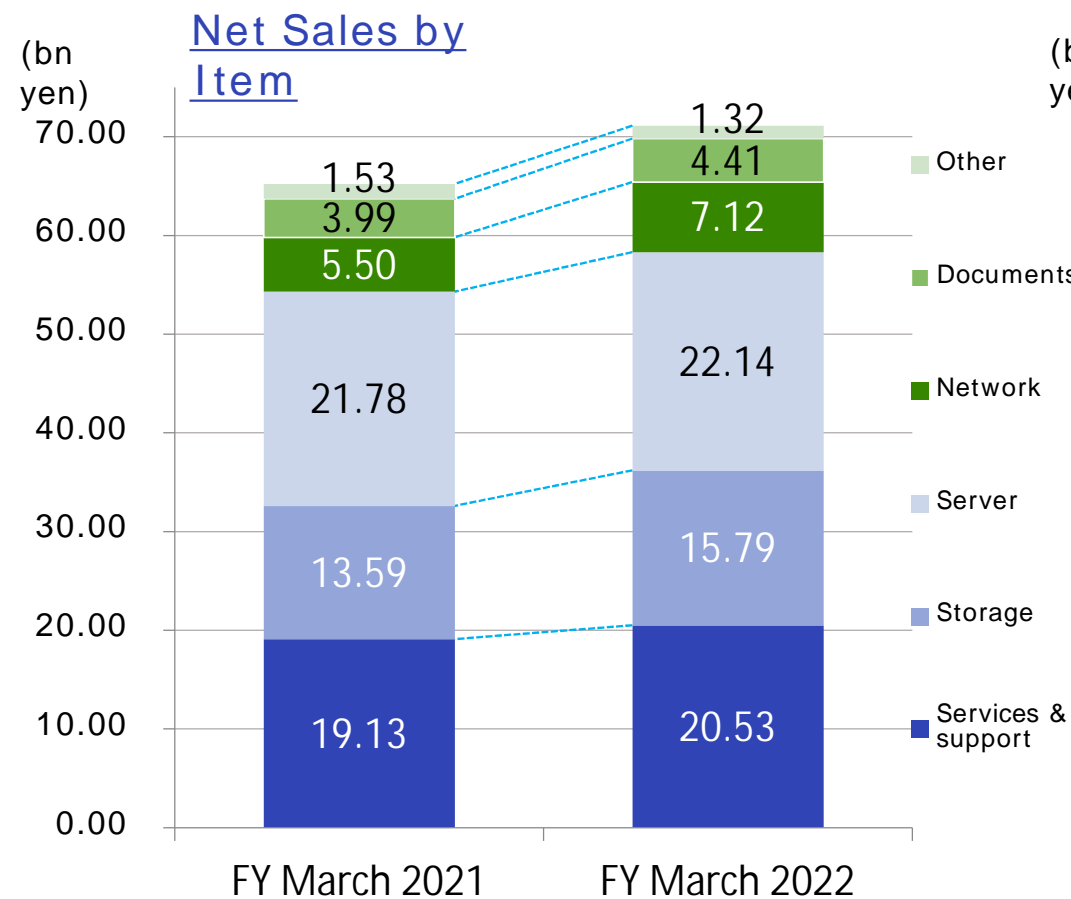
Net sales increased 4,395 million yen (up 9.5% YoY) to 50.8 billion yen, mainly due to strong performances in the storage-related and network security-related businesses.

Services and Support Business

Net sales increased by 1,392 million yen (up 7.3% YoY) to 20.53 billion yen, mainly due to an increase in sales related to the system operation business and cloud services.

* Inter-segment transactions have been eliminated from segment profit.

Full-year Financial Results Overview, FY March 2022 (Breakdown By Item & Industry)



Full-year Financial Results Overview, FY March 2022 (BS)



Equity ratio rose by 0.1 point from the previous fiscal year end to 75.1%, owing partly to the 4,637 million yen increase in retained earnings.

Assets, Liabilities and Net Assets

(Million yen)	FY March 2021	FY March 2022	Year-on-year change
Total assets	75,164	82,446	7,281
Liabilities	18,749	20,518	1,768
Net assets	56,415	61,928	5,513
Equity	56,361	61,885	5,524
Equity ratio	75.0%	75.1%	0.1pt

Full-year Financial Results Overview, FY March 2022 (C/F)



Consolidated cash and cash equivalents stood at 49,668 million yen, increasing by 2,790 million yen from the previous fiscal year end.

Cash Flows		
(Million yen)	FY March 2021 Full-year	FY March 2022 Full-year
Cash flows from operating activities	8,610	7,999
Cash flows from investing activities	(884)	(1,074)
Cash flows from financial activities	(3,863)	(4,149)
Net increase (decrease) in cash and cash equivalents	3,867	2,790
Cash and cash equivalents at end of period	46,877	49,668
Free cash flow	7,725	6,924

Full-year Financial Results Overview, FY March 2023 (Forecast)



Consolidated ordinary profit for the fiscal year ending March 31, 2023, is forecast at **12.8 billion yen**.

Income				
(Million yen)	FY March 2022 Full-year	FY March 2023 Full-year forecast	Year-on-year change	Change (%)
Net sales	71,331	72,000	668	0.9
Operating profit	12,687	12,750	62	0.5
Ordinary profit	12,784	12,800	15	0.1
Profit attributable to owners of parent	8,785	8,600	(185)	(2.1)

Full-year Financial Results Overview, FY March 2022 (Dividends & Payout Ratio)



For the next fiscal year, we plan an interim dividend of 75 yen and a year-end dividend of 80 yen (annual dividend of 155 yen), with a payout ratio of **51.6%**.

Dividends				
	FY March 2020	FY March 2021	FY March 2022	FY March 2023 forecast
Interim dividend	65 yen	65 yen	75 yen	75 yen (forecast)
Year-end dividend	70 yen	70 yen	80 yen	80 yen (forecast)
Annual dividend	135 yen	135 yen	155 yen	155 yen (forecast)
Payout ratio	52.3%	52.3%	50.5%	51.6% (forecast)



Review of the Previous Medium-term Management Plan (FY March 31, 2020 – FY March 31, 2022)

Basic Approach to the Previous Medium-term Management Plan (Key Measures)

*Excerpt from briefing material dated May 28, 2019

Basic Approach

Positioning the new three-year Medium-term Management Plan as a “**period to prepare the grounds**” for further progress, we will balance expanding revenue with investments in human resources and capital and other alliances.

Previous Medium-term Management Plan

- Expand business scale by offering IT infrastructure
- Focus on virtualization, security and other growth areas

Key Measures under the Medium-term Management Plan

- (1) Expand the scope of existing business to offer an optimal ICT environment
Expand business areas other than application development, such as improving the quality of operation services, in addition to expanding the infrastructure construction business.
- (2) Strengthen businesses targeting end-users to establish all-round relationship with our customers as their strategic partner
- (3) Respond flexibly to the ICT environment that is becoming increasingly sophisticated and complicated due to technological innovation
Efforts toward alliances for multi-cloud services, digital transformation (DX), and flexible IT services
- (4) Build and strengthen corporate infrastructure for sustainable growth
Active efforts to secure human resources and investment in alliance partner firms with a view to forging a business alliance

Envisaged Goals

- Further increase corporate value
- Contribute to sustainable growth
- Solve social issues

Numerical Targets for the Previous Medium-term Management Plan (Final Year)



Ordinary profit

12.0 billion yen

ROE

12 % or more

Payout ratio

50 % or more (stable and continuous dividends)


Investment for growth

Approx. **10.0** billion yen (total for 3 years)

Profit Target Achievements (Final Year)

Profit Target Achievements (Final Year)

Ordinary profit **made a leap of over 26%** from the 10.1 billion yen in FY March 2019 to 12.7 billion yen, while ROE **rose to 14.9%**, up from 14.2%. Per share dividend also **soared to 155 yen**, up from 125 yen.

Consolidated Financial Results				
	FY March 2019		FY March 2022	Change from FY March 2019
Ordinary profit	10.12 bn yen		12.78 bn yen	+ 26.3%
ROE	14.2%		14.9%	+ 0.7pt
Annual dividend	125 yen		155 yen	+ 30 yen

Trends in Consolidated Financial Results (FY March 2013 -)



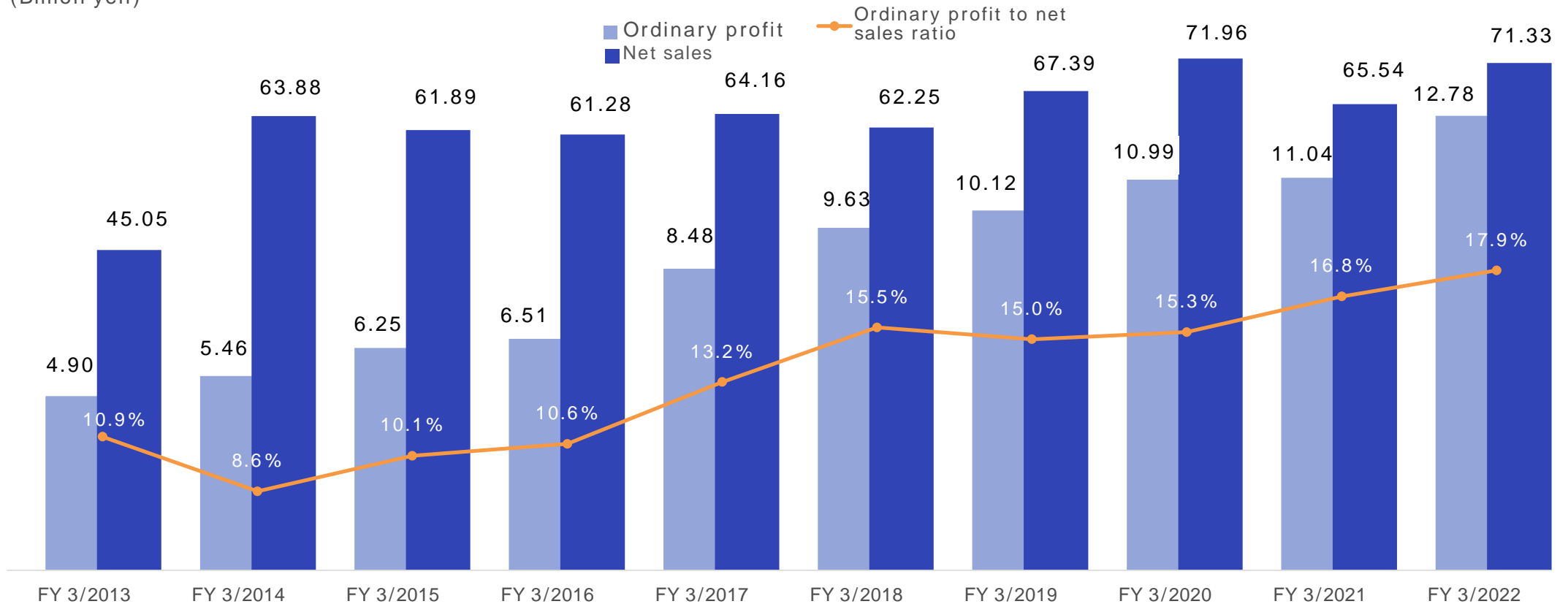
Before consolidating NOS

Medium-term Management Plan
(FY March 2014-FY March 2016)

Medium-term Management Plan
(FY March 2017-FY March 2019)

Medium-term Management Plan
(FY March 2020-FY March 2022)

(Billion yen)



Trends in Consolidated Financial Results (FY March 2013 -)



Before consolidating NOS

Medium-term Management Plan (FY March 2014-FY March 2016)

Medium-term Management Plan (FY March 2017-FY March 2019)

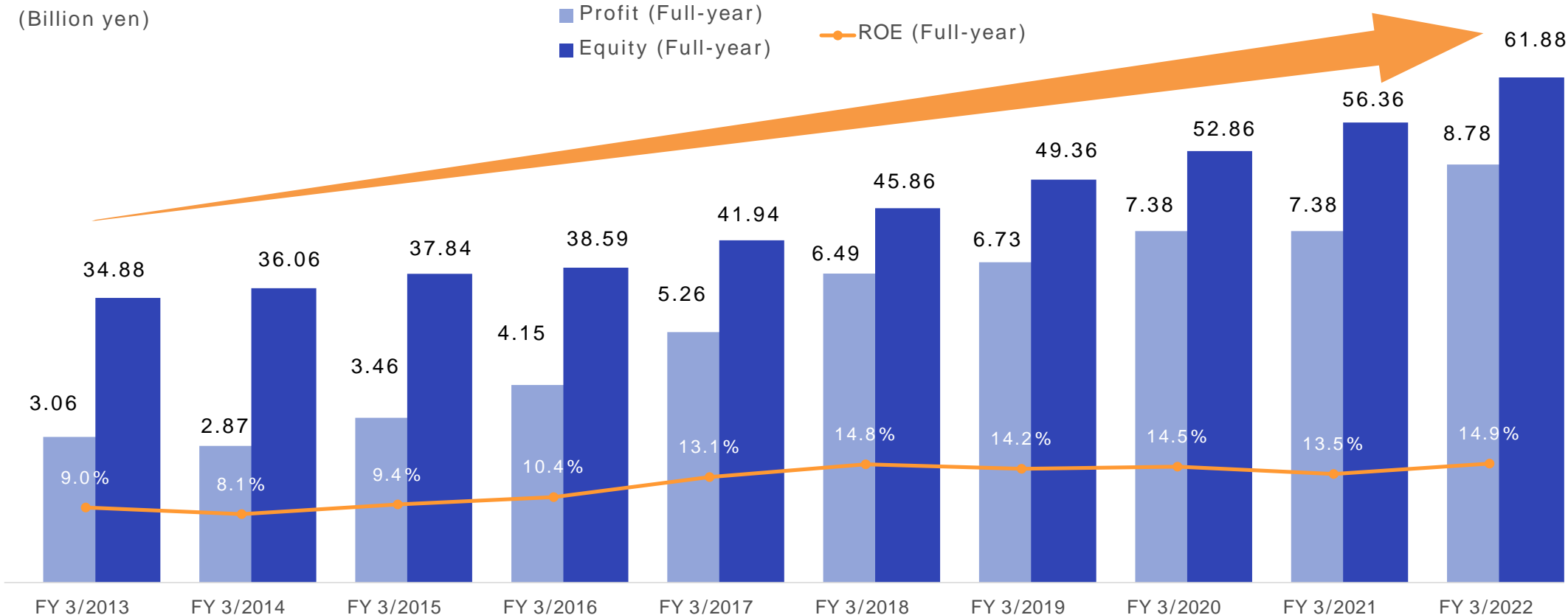
Medium-term Management Plan (FY March 2020-FY March 2022)

(Billion yen)

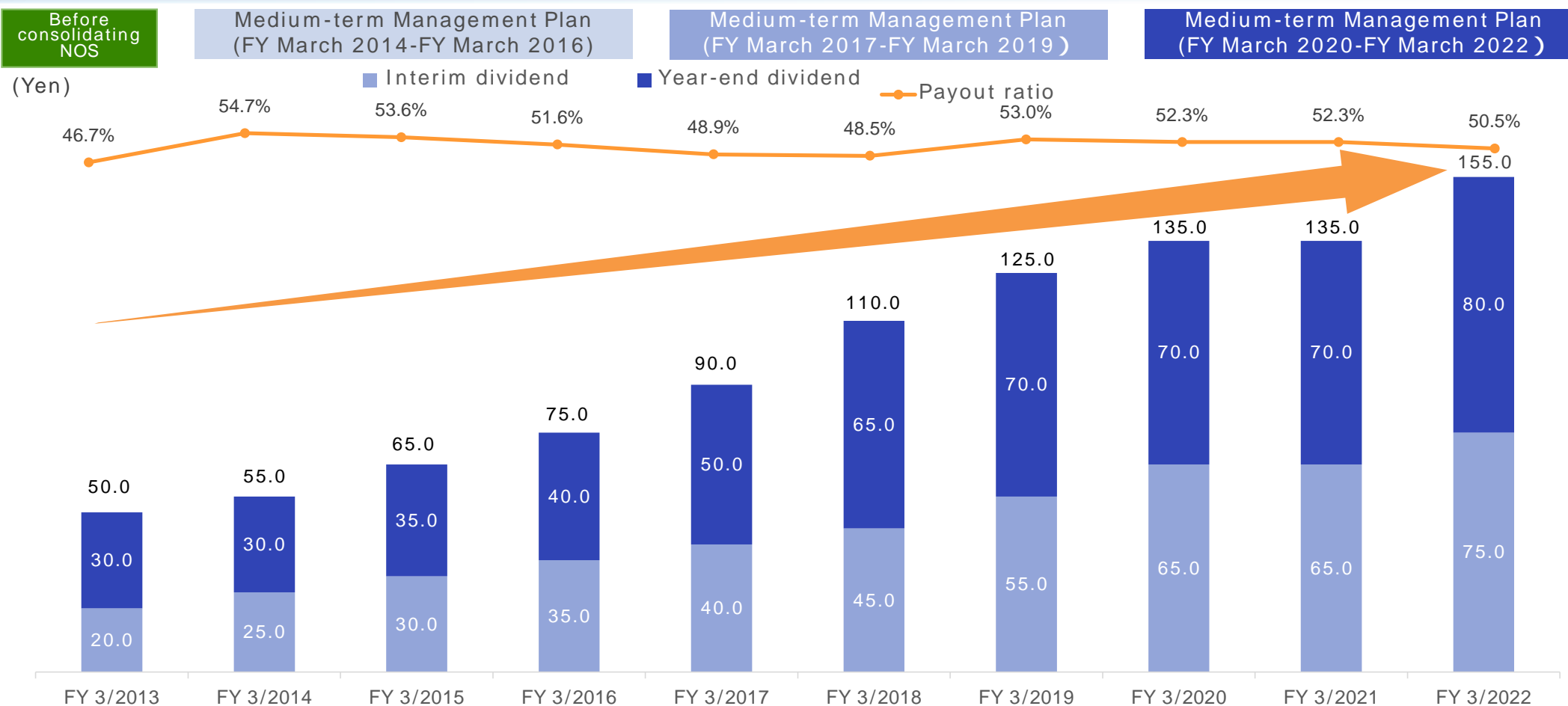
■ Profit (Full-year)

■ Equity (Full-year)

—●— ROE (Full-year)



Trends in Consolidated Financial Results (FY Ended March 31, 2013 -)



Investment for Growth (Total of Approx. 10 billion yen in Three Years)

A Review of Specific Efforts

Strengthening business foundation

- Launched and expanded sales of 3Ks (KBC, KCC, KMS) service businesses
- Explored new business domains by strengthening alliances and partnerships
- Increased efforts in business targeting public offices, municipalities, educational/cultural sector and medical institutions



Improving corporate infrastructure

- Relocated the Engineering Center; renovated/relocated offices; relocated/integrated affiliates
- Commenced full-scale operation of renewed internal core system
- Improved information system security in response to remote working



Investing to secure human resources

- Transitioned to a new personnel system
- Obtained recognition as a Certified Health & Productivity Management Outstanding Organization
- Promoted workstyle reform; digitized internal workflow to improve productivity
- Expanded sales training programs; launched an IT security engineer development project



Summary of the Previous Medium-term Management Plan

Revenue Expansion

Good
Rating

- Ordinary profit continued breaking record highs in the three years.
- Achieved the final year numerical target of 12 billion yen.
- ICT investment has remained strong despite the COVID-19 crisis.
- DX promotion and demands for strategic investment has been the tailwind.

HR Investment

Good
Rating

- Introduced/transitioned to a new personnel system that accommodates workstyle reform and changing market trends.
- Continued working to improve workplace environments.

M&A and Capital Alliance

Neutral
Rating

- Several options were considered, but did not result in adding equity method affiliates or subsidiaries.
- Pushed forward with co-creation by forging strategic partnership not involving capital participation.

In order to further **enhance corporate value, we will develop a basic policy and strategy** in accordance with the corporate governance code and other rules, in line with the new Medium-term Management Plan.



New Medium-term Management Plan (FY March 2023 – FY March 2025)

Issues to be Addressed

Situation Surrounding the Group

Providing hybrid platforms that combine on-premise and cloud solutions now becoming a de facto standard

Digital transformation (DX) going on across industries and growing competition with new rivals as well as with existing system integrators

Limitation on supply caused by supply chain disruption, impact of semiconductors and other parts shortages

Changing awareness of climate change and decarbonization in society as a whole

Existing business domains are undergoing drastic changes, while **areas are expanding in which the Group's digital technology can contribute** to its customers and ultimately, society as a whole.

Key Measures

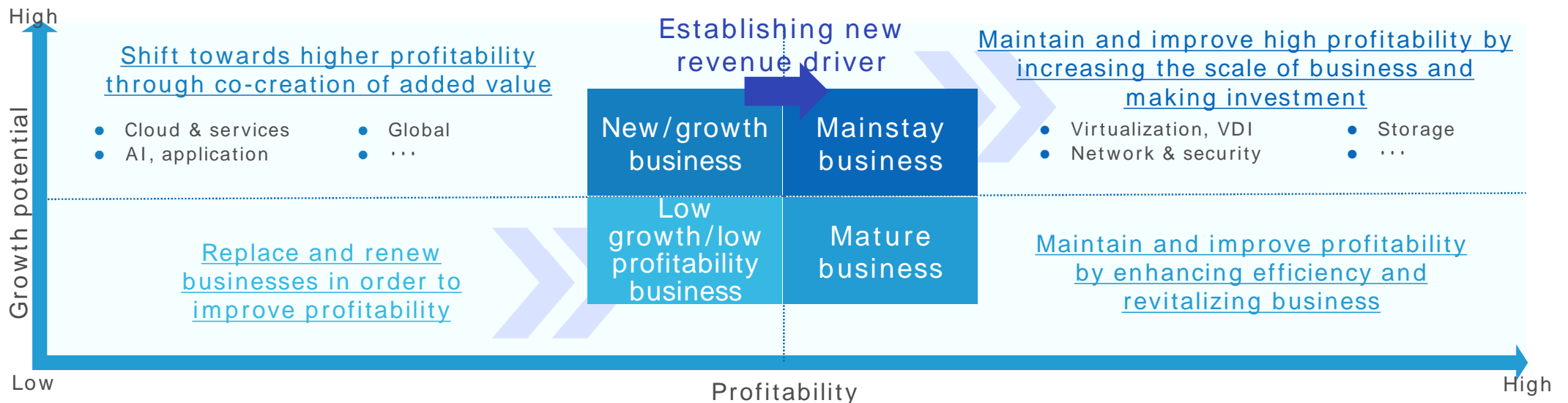
Key Measures

- 1 Develop business tailored to specific industries/business formats in which we work as a strategic partner that follows through with customers' digital transformation (DX)
- 2 Provide a platform equipped with optimal services tailored for each customer (Hone competitive edge in services business spanning from cloud to end point)
- 3 Engage in capital and business alliances that co-create added value and the development of new businesses
- 4 Work on green transformation (GX) using cutting-edge technologies
- 5 Improve the working environment and pay, pursue health and productivity management and other forms of employee well-being, as well as invest in human capital conducive to sustainable growth through HR development, Promoting Women's advancement and increased hiring.
- 6 Strengthen the business foundation through digital investment and achieving solid IT security while maintaining financial soundness

Basic Policy on Business Portfolio

Basic Policy on Business Portfolio

The KEL Group, aiming to grow further and increase corporate value in the medium- to long-term, will work under the basic policy of "deepen mainstay businesses and create new business domains" to build a robust business portfolio that features high profitability, high growth potential and is also resistant to drastic changes in the environment. The implementation of business portfolio strategies will be regularly examined and reviewed by the Board of Directors.



Basic Policy on Sustainability

Basic Policy on Sustainability

The KEL Group works towards a sustainable society under the corporate vision, "we aim to become a total IT service provider who creates trust and value."

- We will solve social issues by creating innovation using cutting-edge technologies.
- We will create new value by setting up an environment that maximizes the abilities of individuals and encourage challenges, through which we foster relationships of trust with our stakeholders.
- We will strengthen our group governance to build a sound and transparent business foundation that underpins value creation.

Environmental	Social		Governance	SDGs
CO2 emissions reduction	Health & productivity management, workstyle reform	Promoting Women's advancement	Corporate governance	
Renewable energy	Securing and developing human resources	Personnel system	Information security, quality management	
Responding to climate change	Improving workplace environments	Partnerships	Compliance, risk management	

Engagement in SDGs

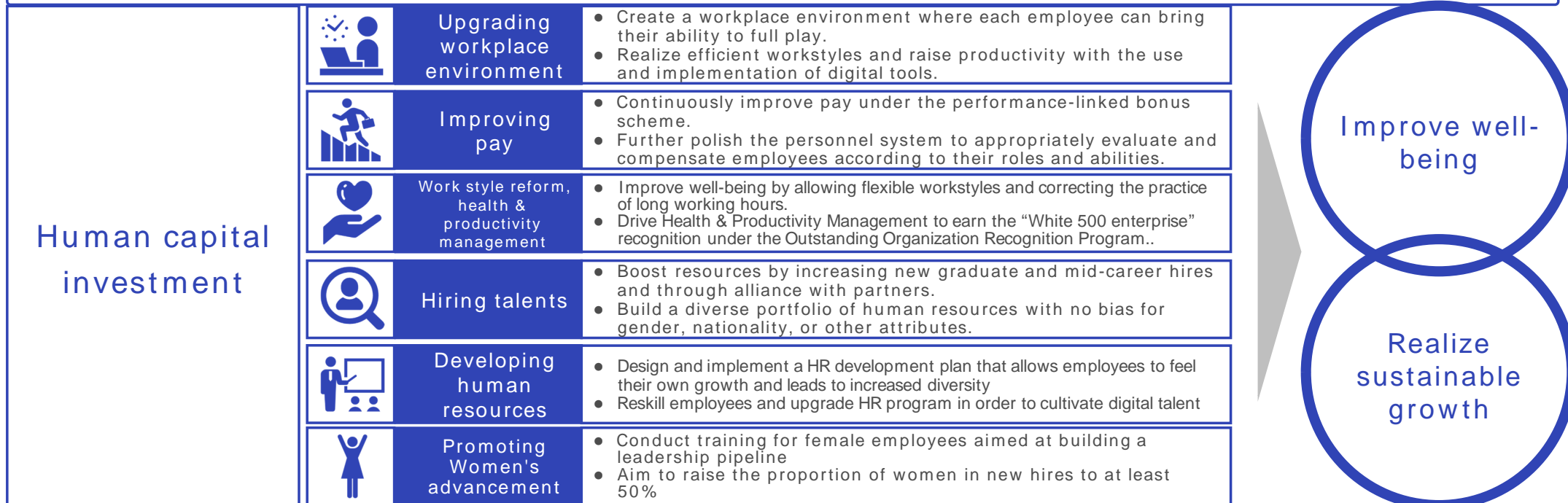
We are prioritizing on four material issues selected from among the targets of the 17 SDGs.

Material Issues	Relevant SDGs	Our Activities
To build a social infrastructure equipped with cutting-edge technologies		<ul style="list-style-type: none"> Offering ICT infrastructure to medical institutions Offering "Sakai," a system that assists classroom-teaching, to educational institutions Enhanced ICT infrastructure and security offered to public offices and municipalities
To reduce environmental burden with the use of cloud and services		<ul style="list-style-type: none"> Consolidating devices through virtualization and use of cloud; reducing physical servers Utilizing data centers that run on renewable energy
To develop digital/cyber security talents and reform workstyle		<ul style="list-style-type: none"> Project to develop human resources specializing in IT security in collaboration with alliance partner firms Building virtual desktop infrastructure (VDI) environment to facilitate remote working Offering KEL Managed Service aimed at unburdening customers from operational and maintenance work phases
To offer the expertise earned through our own business digitization process		<ul style="list-style-type: none"> Introduced next generation network/security that accommodate new workstyles Improving employee productivity utilizing/implementing digital tools Turning the skills and mindset within the Company towards offering the expertise we have earned to our customers and partner firms

Engagement in Human Capital Investment

Key Measure No. 5

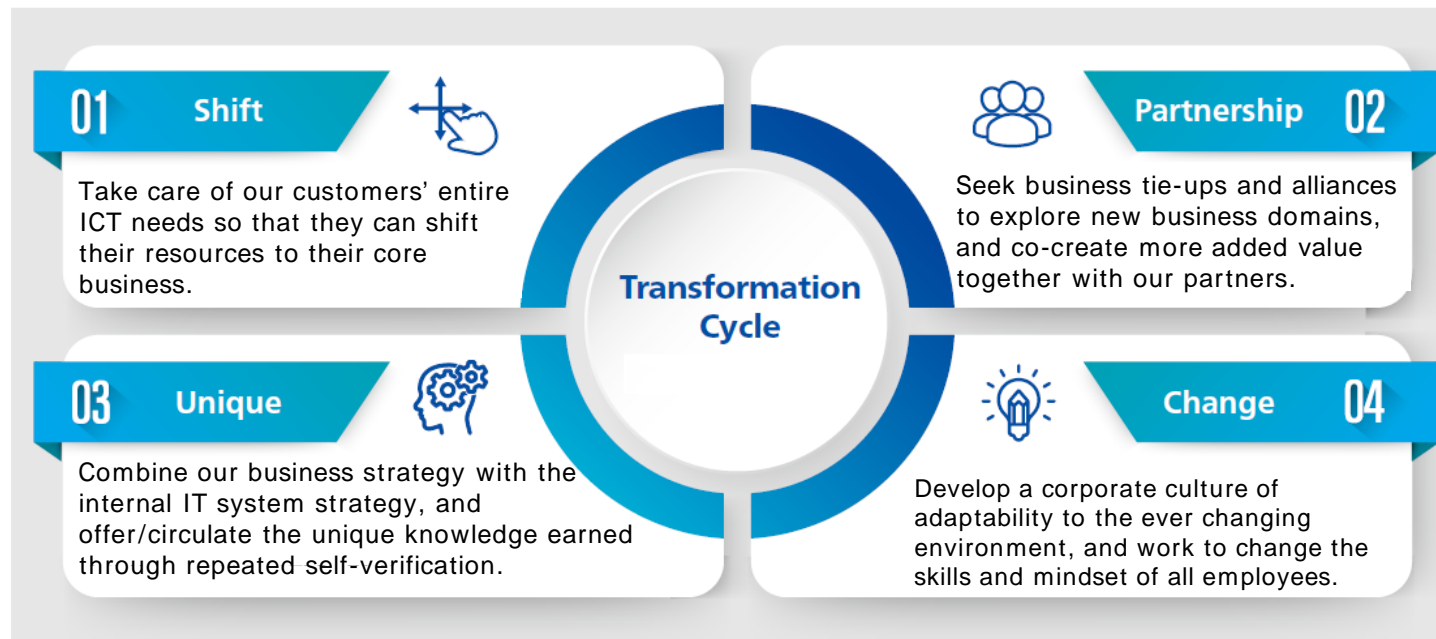
Improve the working environment and pay, pursue health and productivity management and other forms of employee well-being, as well as invest in human capital conducive to sustainable growth through HR development, female empowerment and increased hiring.



Basic Policy for Digital Transformation (DX)

Key Measure No. 6

Strengthen the business foundation through digital investment and achieving solid IT security while maintaining financial soundness



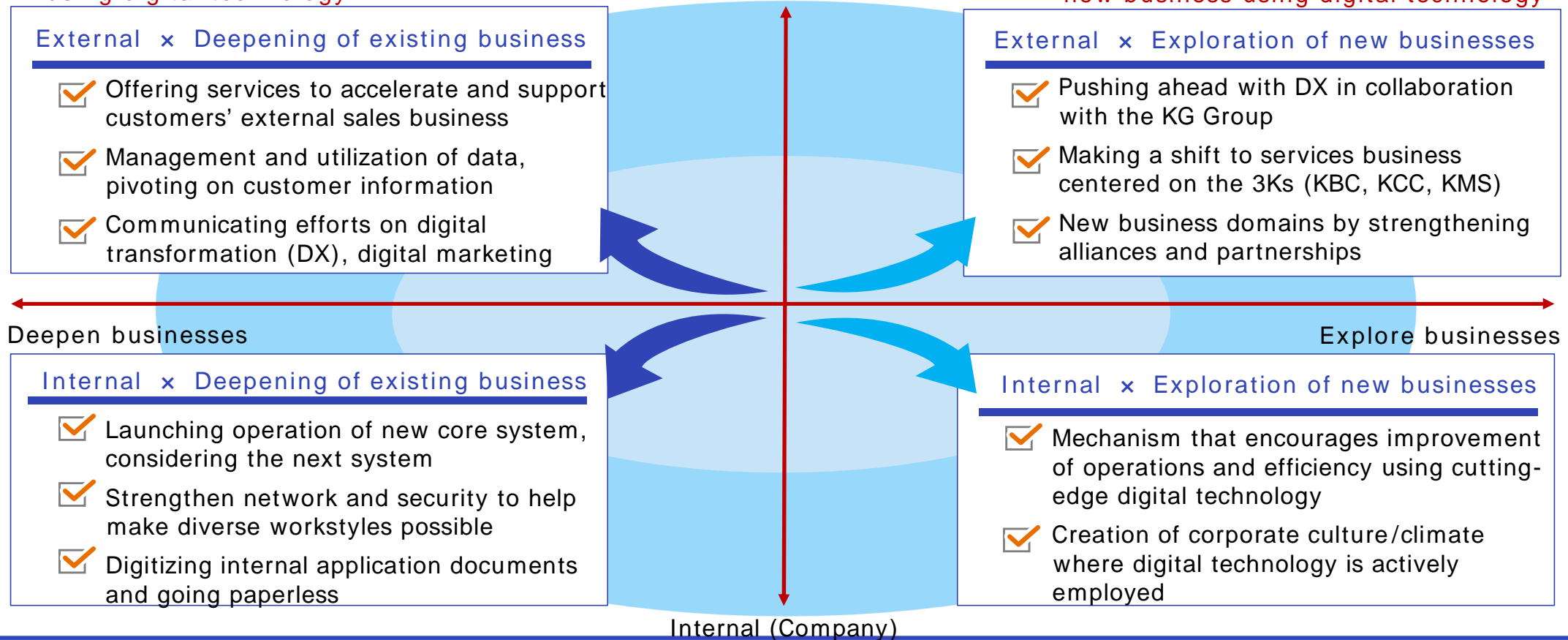
* May 2021: Certified as a "DX-certified operator" under the Digital Transformation (DX) Certification initiative of the Ministry of Economy, Trade and Industry.



Engagement in DX (Externally and Internally)

A. Deepen existing business models using digital technology

B. Change the business format or create new business using digital technology



Numerical Targets and Performance Trends (Forecast)



Ordinary profit

13.5 billion yen

ROE

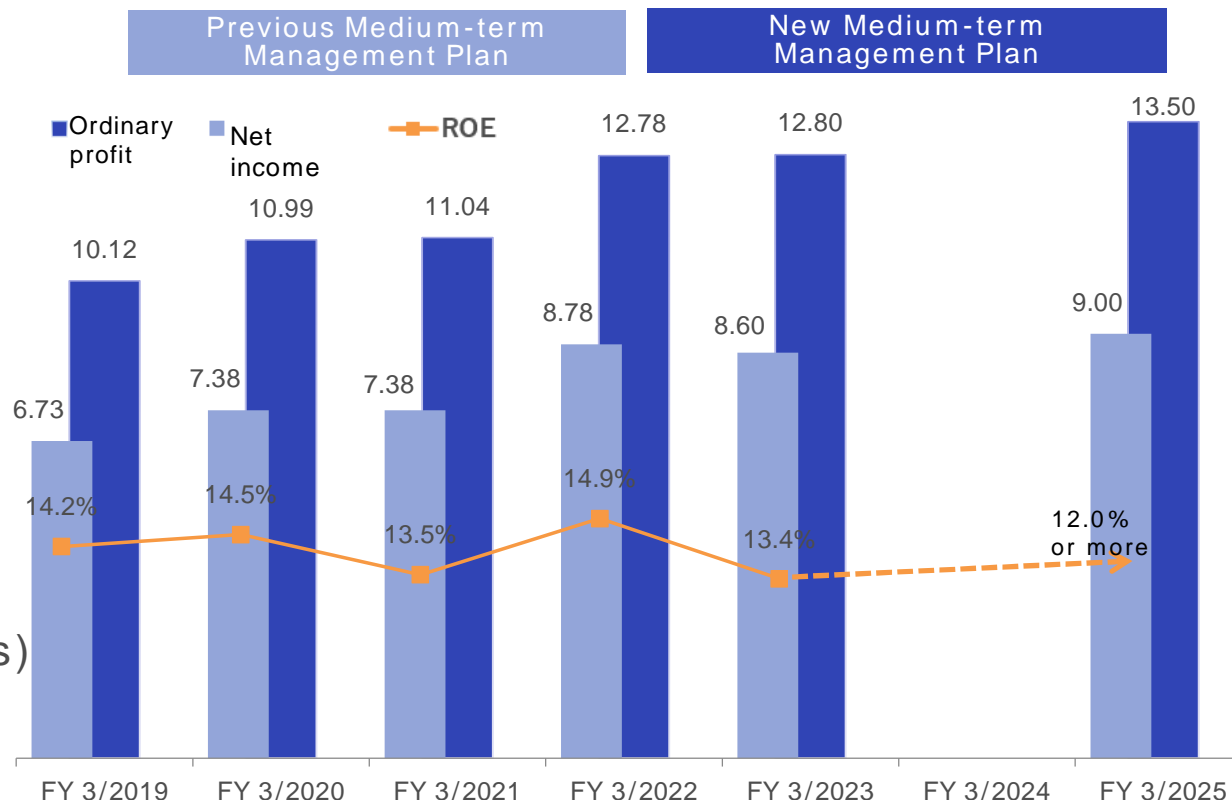
12 % or more

Payout ratio

50 % or more
(stable and continuous dividends)

Investment for growth

Approx. **10.0** billion yen
(total for three years)



(Note) These forecasts are based on information available as of the present and certain assumptions. Actual business results may differ due to various risk factors and uncertainties.



KEL
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