



INTEGRATED REPORT 2021

**SUSTAINED GROWTH  
THROUGH VALUE  
CREATION**

# The Kanematsu Group aims to create value for the development of society in line with the entrepreneurial spirit of its founding.

Over the more than 130 years since its founding in 1889, the Kanematsu Group has been guided by its Corporate Principle, a codification of the founding purpose and entrepreneurial spirit of its founder. Staying constantly ahead of the curve, Kanematsu has contributed to social and economic development by repeatedly creating new businesses.

In April 2018, we launched *future 135*, our medium-term vision for the coming six years. Under *future 135*, we have launched initiatives aimed at sustained growth in core businesses as well as expansion of scale and securing additional value through business investment. Leveraging our stable earnings structure and financial structure, we are steadily advancing toward the next stage of growth, with the aspiration of being a unique general trading company.

## Corporate Principle

### “Let us sow and nurture the seeds of global prosperity”

“Sow a seed now,” and take action to benefit people around the globe, bade our founder, Fusajiro Kanematsu, setting a standard of public duty that we at Kanematsu continue to uphold through a commitment to ethical business principles and corporate responsibility.

The beliefs and philosophies that inspired Fusajiro Kanematsu in the late nineteenth century Meiji period, a time when Japan was striving to build a national economy, were encapsulated in the document *Our Beliefs: Kanematsu's Guiding Principles* in 1967, on the occasion of our merger with The Goshō Company.

### Our Beliefs: Kanematsu's Guiding Principles

1. Reflecting the pioneering spirit of our predecessors, we believe that fairness and justice should guide our business dealings and the wise use of creative imagination and ingenuity will bring prosperity.
2. Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all.
3. As members of a corporation, we act not as individuals but as representatives of that organization and as such we are bound by Company rules and attendant loyalties and must work together with a spirit of cooperation while cultivating mutual understanding and respect for fellow members.

## Kanematsu's Code of Conduct

- |  |  |
|--|--|
| 1. Origin of corporate activities          | We became involved in corporate activities to serve our various stakeholders by providing socially valuable goods and services in accordance with the aim of our founder to realize a sustainable society.   |
| 2. Fair transactions                       | Our corporate activities are conducted in compliance with laws and ordinances in Japan and abroad, international rules and practices, and internal rules as well as with social common sense.  |
| 3. Information management & disclosure     | Information is properly managed to protect personal information, customer information, and intellectual property and is disclosed in a timely and proper manner to establish mutual trust between Kanematsu and the community and maintain a high level of transparency. |
| 4. Respect for human rights                | We respect human rights and do not discriminate. Employee career development and capability development are actively supported. Diversity, personality, and character are respected so as to create a dynamic corporate culture.   |
| 5. Consideration of the global environment | We exercise sufficient consideration in our corporate activities to maintain a sound global environment for sustainable growth.  |
| 6. Social contribution                     | We are aware of the importance of our social responsibility as good corporate citizens, and proactively undertake social contribution activities. Employee activities to contribute to community development and to comfortable and safe living are supported.           |



## Kanematsu's Progress and Strengths

- 2 The Kanematsu Group's Origins
- 4 The Kanematsu Group's History
- 6 Value Creation Process

## Management Strategy

- 8 Message from the President
- 14 Message from the CFO
- 18 Special Feature: *future 135* Medium-Term Vision
  - 19 Review of the Vision's First Three Years (FY2019 – 2021)
  - 20 Policy for the Latter Half of the Vision (FY2022 – 2024)
  - 21 The Kanematsu Group's DX

## Sustainability

- 22 Sustainability
- 35 Corporate Governance
- 40 Interview with the Outside Directors
- 42 Corporate Officers

## Review of Operations

- 44 Business Segments
  - 46 Electronics & Devices
  - 48 Foods
  - 50 Meat Products
  - 52 Grain, Oilseeds & Feedstuff
  - 54 Steel, Materials & Plant
  - 56 Motor Vehicles & Aerospace

## Financial Section and Company Information

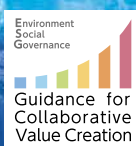
- 58 Financial and ESG Highlights
- 60 Management's Discussion and Analysis
- 62 Business Risks
- 64 Major Group Companies
- 65 Global Network / Organization Chart
- 66 Japanese and Overseas Offices
- 68 Corporate Profile

Financial information is available on Kanematsu's website.

<https://www.kanematsu.co.jp/en/ir/library/financial-statements.html>

### Editorial Policy

The content of the Kanematsu Group's integrated reports is based on an integrated reporting approach that references the International Integrated Reporting Framework of the Value Reporting Foundation (the result of the merger of the IIRC and SASB), the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry, and ISO 26000. We hope that the report will help readers deepen their understanding of the Kanematsu Group.



### Forward-Looking Statements

This annual report contains statements regarding the Kanematsu Group's plans, strategies, and expectations for future performance. Such statements are inherently subject to risk and uncertainty. Actual results could diverge materially from the Group's projections due to changes in the economic and market environment surrounding the Group's business areas, such as exchange rate fluctuation.



# The Kanematsu Group's Origins

In 1889, Fusajiro Kanematsu founded Kanematsu. Over the 132 years since its beginnings as an importer of wool from Australia, the Company has expanded into diverse fields spanning fibers to steel, machinery, food, energy, and electronics, growing into a general trading company. Kanematsu has flexibly adapted to changes in international society and the economic environment over the decades, overcoming numerous obstacles and transforming itself. While the Group continues to change and evolve, the entrepreneurial spirit valued by our founder and his aspiration to contribute to international society live on in the Kanematsu Group today.



Fusajiro Kanematsu  
1845–1913

## The aspiration of founder Fusajiro Kanematsu

### Before Founding Kanematsu

In a time when the lifespan of a person was considered to be 50 years, Fusajiro Kanematsu made a major step toward trade with Australia at the age of 44. His way of life was to continuously seek out new challenges, with an eye to the future of Japan.

Fusajiro Kanematsu was born in 1845 in Osaka, Japan. He foresaw the arrival of a new era amid the disorder at the end of the Edo period and decided to establish himself as a merchant rather than as part of the samurai nobility. In 1873, foreign trade was rapidly growing. Kanematsu, then 28 years old, joined the Osaka Branch, Bank Division, of Mitsui Gumi (now Sumitomo Mitsui Banking Corporation). Through honest and proactive hard work, he helped pioneer private funding operations, which banks did not yet handle, achieving many successes and building trust.

He then left the job at Mitsui and participated in the founding of Osaka Shosen (now Mitsui O.S.K. Lines, Ltd.) in 1884, helping to invigorate the shipping industry centered on Osaka. In 1887, he purchased the *Osaka Nippo* newspaper (renamed *Osaka Mainichi Shimbun* the following year). He breathed fresh air into newspapers that were generally biased toward the political power and launched a business newspaper to promote the development of industry. In this paper, he introduced novel types of content, including price lists and the opinions of private companies.

In this way, Fusajiro Kanematsu's entrepreneurial spirit and aspiration to develop industry in Japan were constants throughout his life.

At the time, nearly 90% of Japan's imports and exports were dominated by foreign firms. Kanematsu felt that trade was the only way to enhance Japan's national strength, and that it was thus essential for the Japanese to control their trading rights. Animated by this ideal and this hope, he looked to Australia, which had thriving livestock and mining industries and was the largest wool producer in the world. In 1887, Kanematsu visited Sydney for the first time to understand conditions there, and in 1889 he founded Fusajiro Kanematsu Shoten of Australian Trading (now Kanematsu Corporation) in Kobe, Japan. The following year, he opened a branch office in Sydney and made the first shipments of beef fat, cattle hides, and wool to Japan, marking the first step in direct trade between Japan and Australia.



Statement of founding purpose,  
written by Fusajiro Kanematsu



## The Sayings of Fusajiro Kanematsu

### Let Us Sow and Nurture the Seeds of Prosperity for Japan

This was part of Fusajiro Kanematsu's founding purpose statement in 1889 and is part of our Corporate Principle today. It expresses the aim of contributing to society by building businesses and, in a modern context, of taking action to enrich the lives and well-being of people not only in Japan, but around the world. This idea is highly compatible with the spirit of the Sustainable Development Goals (SDGs) and aligns with the concept of creating shared value for society by solving social issues through corporate business activities.

### Belief in the Value of Work

This phrase expresses the idea that labor becomes meaningless if the individual becomes too focused on their compensation and loses their passion for the work, and that focusing first and foremost on the work itself is essential. Fusajiro Kanematsu's fundamental spirit was to take interest in and enjoy the work, rather than simply laboring to make money. If one gives one's all and enjoys the work, profit will eventually follow—this idea is compatible with a spirit of altruism and the SDGs.

## lives on today as the core heritage of Kanematsu.

### Profit is Just a By-Product of Business

This saying expresses the idea that conducting business in an upstanding manner for the common good is more important than pursuing profit, and that one should engage in businesses that result in profit naturally; it can also be taken as a warning against business practices that go too far to force a profit. This guidance against thinking that any kind of business practice is acceptable as long as it is profitable ties into modern ideas of compliance and corporate governance and is fundamental to sustainable business and corporate activity.

### Customers Come First

The principle of putting customers first is a traditional and fundamental attitude of Osaka merchants. In the late 19th century, however, the decadent trade practices of foreign settlements had also taken root. As an intermediary in product trading, Fusajiro Kanematsu stressed the importance of returning to a stance of dealing with both buyers and sellers with honesty. In teaching his employees and associates, he often repeated the importance of treating customers with respect and honesty, saying that without customers, there could be no Kanematsu Shoten. This focus on honesty and integrity is alive in the Kanematsu Group's people today.



Kobe Head Office shortly after founding



Sydney Branch in 1891



Invoice for the first Australian wool shipment, handwritten by Fusajiro Kanematsu

## Innovating and evolving with the times, continually

**1889**

Fusajiro Kanematsu Shoten of Australian Trading founded by Fusajiro Kanematsu in Kobe

**1890**

Branch opened in Sydney  
Direct importing of Australian wool began

**1918**

Company name changed to Kanematsu Shoten Company

**1935**

Kanematsu Wool Research Institute established (now KANEYO Co., Ltd.)

**1936**

Branches opened in New York and Seattle

**1943**

Company name changed to Kanematsu Corporation

**1951**

Overseas affiliate established in New York, the first overseas office established by a Japanese trading company after World War II

**1967**

Merged with the Goshō Company to form Kanematsu-Goshō, Ltd.

**1973**

Listed on the first section of the Tokyo Stock Exchange

**1989**

100th anniversary of the Company's founding

**1990**

Company name changed to Kanematsu Corporation

### Electronics & Devices

**1968**

Kanematsu Denshi Service Ltd. established (now Kanematsu Electronics Ltd.)

**1972**

Kanematsu Semiconductor Corporation established (now Kanematsu Futuretech Solutions Corporation)

**1974**

Kanematsu Computer Systems Ltd. established (now Kanematsu Communications Ltd.)

**1978**

Kanematsu Kinzoku Hanbai Co., Ltd. established (now Kanematsu Advanced Materials Corp.)

**1982**

Nippon Office Systems Ltd. established

Pacific Western Systems Japan established (now Kanematsu PWS Ltd.)

### Foods, Meat & Grain

**1954**

Kanematsu Hiryo Co., Ltd. established (now Kanematsu Agritech Co., Ltd.)

**1977**

Kaneshoku Corporation established (now Kanematsu Foods Corp.)

### Steel, Materials & Plant

**1959**

Kanematsu Yuso Co., Ltd. established

**1967**

Acquired a controlling interest in Fine Kuroda Services Corp., renaming it Kanematsu Goshō Machine Tool Sales Corp. (now Kanematsu KGK Corp.)

**1970**

Kanematsu Kenzai Corporation established (now Kanematsu Trading Corp.)

**1974**

Kanematsu Kaseihin Co., Ltd. established (now Kanematsu Chemicals Corp.)

**1960**

Kanematsu Sekiyu Gasu Corp. established (now Kanematsu Petroleum Corp.)

**1985**

Began trading with Steel Service Oilfield Tubular, Inc.

### Motor Vehicles & Aerospace

**1985**

Kanematsu Aerospace Corp. established

### 1889–1950s Founding

Guided by Kanematsu's founder, a pioneer in trade between Japan and Australia, Kanematsu weathered financial panics and built a solid foundation. Eventually, the Company expanded to the United States and other countries.

### 1960s–1980s Growth

Kanematsu grows larger, diversifying functions as a trading company and expanding geographically.

#### Solving Social Problems

Kanematsu expanded its international trading beyond Australia, opening overseas branches and building a foundation for the development of trade with Japan.

In step with Japan's rapid economic growth, Kanematsu proactively developed third-country trading as well as importing and exporting between companies in Japan and overseas. At the same time, the Group promoted infrastructure development in developing countries.



# creating and providing value unique to Kanematsu.

**1991**

Kanematsu Electronics Ltd. listed on the first section of the Tokyo Stock Exchange

**1993**

Kanematsu Computer Systems Ltd. (now Kanematsu Communications Ltd.) began mobile phone sales

**1995**

Kanematsu Sekiyu Hanbai Corp. established (now Kanematsu Petroleum Corp.)

**1999**

Carried out large-scale business selection and concentration

**2005**

Kanematsu Electronics Ltd. became a subsidiary

Acquired a majority stake in Shintoa Corp. (100% stake acquired in 2010)

**2012**

Acquired North American steel tubing company Benoit Machine LLC (now Benoit Premium Threading, LLC)

**2013**

Resumed dividend payments

**2014**

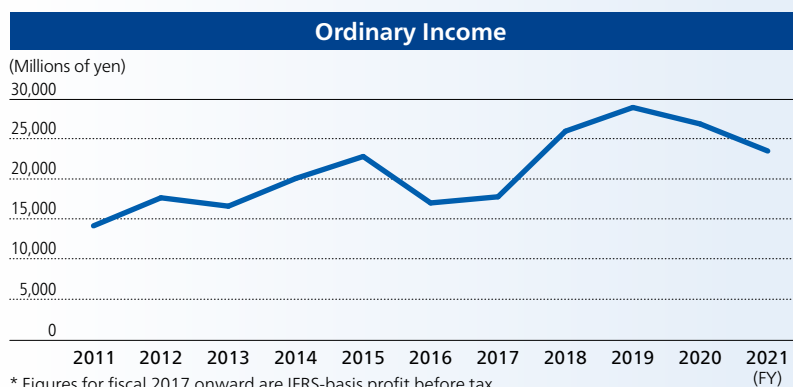
Acquired a majority stake in Kanematsu-NNK Corp. (now Kanematsu Sustech Corporation)

**2016**

Carried out an absorption-type merger with Diamondtelecom, Inc., aimed at expanding the mobile business

**2019**

130th anniversary of the Company's founding



## – future 135 –

April 2018–March 2024

- Sustainable growth in fundamental businesses and expansion of the revenue base through business investment
- Response to technical innovation
- Establishment of management infrastructure for achieving sustainable growth

## “VISION-130”

April 2014 – March 2019

- Approaching the 130th anniversary of the founding of Kanematsu, we returned to our beginnings as a trading company and to our Corporate Principle. Our management objectives were to “Maintain a healthy financial position” and to “Expand our earnings base” through coexistence and mutual development with our business partners based on the long history of our trading business.
- We aimed to increase our enterprise value by furthering our business in areas of expertise and investing in new challenges to create value while bolstering our management base.

Largely Completed a Year Early in Fiscal 2018

- Consolidated net income: ¥16.3 billion
- ROE: 15.1%
- Shareholders' equity: ¥116.0 billion
- Net D/E ratio: 0.5 times

## — Jump to next stage leading to the future —

April 2013–March 2016

- Took a positive stance to enable rapid progress and to establish a solid growth track in preparation for the 125th anniversary.
- Continued to develop professional organizations and personnel as a business creation group, aiming for coexistence and mutual development with our business partners.
- Endeavored to consistently increase corporate value to meet the expectations of domestic and foreign stakeholders.

➡ Resumed paying an interim dividend in fiscal 2014

Note: The above periods are those designated at the time the respective plan/visions were announced.

## 1990s–2000s Reforms

Following the expansion and collapse of Japan's economic bubble and the Asian Financial Crisis, Kanematsu carried out decisive business selection and concentration aimed at reinforcing its management framework. The Company also worked to improve and strengthen its financial base.

Responding to the rapid uptake of IT throughout society, Kanematsu advanced business development in line with the needs of the digital age, entering the mobile business and reinforcing information and communication technology (ICT) functions.

## 2010– Aiming for the Future

Kanematsu has enhanced its management base through business selection and concentration. Implementing M&A in highly specialized fields and business expansion, we are shifting to an aggressive management stance.

Kanematsu focused on developing products and services that take into account sustainability in such areas as food resources and the environment. The Group worked to create new, high-value-added business models, with an eye to responding to such technological innovation as AI and IoT.

# The Kanematsu Group is utilizing its capital in its and increase its enterprise value as it works to address

## Corporate Principle—Our Founding Purpose and Our Beliefs:

### External Environment

Shifting international conditions

Climate change

Technological innovation

Changing food supply and demand balance

Changing lifestyles

Legal amendments, regulatory loosening and tightening

### Key Issues

#### Building a Sustainable Supply Chain



#### Decarbonization Initiatives



#### Mutual Development with Local Communities



#### Creating an Environment That Enables Diverse Work Styles



#### Enhancement of Governance and Compliance



### The Kanematsu Group's Capital

#### Organizational Capital

- Business fields, each with specific expertise
- Organizational functions that support business activities from specialized perspectives
- Locations around the world
- Highly specialized Group companies

#### Human and Intellectual Capital

- Wide range of business fields
- Expertise and technical capabilities regarding industries and products
- Accumulated know-how
- Global professionals/Diverse professionals
- Business creation and proposal abilities

#### Financial Capital

- Sound financial position (Net D/E ratio of less than 1.0)
- Stable earnings base
- Average annual cash flows of approximately ¥20 billion

#### Social and Relationship Capital

- High quality and quantity of business partners
- Contribution to local communities
- Trust built over a period of 130 years

#### Natural Capital

- Biodiversity (animals, plants, fungi, etc.)
- Sunlight, air, forests, and soil
- Geothermal, wind, and other forms of renewable energy

## Corporate Governance



# corporate activities to provide new value to society five key issues (issues of high materiality).

## Kanematsu's Guiding Principles [See p.1](#)

### What We Do

#### Four Segments with Unique Strengths

##### Electronics & Devices

Semiconductor Equipment, Electronic Components and Materials, Industrial Electronics, Semiconductors & Devices, ICT Solutions, Mobile, CCTV Systems, and Data

##### Foods, Meat & Grain

Foods (Agricultural products, marine products, beverages, etc.), Cooked and Processed Foods, Meat Products, Grain, Food Soybeans, Oilseeds, Feedstuff, and Processed Agricultural Products

##### Steel, Materials & Plant

Steel, Steel Tubing, Chemicals, Energy, Plant & Ships, and Machine Tools & Industrial Machinery

##### Motor Vehicles & Aerospace

Motor Vehicles and Parts and Aerospace

#### Priority Initiatives Under the *future 135* Medium-Term Vision

- Sustainable growth in fundamental businesses and expansion of the revenue base through business investment
- Response to technical innovation
- Establishment of management infrastructure for achieving sustainable growth

#### Weighing risks and opportunities

#### Bolstering the management base

#### Contributing to local communities and the environment

## Value We Provide to Society (Outcomes)

- We will respect the environment and human rights, communicate with diverse actors in society, and realize stable and sustainable procurement, supply, distribution, and services together with our partners and customers.
- Aiming to achieve net zero greenhouse gas emissions, we will promote our clean fuel and renewable energy business to contribute to the mitigation of global warming.
- Through our global operations, we will support the lives of people around the globe, work on improving social infrastructure, and contribute to the sustainable growth and development of local communities.
- We will create a work environment that encourages each individual to leverage his or her unique talents and qualities, supporting diverse work styles. Furthermore, we will improve training programs to develop managers capable of creating and expanding businesses.
- We will maintain a robust supervisory system to prevent accidents and fraud and aim for sustainable growth through transparent disclosure of information to stakeholders.

## Message from the President

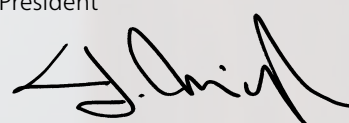




# From Value Provision to Value Creation— Looking toward a New Era as a Trading Company

In June 2021, I had the honor of assuming the position of president of Kanematsu. To achieve the goals of the latter half of *future 135*, our medium-term vision for the six years ending fiscal 2024, I will return to the founding purpose espoused by Group founder Fusajiro Kanematsu as I strive to increase enterprise value.

President



Yoshiya Miyabe

## Career history

Yoshiya Miyabe joined Kanematsu in 1983. After serving as general manager of the Industrial Electronics Department, he was appointed director in June 2012, and was in charge of the Electronics & IT Division and (following reorganization) the Motor Vehicles & Aerospace Division. In 2018, he was appointed director and senior managing executive officer, serving as chief officer of the Motor Vehicles & Aerospace Division and of Technologies and Business Collaboration. He has more than a decade of experience working in the United States.

## Striving to Meet the Expectations and Trust Placed in Management

To begin, on behalf of the Kanematsu Group, I would like to extend my condolences to all those affected by the COVID-19 pandemic and to thank all those who have supported our communities through their tireless efforts in this difficult time.

With the end of the COVID-19 pandemic still out of sight and waves of change—from efforts to transition to a decarbonized society spurred by climate change to digital transformation (DX)—bearing

down on us, it is clear that tectonic shifts are beginning around the world. I was selected to become president at this time of dramatic change in society partly, I think, because of my many years of experience in sales in and outside Japan. I therefore understand the mission entrusted to me as being to advance management while always remembering the key ideas of interpersonal connection, action, and taking on ambitious challenges.

## Our Social Mission is Defined by Our Founding Purpose

Since its founding, the Kanematsu Group has maintained and practiced an entrepreneurial spirit of developing new markets and businesses and its founding purpose of providing socially valuable goods and services, which relates to today's Sustainable Development Goals (SDGs). I believe that these are universally applicable values that we must continue to pass down, and that by making management decisions that are rooted always in our founding

purpose, we will build a strong, clear Group identity.

At the same time, as times change, our role as a trading company is changing. Until now, trading companies offered functions in such areas as information, logistics, finance, and risk management. However, as manufacturers and other companies in other industries increasingly provide these functions, we must step back and deeply examine our purpose and the value that we can provide.

## Changes in the Environment and the Future Potential of Trading Companies

### Unafraid of Failure and up for a Challenge

Going forward, while remaining rooted in trading, trading companies will need to make their presence felt as highly specialized business partners deeply embedded in supply chains and sales networks, going beyond just investing to create new value. Building a new business from scratch is quite a fun experience. There are many failures along the way, but when you achieve success and the team reaches its goals, you taste a satisfaction that is difficult to put into words. I want to enable as many of our employees as possible to have this kind of experience early in their careers. To this end, we must develop a culture that encourages aggressively taking on new challenges. To help such a culture take root throughout the Group as we aim for corporate growth, we will need to continue efforts to improve work environments and systems.

### Leadership that Unites Teams in Pursuit of Their Goals

My experience in the Electronics and Devices and Motor Vehicles & Aerospace divisions, including that in the United States, is for me an irreplaceable asset. In a trading company, above all, just taking action is crucial. Among the steps of the PDCA cycle, D ("do") is the most important. You have to listen to what people are saying and use your instincts to develop new businesses that are ahead of the curve, building relationships and involving many of those around you. Think of it as building a team that encompasses suppliers and customers, people in

and outside the Company.

Kanematsu has supported the motorcycle racing team of one of our suppliers for 30 years. As a private team, it has always been hard for them to compete with the works teams run directly by motorcycle manufacturers, which have an advantage in funding. Nevertheless, they were determined to beat the works teams. In 2006, this team became the top-ranked team in Japan in the Suzuka 8 Hours Endurance Race, and in 2018, it became the first Japanese team to win the FIM Endurance World Championship. Over the years, I have seen how the hard work and determination of this team as they strived toward victory has attracted many supporters. In particular, I have been moved by the leadership of the team manager, encouraging and uniting the team, and have used this example as a guidepost for thinking about what makes a leader.

### A Rare Opportunity for Trading Companies

Until this June, I was Chief Officer of the Motor Vehicles & Aerospace Division. In the current environment, this truly felt like trying to navigate a turbulent sea without a compass. However, a trading company must create businesses, and to that end, not go on the offensive, but blaze a new path of innovation in society. I see the moment we now find ourselves in as a rare opportunity to greatly increase our enterprise value, which I am determined to seize by implementing nimble management.

Given these circumstances, we must advance Groupwide DX with the utmost urgency and scope. The ICT solutions business, a core part of the Group, is a digital business that plays an essential role in the changes currently taking place in society. Leveraging this strength, we will bring transformation to every part of the Group.

### Breaking Down Barriers Between Divisions to Create New Value

Today, DX is an urgent task across every industry. In some cases, like Amazon and Uber, DX is disrupting existing industries with new technologies and business models outside the established industry order and business practices. For example, automobiles today are loaded with semiconductors, and major IT companies are moving into the automotive industry. In this way, the conventional delineations between industries are disappearing.

Trading companies are seeking to leverage their wide-ranging business domains to skillfully combine elements of existing operations and create new businesses that realize higher added value. To do this, we need to



think not just at the level of individual divisions or the Company alone but more broadly, encompassing all parts of businesses, and coordinate with Group companies to unite the entire Kanematsu Group in accelerating new business creation.

In particular, DX is an opportunity for the Kanematsu Group to make a major leap forward. Even after the COVID-19 pandemic, changes in the ways people move and meet—touched off by remote work—are sure to remain. Interpersonal relationships are the foundation of a trading company's business. When it became clear that we could do more remotely, we considered the possibility of slimming down our overseas locations for efficiency. However, further study of the issue led us to a renewed awareness that such locations, in providing

up-to-the-minute information from other countries, are an essential part of the business of a trading company, and we should instead focus on making even more use of these locations and their human resources and intel. To do this, we will have to implement reforms at Kanematsu in step with DX. Over the past three years, we have made considerable progress in building internal IT infrastructure, and we will now work to expand this to Group companies. Furthermore, I think it will be important to evolve our existing business models through DX and technological innovation so as to offer even greater added value and competitiveness. I feel that this is an area in which we fell somewhat short during the first year of the COVID-19 pandemic.

## Overview of the First Three Years of *future 135*

Under *future 135*, our medium-term vision for the six years ending fiscal 2024, we are proactively promoting the expansion of scale, acquisition of added value, and improvement of quality, aiming for a future trajectory of even greater growth. We have done so in line with a basic policy of seeking to contribute to sustainable global economic growth and the resolution of social issues by evolving our existing businesses and creating new businesses. In the first year of *future 135*, our plans advanced smoothly, with financial results exceeding forecasts. However, from the second year onward, progress was impacted by the COVID-19 pandemic. In fiscal 2021, the third year, we recorded year-on-year decreases in revenue and profit, primarily due to the impact of the pandemic. However, in the latter half of the year, operating profit returned to the pre-pandemic level, demonstrating the underlying strength of our earnings base, particularly in the Electronics & Devices and Foods, Meat & Grain segments.

Looking at the important management issues of human resource strategy and DX, I think that our efforts so far have served to lay the groundwork for the future. In terms of business investment and M&A, which are key to building new businesses, we invested approximately ¥23 billion over the vision's first three years, but much of this consisted of investments made by individual businesses, divisions, or Group companies. Investing more effectively in ways that maximize synergies across the Group is a challenge we face in the remaining three years of *future 135*.

Of particular note in the last three years were efforts to identify growth opportunities. We formed a Technologies and Business Collaboration team, creating mechanisms for sharing information and networks not only within segments, but across the Group. The team's members come mainly from the Corporate Planning Department, with participation from the IT Planning Department, the business segments, and, more recently, Group companies Kanematsu Electronics Ltd. and Kanematsu Communications Ltd. The impetus for the creation of this team was the involvement of Group company Kanematsu Ventures Inc. in fostering new businesses. This company, based in Silicon Valley in the United States, is deepening ties with startups to create new businesses. Although modest in scale, Kanematsu Ventures' projects go beyond the mere investment of capital; in order to nurture new companies; the company supplements the functions of startups by drawing on the networks and know-how of Kanematsu as a trading company. We are also advancing efforts to launch new businesses in partnership with a venture capital fund in Silicon Valley. Currently, we are expanding such projects to multiple divisions, and we have established the conditions to promote coordination between divisions and Group companies. We are creating opportunities to come into contact with such cutting-edge technologies and new businesses across the Group while nurturing the seeds of future growth, driven by robust relationships in and outside the Group, including those based on open innovation.



## Key Issues for the Final Three Years of *future 135*

### Helping Achieve the SDGs and Proactively Advancing DX

In May 2021, following the conclusion of fiscal 2021, we announced revisions for the second half of *future 135*. Despite changes in the market environment since the plan was originally formulated, our basic policy remains largely intact, with the addition of addressing the SDGs and promoting DX to the vision's priority initiatives. We also revised the vision's qualitative targets in light of the temporary slowdown in business investment and revenue growth caused by the COVID-19 pandemic. The special feature on pages 18–21 covers these changes in more detail.

Over the course of the remaining three years, I think that we must focus on promoting Groupwide DX and unified Group management that generates synergies across divisions in order to expand added value and business creation. In particular, we will further advance digitization to increase operational efficiency while integrating digital technologies into existing businesses to create new value generators and increase their contribution to revenue.

In addition, to help realize a sustainable society, we will advance investment in business areas related to the environment, society, and safety where we can contribute to the achievement of the SDGs. To clarify the connections between our businesses and the SDGs and our sense of purpose regarding their achievement, we now require investment proposals to include information about which SDGs the project relates to and how. Through such efforts, we are increasing awareness of the SDGs and TCFD recommendations across the Group.

### The Future of Innovation Investment

Investment in innovation is at the core of the growth envisioned under *future 135*. In this area, we are working to create business in step with innovation in society by leveraging such cutting-edge technologies as AI and IoT and advancing cross-division coordination. Over the past three years, we have built a service framework for developing and operating a data exchange market, aiming to commercialize data exchange and utilization. We also acquired a company that possesses technologies for using vehicle operation data and AI to reduce carbon emissions and, in the long term, will play a role in the development of the in-vehicle telematics market. Going forward, we plan to make cross-segment use of our broad-ranging customer base to advance data exchange and utilization businesses on a Groupwide basis.

Furthermore, in April 2021, we entered new logistics fields, including a business partnership in infrastructure development for flying vehicles\* and the drone delivery market.

\* The Ministry of Economy, Trade and Industry and Ministry of Land, Infrastructure, Transport and Tourism are leading public-private efforts to develop and implement a roadmap for air mobility in Japan with the aim of beginning service in 2023.

### Human Resource Development That Contributes to Professional Fulfillment

Human resource strategy is one of the most important elements of a trading company's management. In 2019, as the core of our human resource development, we launched Kanematsu University, a training system for employees in their first ten years with Kanematsu. Open to all Group employees, Kanematsu University provides opportunities to build character as a member of a trading company, study international cultural and language skills, and acquire the operational and investment knowledge necessary for creating business plans. The program thus enables participants to acquire a wide range of knowledge, from the basics to practical application, and employees have been ambitiously engaging with the program.

In addition, we have enhanced other training systems for employees at every level, including training in business plan formulation and executive management training. Developing human resources with the skills to excel globally, however, is difficult to accomplish through formal instruction alone. It is important to get our young employees onto the front lines of business so that they can gain hands-on experience. To this end, we have established a six-month overseas training system for employees in their first five years with the Company. We have high expectations that these development programs will soon begin to yield tangible results. Going forward, we cannot afford to discount the new business potential of individuals' ideas. I believe that we must proactively take in ambitious employees' proposals and break down the barriers separating them from management. Our human resource strategy is not aimed simply at providing learning opportunities. Rather, it is part of efforts to change our employees' mindsets and help them realize professional fulfillment.

### Increasing the Effectiveness of Corporate Governance

Looking at corporate governance, in the first three years

of future 135, we made the Board of Directors more nimble and efficient and advanced the separation of management oversight and business execution. We welcomed new outside directors with experience and knowledge useful to enhancing the Kanematsu Group's enterprise value and benefitted from their valuable expertise in Board of Directors' meetings. We have evaluated and analyzed the effectiveness of the Board of

Directors with input from an external institution, enabling efforts to further enhance the Board's functions and invigorate discussion. Going forward, we will expand the breadth and depth of the Board's agenda, including considerations of medium- and long-term management strategy, and enhance its functionality and diversity as part of efforts to further enhance its effectiveness.

## To Our Stakeholders

While uncertainty caused by the COVID-19 pandemic remains, economic activity is expected to normalize as vaccination progresses. Based on this assumption, in fiscal 2022 we are planning for consolidated revenue of ¥700.0 billion, up 7.8% year on year, operating profit of ¥28.0 billion, up 18.5%, and profit for the year attributable to owners of the Parent of ¥15.0 billion, up 12.7%.

The Kanematsu Group considers providing returns to shareholders to be one of its most important tasks. We will continue to pay stable dividends backed by a stable

risk asset ratio and revenue structure. For fiscal 2022, we plan to keep the annual dividend per share at ¥60 (for a payout ratio of 33.4%).

Kanematsu's founding purpose aligns with the SDGs and the principle of creating shared value. In this "new normal" time of heightened uncertainty, I feel, more than ever, that our founding purpose must be our compass. Going forward, we will continue to return to this universally applicable way of thinking to sustainably increase our enterprise value and contribute to society.



## Message from the CFO



### Review of the First Half of *future 135*

The original version of the *future 135* medium-term vision for the six years beginning fiscal 2019 included the quantitative target of ¥25 billion in consolidated net income in fiscal 2024, the vision's final year and the 135th anniversary of Kanematsu's founding.

This plan entailed major growth in operating profit from ¥26.2 billion at the vision's start to approximately ¥45 billion. Broadly speaking, we planned to realize about half of this growth in core businesses and half from new business investment.

We made a strong start in the first year of *future 135*, achieving operating profit of ¥30.3 billion, up ¥4.2 billion year on year, or approximately 50% of the growth targeted in core businesses. From the latter half of the second year onward, however, the COVID-19 pandemic had a major impact on all our core businesses as well as on the progress of new investment. There were multiple instances, primarily related to major investments, in which industry valuations became unclear, or valuations fell and the business owners decided not to sell. As a result, in the first three years of *future 135*, we made investments in earnings base expansion in fields where we have strengths and insight, in acquiring added value in terms of trading company functions, and in innovation, mainly in advanced technologies, but total cash used in investing activities was only around ¥23.0 billion, of which business investment accounted for about ¥15.0 billion, approximately a third of our target for the six year period of the vision.

Looking at shareholder returns, however, because the

decrease in profit for the year attributable to owners of the Parent (consolidated net income) was a temporary effect of the pandemic, we kept the dividend per share steady, resulting in a payout ratio averaging around 35%, exceeding the *future 135* target range of 25%–30%.

### Our Aims for the Second Half of *future 135*

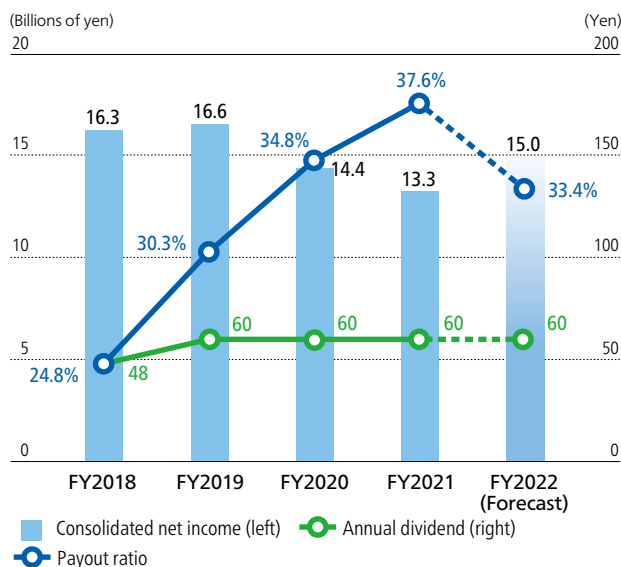
Since *future 135* is a six-year medium-term vision, we always planned to make revisions at the halfway point. As explained above, the COVID-19 pandemic not only impacted performance in our core businesses, but caused delays and cancellations of major investments. Accordingly, standing at the halfway point, we have carefully and realistically evaluated our plans for the second half of *future 135*.

In the fiscal year ending March 2022 (the current fiscal year), we are seeing improvement compared with the latter half of the previous fiscal year and expect business performance to generally recover to pre-COVID levels (those of fiscal 2020).

Looking at consolidated net income, as in the first half of the vision, we are planning for organic growth in core businesses and growth from business investment to be approximately equal. However, given the results of the first half, we are limiting projections of business investment to potential investments currently under consideration. Based on evaluations of these, we have revised our target for consolidated net income for the final year of the vision downward from ¥25 billion to ¥20 billion, while revising the target payout ratio (total return ratio) upward to 30%–35%.

Looking at overall financial operations over the coming three years, in terms of liquidity, based on the expected recovery to normal performance levels in core businesses, we expect an annual average of ¥15 billion to ¥20 billion in cash flows provided by operating activities. This will fund shareholder returns and the investments that we currently have under consideration. Furthermore, in fiscal 2021, the gross D/E ratio fell below 1, the level targeted in terms of financial discipline, meaning that we have room for

**Figure 1. Consolidated Net Income\* / Payout Ratio**





additional capital procurement. Even if we decide to raise additional funds for a major investment, we expect to be able to maintain a sound financial balance.

From the perspective of efficiency, in fiscal 2021, calculated based on consolidated net income of ¥13.3 billion, return on invested capital (ROIC) came to 4.9%, and the weighted average cost of capital (WACC) increased slightly, to around 3.5%, due to small increases in the risk-free rate and our  $\beta$ . However, we generated an excess return (EVA spread) of about 1.5%.

Due to the decrease in net income, ROIC has been worsening, from 6.4% in fiscal 2019 (with consolidated net income of ¥16.6 billion) to 5.3% in fiscal 2020 (with consolidated net income of ¥14.4 billion). To address this, returning consolidated net income, the numerator in ROIC, to a growth track is our topmost priority in terms of financial efficiency.

We fully adopted ROIC as an internal indicator of capital efficiency in fiscal 2020. We use ROIC for management control and various deliberations, and have advanced disclosure of the indicator at the segment level, working to enhance capital cost-conscious management across the consolidated Group. Going forward, we will need to continue to replace inefficient operations and businesses in each segment while increasing ROIC and generating excess return to raise ROE.

## Work Style Reform-Related Measures

In fiscal 2021, due to the COVID-19 pandemic, we instituted restrictions on on-site work, which threw into relief issues in operational flows that had been developed based on the assumption of using paper documents. We have been working to implement changes to such processes to facilitate remote work.

Specifically, we developed and implemented an electronic decision-making system, HI-MAWARI, to handle approval requests, which number more than 10,000 per year and entail around 140,000 sheets of paper. This system

has made the process of requesting and granting approvals entirely paperless and improved efficiency. Similarly, for expense reports, which number about 16,000 per year, using 96,000 sheets of paper, we adopted SAP Concur's Concur Expense system, eliminating the use of paper forms and saving labor. Furthermore, we moved the daily reporting of logistics deliveries, which had previously been done on paper, to an entirely digital system while maintaining the previous level of control. Through such efforts, we expect to see improvement in efficiency and an overall annual reduction of approximately 60,000–70,000 sheets of paper in our operational flows.

Going forward, we will continue to advance measures to respond to work style reforms.

## Our Share Price

Kanematsu's five-year total shareholder return at March 31, 2021, was 213%, exceeding the 162% of the TOPIX Total Return Index (Figure 3). However, as of mid-June 2021, the price-earnings ratio has been persistently low, around 8, and the price-to-book ratio is below 1, at 0.8.

Recently, efforts toward decarbonization have been gaining momentum worldwide. The Kanematsu Group divested all its natural resource assets years ago, and since then has not operated power generation, coal, or other such businesses with high environmental burdens. Group emissions are thus low, and we aim to achieve carbon neutrality in the near future. Leveraging the appeal of the Group's environmental friendliness, we will work to ensure Kanematsu's true enterprise value is clear to the market so as to maintain a commensurate stock price.

Fiscal 2022 marks the start of the latter half of the medium-term vision. As vaccination progresses, a full-fledged return to normal economic activity within 2021 is now a possibility. We are looking ahead to the trends of the post-COVID world as we boldly advance toward further growth, aiming for the goals of the second half of the medium-term vision.

Figure 2. ROE/ROIC/WACC

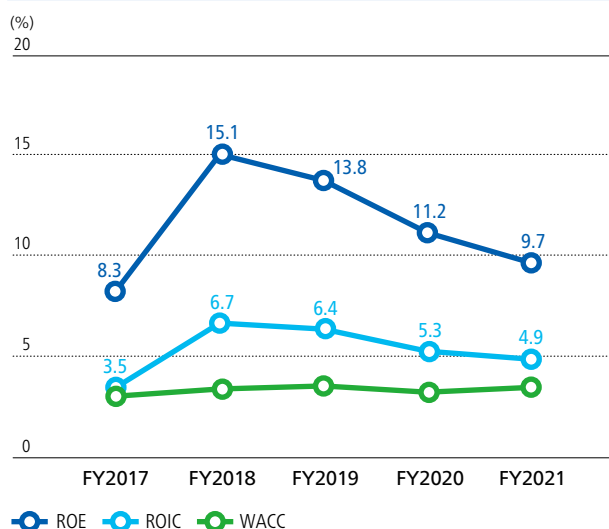
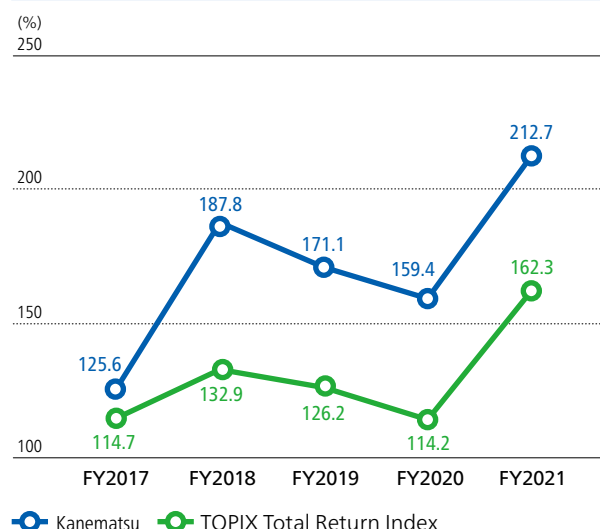


Figure 3. Total Shareholder Returns

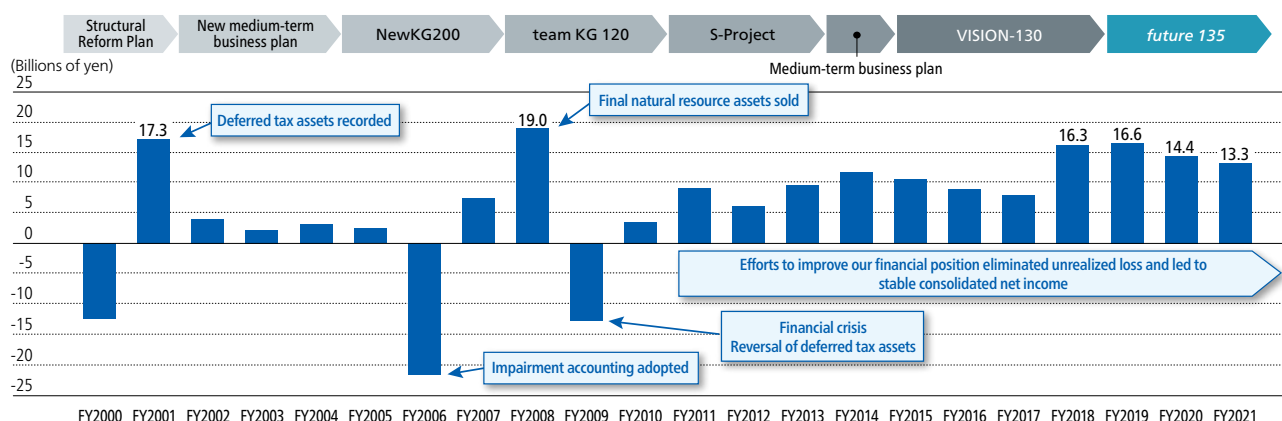


## Progress Since Fiscal 2000

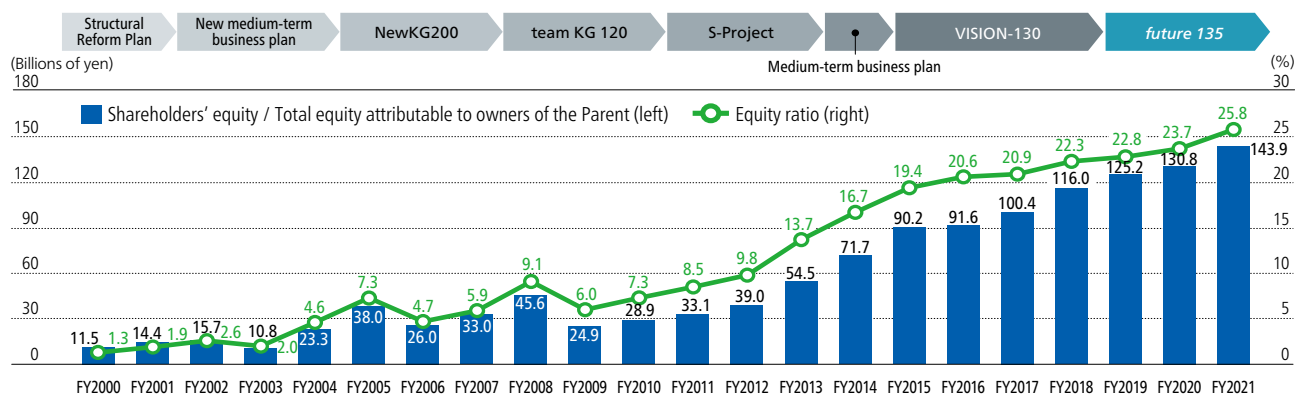
In 1999, a few years after the collapse of the Japanese economic bubble, Kanematsu implemented large-scale business selection and concentration. We made a decisive turn away from our previous approach of developing businesses of all kinds and toward carefully selecting businesses and concentrating management resources, working to improve management and efficiency with the aim of becoming a new, lean trading company specializing in

high-quality trading rights. By steadily building up consolidated net income, we bolstered shareholders' equity and repaid borrowings, shrinking interest-bearing debt. These major improvements and reinforcements to our financial base have led to our achievement, in fiscal 2021, of ROE of approximately 10%, an equity ratio of approximately 25%, and a net D/E ratio of 0.3, evidence of our stable earnings structure and financial structure.

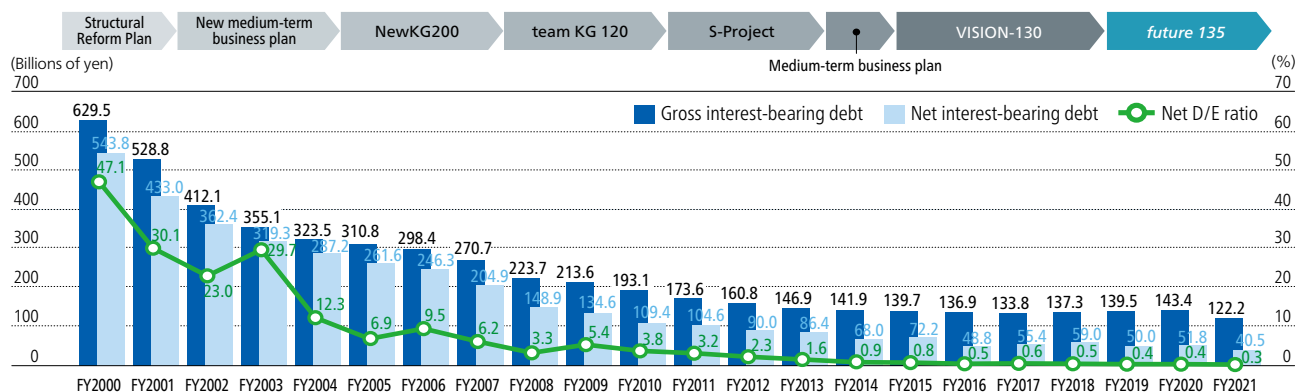
### Consolidated Net Income (Loss)



### Shareholders' Equity and Equity Ratio



### Interest-Bearing Debt and the D/E ratio



## Analyst Comment



### A Company that Invests Capital With Care

#### Masayuki Nagano

Senior Analyst,  
Equity Research Department,  
Daiwa Securities Co. Ltd.

Kanematsu's post-bubble financial restructuring went on longer than that undertaken by most other companies. As a result, however, the Company has been transformed, boasting the best financial position in the trading company industry. Under the six-year medium-term vision launched in fiscal 2019, Kanematsu designated "Sustainable growth in fundamental businesses and the expansion of the revenue base through business investments" as a priority initiative and moved into a new stage of dramatic growth. Then, in May 2021, following the conclusion of the first half of the vision, Kanematsu announced revisions to *future 135*. The main changes to the quantitative targets for fiscal 2024 were the revision of the consolidated net income target from ¥25 billion to ¥20 billion and the revision of the total payout ratio target from 25%–30% to 30%–35%.

In the following two respects, these changes can be seen as a product of Kanematsu's policy of promoting "management with an emphasis on capital efficiency." The first is the focus on the efficiency of invested capital. In an environment of global financial easing like we find ourselves in now, investment assets tend to be expensive. More than a few trading companies have ignored investment efficiency, acquiring overpriced assets only to then record sizable impairment losses. Kanematsu, on the other hand, maintained careful control and invested approximately ¥23 billion over the first three years of *future 135*. Although Kanematsu's financial position would have been able to support larger investments, the Company has stayed prudent and cool-headed, making decisions from the perspective of efficiency, and invested capital with care, avoiding waste. The revision to the profit target of the medium-term vision is largely due to this cool-headed control in investment, and I think it reflects an underlying soundness. The second respect is the emphasis on capital efficiency in terms of shareholder's equity. Although Kanematsu lowered the consolidated net income target, by raising the total payout ratio target, regardless of the business environment, the Company is, laudably, making efforts to increase capital efficiency for its shareholders, who invested based on the promise they saw in the Company.



# future 135 Medium-Term Vision

April 2018 – March 2024 (Revised May 2021)

The Kanematsu Group is pushing ahead with *future 135*, its medium-term vision for the six years ending fiscal 2024, which will mark the 135th anniversary of its founding. In May 2021, following the conclusion of the first three years of the vision, Kanematsu revisited the vision to reaffirm its business direction, especially in light of the progress of business investments and the impact of the COVID-19 pandemic. Although there have been no major changes in the basic policy, based on the progress of business investments and the resulting earnings growth, Kanematsu has revised the vision's quantitative targets. Moreover, Kanematsu has added addressing the SDGs and promoting DX to the vision's priority initiatives. This section offers a review of the first three years of *future 135* and Kanematsu's policy for the remaining three years.

## Basic Policy

The Kanematsu Group will help realize sustainable global economic growth and solve social issues through the pursuit of expansion of scale, acquisition of added value, and quality improvement and through the evolution of its traditional businesses and the creation of new businesses, aiming to advance into the next stage of growth.

## Essentials

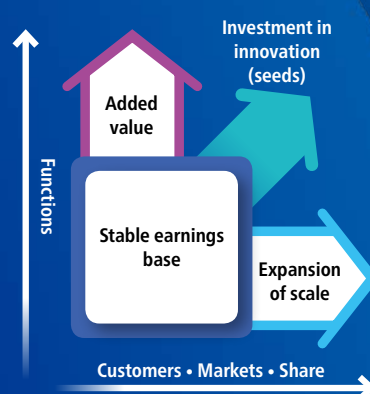
- Continue to expand the strong businesses of the Kanematsu Group and achieve sustainable growth in business areas with a stable earnings base. Aim to achieve consolidated net income\* of ¥20 billion by pursuing the expansion of scale and acquisition of added value through effective business investments.

\*Profit for the year attributable to owners of the Parent

- Focus on capital efficiency based on the stability of the earnings structure and financial structure, setting target ROE at 10% – 12% and the payout ratio (total return ratio) at 30% – 35%.

## Quantitative Targets

The target for fiscal 2024 of ¥25 billion in consolidated net income announced in May 2018 was based on projections of growth both in existing businesses and via new investment focused primarily on M&A. Subsequently, due to the COVID-19 pandemic, the achievement of targets in multiple existing businesses was delayed, and planned new investments fell through as their valuations became unclear or dropped. These factors led to Kanematsu's decision to revise the vision's quantitative targets.



	Revised target (Final year: the fiscal year ending March 2024)	Target announced in May 2018
Consolidated net income (Profit for the year attributable to owners of the Parent)	¥20 billion	¥25 billion
ROE	10% – 12%	13% – 15%
Total return ratio	30% – 35%	25% – 30%

## Priority Initiatives

### Sustainable growth in fundamental businesses and expansion of the revenue base through business investments

- Achieve sustainable growth while achieving a balance between capital and risk assets backed by a stable revenue structure and financial structure
- Promote business investment in areas of strength to achieve expansion of scale and acquisition of added value
- Invest in business segments related to environmental, social, and safety issues to help achieve the SDGs

### Response to technical innovation

- Promote Groupwide DX
- Promote and expand new businesses with advanced technology (IoT, AI, etc.)
- Invest in innovation (future-oriented development investment)

### Establishment of management infrastructure for achieving sustainable growth

- Build a framework for global strategy, including the reinforcement of the overseas earnings base
- Invest in human resources, including the cultivation of management-level human resources
- Improve operational efficiency and employee satisfaction (ES) through continued work style reforms

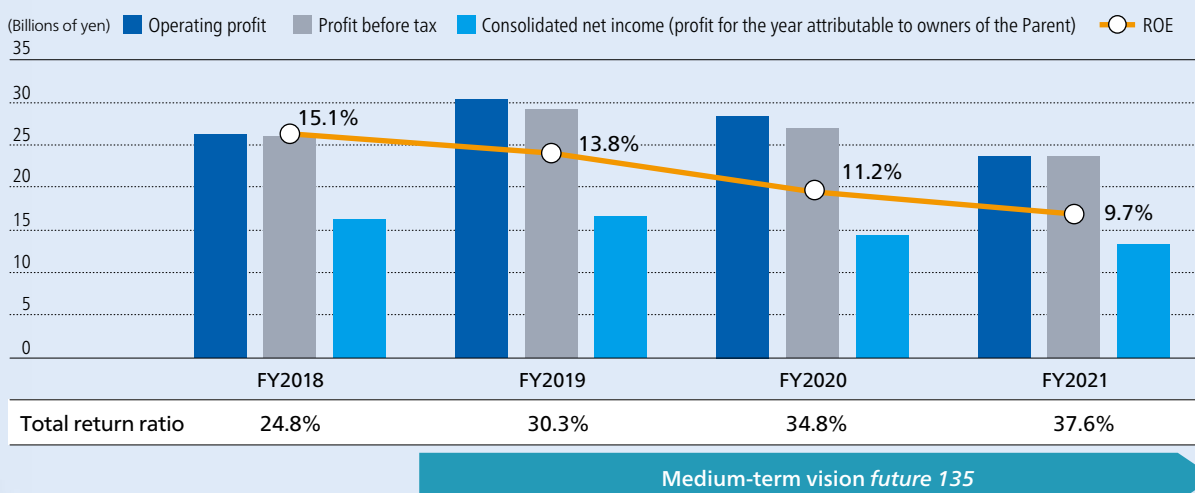
## Review of the Vision's First Three Years (FY2019 – 2021)

During the first year of the *future 135* medium-term vision, markets in and outside Japan continued to gradually expand, and the Kanematsu Group achieved solid year-on-year increases in revenue and profit. However, the effects of the COVID-19 pandemic from late in the second year onward resulted in a slower pace of growth than originally envisioned. Nevertheless, the negative impact of COVID-19 on the Group's businesses has been limited, albeit worse in some businesses than others, confirming the underlying strength of the Kanematsu Group's earnings base. Initiatives related to the expansion of scale to bolster growth bore fruit across a wide range of fields, including mobile, meat products, aircraft parts, machinery, and chemicals. In terms of the acquisition of added value, we advanced business development in areas unique to the

Kanematsu Group, including the reorganization of the printer and semiconductor businesses and expansion in food markets in Asia

The Group's financial performance was sufficiently robust to ensure management stability, with the equity ratio and the net D/E ratio standing at 25.8% and 0.3 times, respectively, at the end of fiscal 2021. In terms of shareholder returns, the Group kept the equity ratio and risk-asset ratio steady, enabling the payment of continuous and stable dividends. As a result, the total return ratio over the first three years exceeded the target range's upper boundary of 30%. Furthermore, operating activities provided annual positive cash flows in the ¥15 billion to ¥20 billion range, helping ensure a sound financial balance able to support billions of yen in new investments.

### Results in the First Three Years of the Vision



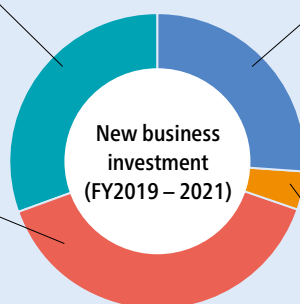
### Approximately ¥23 Billion in New Investment in Fields Where We Have Strengths and Insight

#### Motor Vehicles & Aerospace: Approx. ¥7 billion

- (U.S.) Joined cyber security investment fund
- (U.S.) Invested in startup that develops equipment for rescue helicopters
- (Europe) Purchased aircraft in the aircraft parts business
- (Japan) Made takeover bid for Kaneyo Co., Ltd.
- (Japan) Acquired company that develops and manufactures dashboard cameras

#### Steel, Materials & Plant: Approx. ¥9 billion

- (South Korea) Made equity investment in steel plate processing company
- (Japan) Acquired specialized metal sash manufacturer
- (Japan) Acquired plant engineering company
- (Vietnam) Made equity investment in steel frame and bridge fabricator
- (U.S.) Established second steel tubing processing factory



#### Electronics & Devices: Approx. ¥6 billion

- (Japan) Made card printer manufacturer a wholly owned subsidiary
- (Japan) Acquired semiconductor image sensor back-end processing business
- (Japan) Invested in data exchange market development and data consulting company
- (Japan) Expanded mobile communications business
- (Germany) Made equity investment in photo printer company
- (Japan) Acquired semiconductor manufacturing (marking) equipment trading company
- (Japan) Acquired semiconductor manufacturing equipment (IC test handler) manufacturing business

#### Foods, Meat & Grain: Approx. ¥1 billion

- (China) Established beef primary processing and sales company
- (China) Established feedstuff material production plant
- (Indonesia) Increased investment in processed food product manufacturer
- (Uruguay) Invested in Uruguayan beef producer
- (Japan) Invested in soy plant-based meat producer

- Investments that contributed significantly to revenue in the first three years
- Investments expected to contribute to revenue in the latter three years

## Policy for the Latter Half of the Vision (FY2022 – 2024)

### Quantitative Targets



	Fiscal 2022 forecast		Fiscal 2024 target
ROE	<b>10.4%</b>	➡	<b>10% – 12%</b>
Total return ratio	<b>33.4%</b>	➡	<b>30% – 35%</b>

### Key Initiatives and Growth Fields in the Latter Three Years of the Vision

#### Electronics & Devices

- Reinforce integrated strength to support DX
- Pursue added value in the semiconductor, semiconductor component, and semiconductor manufacturing equipment fields
- Development and expansion of data exchange markets

#### Foods, Meat & Grain

- Expand and grow meat product supply chains and secure added value
- Enhance productivity and competitiveness in agriculture through DX
- Plant-based meat alternatives and synthetic additive-free foods

#### Steel, Materials & Plant

- Expand biomass energy supply
- Official Development Assistance business in renewable energy (wind, solar)
- Expand supply of steel tubing for enhanced oil recovery using pressurized CO<sub>2</sub>

#### Motor Vehicles & Aerospace

- Shift from internal combustion engines to components for electric vehicles
- Safety and environment fields, including vehicle control and fuel efficiency enhancement
- Space industry (satellites and rockets) and new markets, such as drones
- Post-COVID mid-sized aircraft market

### Non-Financial Targets

Upon the launch of the *future 135* medium-term vision in fiscal 2019, the Kanematsu Group established key issues (issues of high materiality), taking into account international targets and standards—such as the Sustainable Development Goals (SDGs)—as well as stakeholder expectations, Kanematsu's Corporate Principle, and importance to management. We have been working to achieve non-financial targets based on these key issues. Furthermore, among the recent revisions to *future 135* was the addition to the vision's priority initiatives of "Sustainable growth in fundamental businesses and expansion of the revenue base through business investments" and "Invest in business segments related to environmental, social, and safety issues to help achieve the SDGs." Building on our existing efforts to resolve social issues through business activities, we have designated key SDGs for new investments in each segment (see pp. 46-57).



## The Kanematsu Group's DX

In the first three years of *future 135*, the Kanematsu Group advanced the creation of infrastructure and resources to promote internal DX. The revisions to the medium-term vision included the addition of "Response to technical innovation" and "Promote Groupwide DX" to the priority initiatives, and we plan accelerate measures in these areas. The Kanematsu Group's Electronics & Devices Division includes the ICT solutions business, which supports the DX of its customers. In order to leverage that know-how within the Group itself, we have appointed the Chief Officer of the Electronics & Devices Division as the Chief Officer of the Digital Transformation (DX) Acceleration Team to lead the Group's efforts in this area. As a trading company, Kanematsu has access to data from the broad-ranging businesses of its numerous Group companies. Leveraging this strength, we are working to quickly improve operational efficiency via DX and thereby advance business model innovation and business creation.

In addition, we established the DX Project Office in July 2021 to accelerate these efforts in the latter half of *future 135*. This committee is proactively planning and implementing measures to reinforce Groupwide digital infrastructure, promote DX in existing business chains, and realize business innovation.

### DX Highlights

#### Kanematsu Fully Digitizes Meeting Operations

In April 2021, Kanematsu Corporation fully digitized internal approval procedures, from initial request submissions to their handling in high-level meetings, entirely eliminating the use of paper documents. Over approximately a year, the IT Planning Department led efforts to develop a system to allow all participants to engage in meetings using just a tablet. This use of digital technologies by top management is an efficiency-improving operational innovation.

Until now, Kanematsu had handled approval requests using paper forms and stamping. These documents, representing several thousand requests and comprising more than 10,000 sheets of paper per year, were cumbersome to store or revise. By updating our internal rules, we condensed approximately 3,000 existing approval routes into just 600,

all of which are now, without exception, fully digital.

Going forward, we will analyze data from these digital approval processes to gain a better understanding of the different types of approval request in terms of volume, time taken for processing, and workload generated for different divisions, and we will apply the insights gained to optimize internal rules on an ongoing basis. In addition, we plan to use natural language processing and other techniques to analyze patterns in approval request as part of efforts to further evolve the Company and increase management sophistication.



#### Kanematsu Sustech Develops e-soil Total Foundation Support System

Kanematsu Sustech Corporation is proactively advancing DX in its businesses. The company's Geo-tech Division has developed *e-soil*, a total foundation support system that enables high-precision soil evaluations for housing construction based on soil data for approximately 100,000 house sites in Japan and related analysis results that Kanematsu Sustech has digitized and linked with map data. Furthermore, to improve the efficiency of on-site work, survey data and photos can be input on the spot using a tablet. In recent years, the system has been enhanced with functions that integrate the management of customer information and property trends, enabling the tailoring of construction proposals to customer needs and serving as a new sales tool. Going forward, Kanematsu

Sustech will work to realize new customer value and business model innovation by, for example, developing next-generation disaster prevention and mitigation systems that leverage big data and developing foundation design services that use AI. Through such initiatives, the company will strive to realize new growth and reinforce its competitiveness.



#### Kanematsu Electronics Ltd. Designated a DX Certified Operator by the Ministry of Economy, Trade and Industry

On May 1, 2021, Kanematsu Electronics Ltd. (KEL) was designated a DX certified operator under the Ministry of Economy, Trade and Industry's DX operator certification system.

KEL made DX a priority initiative under its medium-term business plan for the three years beginning fiscal 2020. Through capital expenditure, investment in human resources, and strategic alliances with partners, the company has developed a DX strategy and systems.

Going forward, digital technologies will continue to grow in importance as infrastructure for companies and

society at large. However, many companies find it difficult to determine how to best utilize such technologies and apply them in their business operations.

As a DX certified operator, KEL will be a strategic IT partner for such companies, creating new services supporting their DX that enable them to use digital technologies to achieve their true business goals and overcome obstacles.



## Our Approach to Sustainability

The Kanematsu Group has codified the founding purpose of Kanematsu's founder, Fusajiro Kanematsu, in its Corporate Principle. We engage in business in Japan and around the globe based on our mission of contributing to international society and economic development.

The challenges facing international society today, such as climate change and other increasingly serious social and environmental problems, are growing more diverse and complex. We believe that carrying out corporate activities proactively, with an awareness of these challenges and a sense of mission, serves to both help address such challenges and promote the growth of the Kanematsu Group.

With an eye toward cooperation and mutual development with our customers and business partners, we will continue to leverage the insight and know-how built up over Kanematsu's long history to provide goods and services with added value. Through these corporate activities, we aim to achieve the sustained development of the global environment, society, economy, and of the Kanematsu Group.



### The Key Issues and Our Activities

-  Business activities  Social contribution activities, etc.



-  Business supplying high-value-added health foods for healthier living
-  Initiatives to introduce ICT (smart farming) to livestock farming
-  Security business to guard against cyber attacks
-  Cloud-based farm management systems for chicken farming



-  Sustainable coffee plantation-related initiatives
-  Offering services closely tailored to local needs at mobile phone shops

-  Kanematsu Foundation for the Research of Foreign Trade ▶ p. 29
-  Volunteering ▶ p. 29
-  Supporting amputee football ▶ p. 29
-  e-Net Caravan ▶ p. 27
-  Enhancing the corporate governance system ▶ p. 35
-  Enhancing internal control and risk management systems ▶ p. 38

#### Building a Sustainable Supply Chain



#### Decarbonization Initiatives



Aiming to achieve net zero greenhouse gas emissions, we will promote our clean fuel and renewable energy business to contribute to the mitigation of global warming.

#### Creating an Environment That Enables Diverse Work Styles



#### Enhancement of Governance and Compliance



## Determining and Revising Materiality

At the start of the *future 135* medium-term vision in 2018, we sought to determine which issues the Kanematsu Group should focus on in its corporate activities, taking into account international targets and standards—such as the Sustainable Development Goals (SDGs)—as well as stakeholder expectations, Kanematsu's Corporate Principle, and importance to management. Through these efforts, we established five key issues (issues of high materiality). In response to the subsequent global increase in awareness of the importance of sustainability and ESG management, we changed the composition of our Sustainability Management Committee to include mainly the top management of our business divisions and discussed our current projects and future direction. Based on these efforts, in 2021, we newly identified key five issues of high materiality.

### Key Issues

- Building a Sustainable Supply Chain
- Decarbonization Initiatives
- Mutual Development with Local Communities
- Creating an Environment That Enables Diverse Work Styles
- Enhancement of Governance and Compliance



We will respect the environment and human rights, communicate with diverse actors in society, and realize stable and sustainable procurement, supply, distribution, and services together with our partners and customers.

### Mutual Development with Local Communities



Through our global operations, we will support the lives of people around the globe, work on improving social infrastructure, and contribute to the sustainable growth and development of local communities.

We will create a work environment that encourages each individual to leverage his or her unique talents and qualities, supporting diverse work styles. Furthermore, we will improve training programs to develop managers capable of creating and expanding businesses.

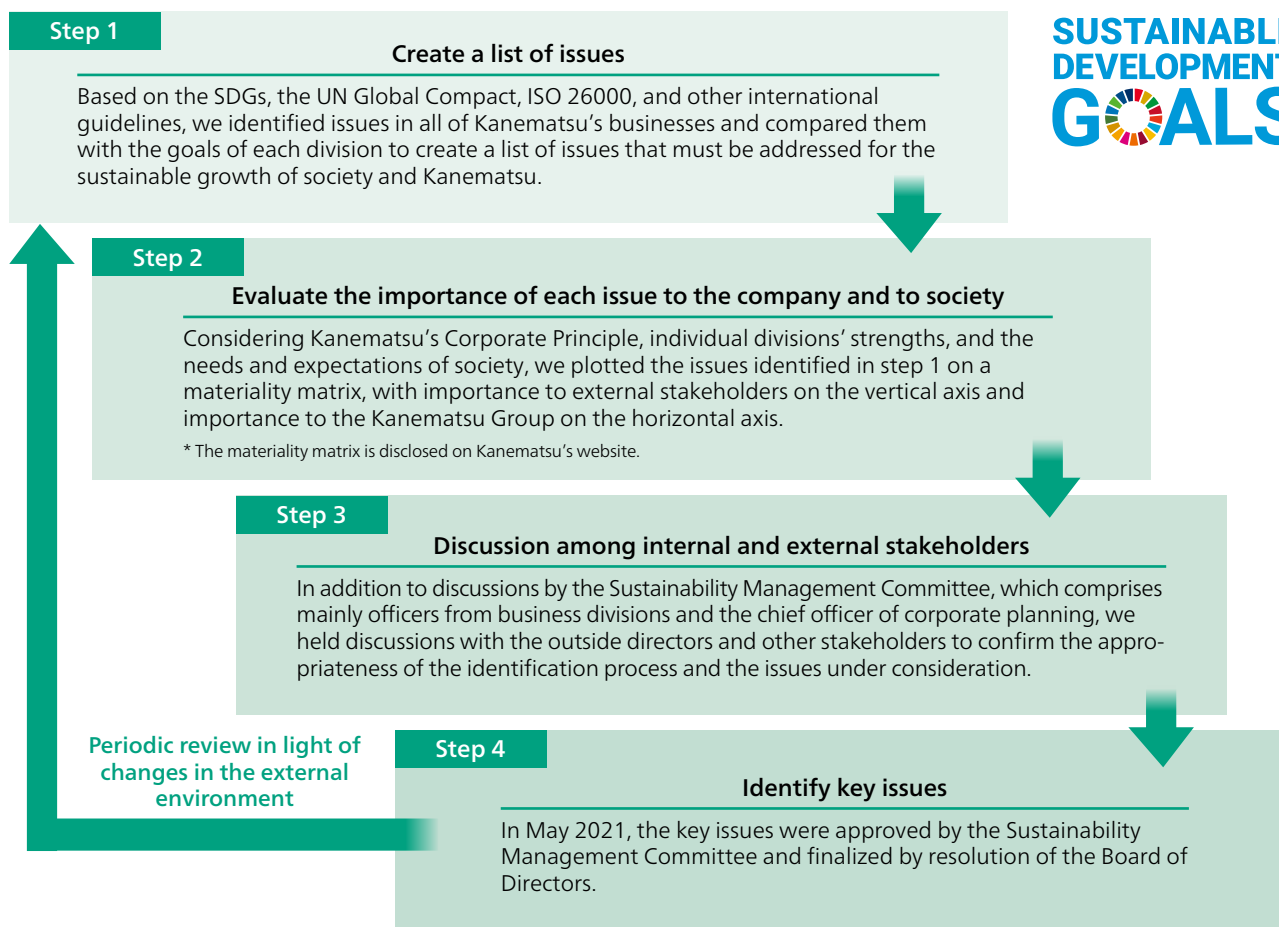
We will maintain a robust supervisory system to prevent accidents and fraud and aim for sustainable growth through the transparent disclosure of information to stakeholders.



- Demonstration project to increase effective EV range
- Aircraft rotatable parts business and part-out business **p. 27**
- Forest conservation initiatives in Indonesia (REDD+) **p. 26**
- Solar panel and converter supply business
- Renewable energy power plant construction business **p. 27**
- Business supplying high-efficiency industrial machinery employing low-carbon technologies
- Business supplying heat reflective paint to combat global warming
- Business selling biomass fuels to combat global warming
- Lumber preservation treatment technology helping reduce global warming
- Environmentally friendly ground improvement using wooden piles **p. 26**
- Business promoting the implementation of switches to LP gas fuel
- Business selling *Miracle Meat* plant-based meat made from sprouted soybeans
- Securing Traceability in Marine Products
- Acquisition of Carbon Credits with Saudi Arabia via the Joint Crediting Mechanism
- Establishment of a company to manage the *TradeWaltz* trade data sharing platform **p. 28**
- Promoting work style reforms **p. 33**
- Human resource development initiatives **p. 30**
- Activities to support the independence of persons with disabilities



## The Process of Identifying Key Issues



## Sustainability Promotion Framework

Kanematsu's framework for promoting sustainability-oriented management is as follows. The Sustainability Management Section plans and formulates proposals of sustainability-related basic policy, strategy, surveys, and operations. The Sustainability Management Committee discusses and makes decisions regarding such plans and proposals.

The Sustainability Management Committee comprises mainly officers from business divisions and the chief officer of corporate planning and meets approximately once a month. The Sustainability Management Section and Public & Investor Relations Section serve as the committee's secretariat. The committee works to understand the issues faced by society and its expectations regarding the role of Kanematsu. It then contrasts this with the perspectives of Kanematsu's business divisions, reflecting the results in policy for business activities to better promote sustainability-oriented management.

Board of Directors	
Sustainability Management Committee	
Chair	Executive officer (chief officer of corporate planning)
Members	Executive officers (business division chief officers or deputy chief officers) Electronics & Devices Division Foods Division Meat Products Division Grain, Oilseeds & Feedstuff Division Steel, Materials & Plant Division Motor Vehicles & Aerospace Division
Expert members	Managers of business division planning offices Electronics Planning Office Foods & Grain Planning Office Steel, Materials & Plant Planning Office Motor Vehicles & Aerospace Planning Office General Manager, Finance Department (Public & Investor Relations)
Secretariat (Sustainability Management Section, Public & Investor Relations Section)	

(As of June 23, 2021)

For more details, please visit our website.

<https://www.kanematsu.co.jp/en/sustainability/materiality/>

## Message from the Sustainability Management Committee Chair



**Tetsuro Tsutano**

Director, Senior Executive Officer

"Can you battle 24/7?" When I joined Kanematsu in the early 1990s, this catchphrase was on TV in commercials all the time. Back then, that was the kind of businessperson we aspired to be—working every waking moment and flying around the world, making our mark. Oil resource development was a flourishing business and, even as it damaged the environment and we damaged ourselves through grinding schedules, we never doubted that it would last.

A quarter century later, the world looks very different. Work style reforms and the use of remote work have become commonplace, and momentum aimed at achieving sustainability, as extolled in the SDGs, is growing globally. In particular, efforts to decarbonize society to avoid climate change are accelerating—both in Japan, with Prime Minister Suga's commitment to achieving carbon neutrality in 2050 in Japan, and globally, with the Biden administration of the United States returning to the Paris Agreement.

About 20 years ago, the Kanematsu Group sold all its natural resource assets as part of large-scale financial restructuring. In part because we have not been involved in thermal power generation, coal, or other such businesses with a high environmental impact, CO<sub>2</sub> emissions from the Group's business activities are very low. At the same time, we are promoting REDD+ businesses that help prevent deforestation and reduce net greenhouse gas emissions, and we plan to achieve carbon neutrality in the near future. We have added environmental measures to the priority initiatives of the medium-term vision for its remaining three years and declared our support for the Task Force on Climate-Related Financial Disclosures (TCFD).

Our founder, Fusajiro Kanematsu, wrote that profit is just a by-product of business. Japanese businessmen in the 19th century prided themselves on putting the public good above their own profit, a stance that ties into the idea of corporate social responsibility, and an important consideration for us today. As recognition of the importance of sustainability and ESG management grows worldwide, we will invest in business areas related to the environment, society, and safety, aiming for the sustainable growth of society and the Kanematsu Group.

## Addressing the Five Key Issues

### Ground Stabilizing Eco Wood Pile Receives the Eco Mark Award 2020 Excellence Prize

Kanematsu Sustech Corporation's ground stabilizing Eco Wood Pile, made with lumber harvested during forest thinning, received the Eco Mark Award 2020 Excellence Prize. Used for ground stabilization, Eco Wood Piles are made from wood that has undergone high-quality treatment to prevent rot and insect damage, enhancing its durability. Lumber from forest thinning in Japan comprises a portion of the raw material used. The Eco Mark Award recognizes companies and organizations that proactively implement initiatives aimed at realizing a sustainable society by providing environmentally friendly product choices to consumers or through direct environmental efforts. Kanematsu Sustech's Eco Wood Pile received the award in recognition of the use of wood from forest thinning and the technological development that made this possible.

Ground improvement using Eco Wood Pile is used to stabilize foundations when building houses. When installed, the product is hidden in the ground, but each piece is printed with the Eco Mark. This product has been used to stabilize the foundations of more than 30,000 structures across Japan to date. Eco Wood Pile contributes to reducing net CO<sub>2</sub> emissions because, compared with the steel or cement conventionally used in ground stabilization, much less CO<sub>2</sub> is emitted during its manufacture, and the wood absorbs CO<sub>2</sub> during its growth process. Through Eco Wood Pile, which is environmentally friendly and contributes to sound forest management, Kanematsu Sustech will continue to contribute to the realization of a sustainable society.



### Forest Conservation Initiatives Receive the Minister of the Environment Awards for Climate Action

Since 2011, Kanematsu has been implementing a forest conservation project in Gorontalo Province, Indonesia, as a REDD+\* international initiative to promote sustainable forest management in developing countries. This project received the Minister of the Environment Awards for Climate Action (Dissemination/Promotion Division, Mitigation/Adaptation Field).

In partnership with the Gobel Group in Indonesia, this project supports the promotion of cacao farming in Gorontalo Province, helping to increase earnings for poor farmers and reduce slash-and-burn corn farming, a major cause of deforestation. As a Japanese company, Kanematsu's involvement

in this project, helping conserve the rich tropical rainforests of Indonesia, contributes to Japan's reduction in greenhouse gas (GHG) emissions under the Paris Agreement. Implemented in cooperation with the local government, the project helps to not only reduce deforestation and conserve forests, but improve farmers' livelihoods and reduce GHG emissions, benefitting all parties involved.

\*Reducing Emissions from Deforestation and Forest Degradation in developing countries

令和2年度  
気候変動アクション  
環境大臣表彰





## Solar Power Generation System in Vietnam

Japan has built and is implementing a joint crediting mechanism (JCM) to promote the use of energy-saving and renewable energy technologies in developing countries as a way of furthering the absorption and reduction of emissions of greenhouse gases.

Using this system, Kanematsu KGK Corp. partnered with the Vietnamese Sao Mai Group Corporation to install one of Vietnam's largest solar power generation systems in An Giang Province, in the south of the country. The sale of power from the system began in December 2020, and the project is expected to reduce emissions by 52,778 t-CO<sub>2</sub> per year. The project thus contributes to the achievement of Vietnam's target of supplying 23% of domestic power using renewable energy by 2030 and to the reduction of GHG emissions.



## Providing Instructors for e-Net Caravan

e-Net Caravan is an initiative targeting elementary through high school students as well as their parents and teachers to raise awareness and provide guidance regarding safe internet use. Kanematsu Communications Ltd. sends employees who have been certified as instructors to carry out e-Net Caravan activities.

This initiative is being carried out by a partnership between the Ministry of Internal Affairs and Communications, the Ministry of Education, Culture, Sports, Science and

Technology, and communications operators, and is aimed at protecting children from internet-related hazards, particularly in light of the rapid proliferation of smartphones in recent years. In fiscal 2020, the program reached 18,908 participants at 122 schools. In addition to a conventional in-person group lesson format, lessons were made available via remote conferencing and video on demand.

Through these activities, the Kanematsu Group will continue to promote safe and secure internet use and internet literacy.



## Aircraft Rotable Parts and Part-Out Businesses

Ireland-based Group company KG Aircraft Rotables Co., Ltd. purchases and disassembles used aircraft that are approaching decommission, managing an inventory of and selling the resulting components. Aircraft maintenance generally requires the constant replacement of parts; reusing components not only reduces costs, but reduces environmental impact.

Although the COVID-19 pandemic has caused a severe decline in commercial air travel demand worldwide, with the advance of vaccination, recovery is expected going forward. Since establishing a component shipping hub in Kuala Lumpur, Malaysia, KG Aircraft Rotables has opened a new shipping hub in partnership with a U.S.-based supplier.

Through the commercial aircraft component business, we will help ensure the effective use of resources and air safety.



## Kanematsu Begins Handling Anti-Bacteria, Anti-Virus Film

Kanematsu has begun sales of the anti-bacteria, anti-virus film RIKEGUARD to railway and real estate companies. RIKEGUARD is a film developed by RIKEN TECHNOS CORPORATION for use in the prevention of infection by pathogens, such as bacteria and viruses, and has received the SIAA mark.\* The product both suppresses bacterial growth on the film surface to less than 1% of normal levels and reduces the number of specific viruses on the film surface by 99.99%. Taking advantage of these features, it is used on, for example, ticketing and fare adjustment machines in train stations and

doorknobs and elevator buttons in office buildings.

Going forward, we will promote its use globally for the touch panels of tablets and smartphones, now an essential part of daily life, striving to help provide healthy and safe living environments.

\*SIAA marks: Symbols established by the Society of Industrial Technology for Antimicrobial Articles (SIAA) for marking products that meet standards related to antimicrobial properties, safety, and appropriate labeling.



## Company Established to Manage TradeWaltz Trade Data Sharing Platform

Kanematsu, along with six other companies, including NTT DATA Corporation and Mitsubishi Corporation, established TradeWaltz Inc. to manage the TradeWaltz trade data sharing platform.

Trade operations are essential to the movement of all kinds of products and involve paper document processing operations in corporate offices and by governmental authorities. Inefficiencies caused by the lagging digitization of such processes have been an issue for many years. In addition, the COVID-19 pandemic has revealed risks of interruptions in

importing and exporting. TradeWaltz is an open, global trade ecosystem that uses blockchain (distributed ledger) technology to enable the direct, uninterrupted sharing of information between parties involved in trade.

In addition to increasing the resilience of supply chains in Japan, the new company is advancing coordination in other Asian countries facing the same issues, working to provide new value that goes beyond the digitization of trade documentation.



## Environmental Initiatives

Kanematsu has established a basic management policy for the environment and strives to implement sustainable corporate activities with sufficient consideration for the maintenance of a healthy global environment. A healthy global environment is absolutely fundamental and the foundation on which sustainable economic activity can be realized. Based on this understanding, we have added environmental initiatives aimed at achieving the SDGs to our priority initiatives for the latter half of the medium-term vision and revised our key issues, identifying the new issue of Decarbonization Initiatives.

As the framework for environmental initiatives, we have built and are operating an environmental management system based on the international standard ISO 14001. In addition to the Tokyo Head Office, we have applied this environmental management system at the Osaka Branch, Nagoya Branch, and other domestic branches, and 11 Group companies have also obtained ISO 14001 certification. We are working to reduce electricity and paper consumption, reduce and effectively sort waste, reduce CO<sub>2</sub> emissions, and build a recycling-oriented society.

The Kanematsu Group is advancing initiatives aimed at creating a virtuous cycle between the environment and the economy and taking new steps toward the realization of a sustainable society.

In keeping with Kanematsu's Code of Conduct, the Company has established the following Environmental Policy.

01	Basic management policy for the environment	We conduct corporate activities with sufficient consideration given to maintaining a healthy global environment and aim for sustainable development.
02	Compliance with environment-related laws and regulations	In the activities of the Company, we comply with environment-related laws and regulations in Japan and abroad as well as international rules and practices.
03	Constant improvement of systems	In order to make environmental activities more effective, we constantly improve our environment management systems.
04	Attention to the development of a low-carbon society/recycling-oriented society	Aiming to reduce greenhouse gas emissions, we promote energy conservation and make climate change mitigation and adaptation efforts. We strive to realize sustainable patterns of resource use and to address natural resource depletion by proactively engaging in energy conservation, reduction of waste and reuse and recycling of resources.
05	Attention to the environment in business activities	We strive for environmental conservation and the prevention of environmental pollution and consider biodiversity and the conservation of natural ecosystems in our business activities.
06	Establishment of the environmental management system of the Group	We utilize the ISO 14001 environmental management system to establish an environmental management system for the Company and the Group, responding appropriately to environmental issues and working constantly on improvements.
07	Publicity and disclosure of environmental policies	We ensure that our executives, employees, and companies in the Group are well aware of our environmental policies, and we also disclose them to the general public through our website and the like.

For more details, please refer to Kanematsu's Environmental Report (online) and "Addressing the Five Key Issues" (this report, pp. 26–28).

<https://www.kanematsu.co.jp/en/sustainability/environment/report.html>

## Social Contribution Initiatives

Every Kanematsu employee, as a good citizen, is aware of the importance of social responsibility and proactively works to solve social issues through business activities and social contribution activities, aiming for the realization of a sustainable society. Furthermore, through volunteer activities, employees broaden their horizons, come to understand new values, and gain insight, enabling them to further contribute to the enrichment of society.

### The Kanematsu Foundation for the Research of Foreign Trade

The Kanematsu Foundation for the Research of Foreign Trade was established in 1940 with the purpose of contributing to economic development through support and funding for research into trade and international economics. The Foundation is jointly operated by the Research Institute for Economics and Business Administration of Kobe University and Kanematsu.

In 1993, the Kanematsu postgraduate research scholarship, known as the Kanematsu Prize, was jointly established by the Research Institute for Economics and Business Administration of Kobe University, the Kanematsu Foundation for the Research of Foreign Trade, and Kanematsu Corporation. Every year, graduate students are invited to submit their dissertations to apply

for the prize. The Kanematsu Prize thus provides graduate students in the fields of economics, management, and accounting across Japan with opportunities to win a research fellowship and to present their research.

Beginning with the 2018 prize, the economics division and management division are judged separately. Kanematsu will continue to support research in the fields of economics, management, and accounting through the Kanematsu Prize.

<https://www.trf.kanematsu.co.jp/> (in Japanese)

### Support for the Lucy Osburn-Nightingale Foundation in Australia

Kanematsu Australia provides support to the Lucy Osburn-Nightingale Foundation. The foundation originated from the Kanematsu Memorial Institute of Pathology endowed to Sydney Hospital in 1933 to mark the 40th anniversary of Kanematsu Australia's founding. The museum run by the foundation houses medical charts, documents, photos, and memorabilia from the institute and stores and manages more than 2,000 morbid anatomy specimens collected when the institute was active. This sample collection, one of the largest in Australia, frequently lends items to research intuitions and accepts educational tours of nursing students from within Australia and overseas, including

Japan. Kanematsu will continue to support the foundation in its work preserving these valuable materials, which have contributed greatly to the development of medicine in Australia, for future generations.



### Supporting Amputee Football

Kanematsu supports the parasport of amputee football in cooperation with the Japan Amputee Football Association (JAFA), which aims to help realize a broadly inclusive society, regardless of disability, through sport.

Kanematsu provides a meeting room at its Tokyo Head Office for JAFA to use as an office as well as the Kanematsu Tsuga Ground for matches and other activities. Although the

COVID-19 pandemic greatly limited practices and games in fiscal 2021, Eastern Japan Amputee Football League matches and friendly matches were held with due virus countermeasures in place, such as forgoing opening ceremonies and exhibition matches. Through support for these efforts, Kanematsu aims to spread awareness of amputee football, broadly communicating the appeal and excitement of the sport.

### Volunteer Activities

To encourage employees to volunteer, Kanematsu has created a volunteer leave system. In addition, the Company has set up a support system to cover transportation and lodging costs not only for Company-organized volunteer efforts, but also employees' self-directed participation in volunteer activities related to nature, the environment, disaster recovery, local contribution, and social welfare.

#### Volunteering in Areas Affected by the Great East Japan Earthquake

Since 2011, the Kanematsu Group has carried out volunteer efforts to support recovery in Rikuzentakata, Iwate, an area affected by the Great East Japan Earthquake. In 2020, due to the COVID-19 pandemic, on-site volunteer activities were cancelled, but, to date, a total of 337 Kanematsu Group employees have taken part in 20 volunteer trips. As the areas affected have transitioned from processing disaster debris into

recovery, there has been less need for volunteer labor.

Accordingly, since 2018, Kanematsu has been a corporate sponsor of the Road to Recovery Rikuzentakata Support Appreciation Marathon. This marathon brings runners and volunteers from around the country together with local citizens in a shared hope for recovery.

In addition, in fiscal 2019, Rikuzentakata was designated an SDGs Future City by the national government, and the city is actively working toward the achievement of the SDGs under the banner of "Rikuzentakata: an Intentionally Inclusive Community." Kanematsu supports Rikuzentakata in its new community-building efforts.





## Human Resource Development Initiatives

Human resources are a vital asset for Kanematsu, and retaining and training human resources is important for the Company's growth. Kanematsu maintains systems to promote work-life balance, including childcare support and family care support systems, seeking to create workplaces that are comfortable and rewarding for employees. Furthermore, we focus considerable effort on human resource development, an indispensable part of Kanematsu's growth.

### Message from the Chief Officer of Human Resources & General Affairs



**Kazuo Tanaka**

Senior Executive Officer,  
Chief Officer,  
Human Resources & General Affairs

Human resources are the Kanematsu Group's most valuable assets. Our Corporate Principle, established based on the entrepreneurial spirit of our founder, Fusajiro Kanematsu, includes the passage, "Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all." Since the Group's founding more than 130 years ago, Kanematsu has strived to develop its people and create employee-friendly workplaces, growing and developing alongside a talented workforce.

One of the priority initiatives of the *future 135* medium-term vision is the establishment of management infrastructure for achieving sustainable growth, under which we aim to build a framework for global strategy, cultivate management-level human resources, and improve operational efficiency and employee satisfaction.

To cultivate management-level human resources, we expanded the scope of Kanematsu University, our structured training system, to include all employees. We are striving to cultivate highly capable human resources with the excellence of character and leadership needed to create and manage new businesses.

We are steadily advancing efforts to create environments that enable diverse employees to exercise their abilities. In recognition of these efforts, Kanematsu received "Platinum Kurumin" certification in December 2020 and was selected as a 2021 Certified Health & Productivity Management Outstanding Organization in March 2021. In our diversity and inclusion efforts, launched in 2019, we have assembled a project team consisting of members from across various divisions that are working to roll out activities on a Companywide basis. By promoting the recognition and acceptance of diverse values and ways of thinking, we will make it easier for all employees to work and utilize their abilities. Going forward, we will continue to advance work style reforms from a variety of angles in order to increase employee engagement and create environments that enable diverse work styles, an issue included in one of our five key issues.

No matter how times change, Kanematsu will work to develop business professionals with strong basic qualities of character, such as fairness and integrity, as well as rich individuality, so that every employee can act with pride to build strong relationships with business partners, thereby supporting the development of the Kanematsu Group.

## Kanematsu University

Kanematsu University, a reinforced, more systematic version of our existing training systems, was launched in July 2019 to develop management professionals who will create new businesses.

All employees of Kanematsu and Group companies are eligible to participate in the system, which grants credits and certifications, and participation is mandatory for employees who have been with the Group for fewer than ten years. The curriculum comprises the three categories of general education, interpersonal knowledge and skills, and professional knowledge and skills. The system provides a rich range of courses administered via e-learning or group training, depending on the content. Content ranges from the fundamental, such as business manners and foreign languages, to specialized knowledge and skills, such as business investment, legal matters, and anger management. Using Kanematsu University, we are developing the next generation of management-level human resources.

### **Voice** Kanematsu University Student's Perspective

Kanematsu University has curriculum for employees of varying experience levels, so that users can take classes at the right level for them in such areas as ways of thinking, strategy, and marketing. The e-learning format made it easy to fit classes into my own schedule, even with the time difference from Japan while I was stationed abroad. The system also includes group training sessions taught directly by professional instructors. I learned a tremendous amount through this training.

In addition to the mandatory curriculum,

through the GLOBIS program, I was able to take classes in my own areas of interest. I am currently working in the Motor Vehicles & Aerospace Division on new business creation and investment in the area of next-generation mobility. As such, I selected the courses that met my needs for learning about technology, innovation and investing from the wide variety available. The knowledge and skills I have gained have helped me form new business ideas, and I hope to utilize what I've learned to the fullest to promote new businesses.



**Shunya Sato**

Motor Vehicles and  
Aerospace Planning Office,  
Advanced Mobility Business  
Development Section

## Executive Management Training

Kanematsu created a new executive management training system in fiscal 2017 to foster the skills to operate businesses and organizations from an executive management perspective. Specifically, the targets of this training are to (1) foster strategy formulation and human resource management abilities and (2) acquire the basic knowledge necessary to an executive manager. In the first year, we implemented this training for general manager-level employees. Since fiscal 2018, we have been gradually expanding this training to the division manager level and below, planning to eventually include employees who are in approximately their 10th year with the Company.

### **Voice** Executive Management Trainee's Perspective

This training, consisting of lectures by outside instructors delivered over the course of six months, was aimed at imparting the basic knowledge and skills necessary to an executive manager, namely, strategy formulation and human resource management abilities. At the same time, we studied finance, accounting, data applications, and leadership through e-learning. In the strategy formulation and human resource management training, based on patterns in the approaches of leaders and 360-degree evaluation results, which included advice from others in the program, we discussed among ourselves and with

the lecturers the decisions an executive manager would make in example situations from other companies, taking into account the various factors that go into such decisions.

All the participants had different professional backgrounds, providing an opportunity to absorb their expertise and varied perspectives and expand my own thinking. Going forward, I will continue to develop my management knowledge and experience with the other participants to contribute to the Kanematsu Group's management and the acceleration of business creation.



**Yoko Terauchi**

Manager, IT Planning  
Department, Section 2

## Training in Business Plan Formulation

Kanematsu aims to improve corporate value by further developing areas of strength, making new investments for business creation, and taking on other new challenges. To this end, we have created training courses covering business plan formulation to impart the skills necessary for drafting road maps to the creation and successful launch of new businesses.

### **Voice** Business Plan Formulation Trainee's Perspective

The first half of the training consisted of working on problems we had received in advance using instructional texts, followed by a systematic study of the basic skills necessary for business plan formulation through lectures and lessons from instructors. By exploring questions with the instructors, I gained insight and understanding that I could not have fully grasped just by reading on my own.

In the second half, we split into groups to identify a new business opportunity within a given area and develop a business plan. Using the analytical

methods we learned in the first half, we advanced discussions as a team, getting advice from the instructors as needed, and got to experience firsthand the process of applying theory in actual business.

Rather than just studying theory, this training provided opportunities to practice it, and I definitely feel that I gained new skills. Business creation is a key focus for Kanematsu, so I hope to focus even more effort on business creation and, in the words of one of our instructors, leave my mark.



**Yasushi Hashioka**

Corporate Planning  
Department, Corporate  
Planning Section

## Diversity and Inclusion

Kanematsu has formed a Diversity and Inclusion (D&I) Team that is promoting the recognition and acceptance of diverse values and ways of thinking in order to create environments that will make it easier for all employees to work and utilize their abilities. To encourage employees to take ownership of D&I issues, we have promoted the use of childcare leave by men and implemented e-learning, diversity talks, and activities through the Companywide project team.

### Targets of the D&I Team

For Kanematsu to achieve its management objectives as a business creation group, proactively incorporating many kinds of difference is essential. We aim to grow in size and strength as a global company that will continue to contribute to society over the next century and, to this end, to be a flexible organization in which everyone is compensated fairly and equitably and able to fully utilize their diverse abilities.

## Promoting Greater Professional Participation and Advancement for Women and Non-Japanese Nationals

### General Employer Action Plan (Women's Participation and Advancement)

Duration	April 1, 2019 to March 31, 2024
Issues the Company Faces	Although Kanematsu hires a certain number of women every year, the percentages of women among all new graduate hires, employees in core operations, and employees in management positions are low.
Targets	1. Increase the number of women working in core operations in assistant section manager-level or higher positions to 35 (from 27 at the end of fiscal 2018) 2. Increase the percentage of women among new graduate hires to 42% (from 34% in fiscal 2018).
Initiatives	Increasing the percentage of women among new graduate hires and creating systems to promote female employee retention

### Female Employee Numbers

	FY2016	FY2017	FY2018	FY2019	FY2020
Female career-track employees* at fiscal year-end	56	54	52	54	64
Responsibility band at fiscal year-end	22	22	27	28	31
Women among new graduate hires	31.0%	34.4%	34.0%	39.0%	51.0%

\* Employees for whom work location is determined according to the Company's needs and not restricted to any specific area. These employees eventually move into core operations.

### General Employer Action Plan (Raising the Next Generation)

In December 2020, Kanematsu was granted "Platinum Kurumin" certification by the Ministry of Health, Labour and Welfare's Tokyo Labour Bureau. This special certification is granted to "Kurumin" certified companies that are implementing especially high-level initiatives to support their employees in balancing work and childcare. "Kurumin" certification is granted to companies that formulate action plans based on the Act on Advancement of Measures to Support Raising the Next



Generation and reach said plans' targets. This marks Kanematsu's third re-certification after its initial "Kurumin" certification in December 2010.

Under our fifth General Employer Action Plan, formulated in April 2020, we are advancing initiatives to fully harness employee potential, with the principal aim of creating work environments that enable employees to autonomously engage in their work and continue to fully participate professionally regardless of the ups and down of life events.

### Systems to Support the Women's Professional Participation and Advancement

- System to allow non-career-track employees to take division manager or assistant manager positions
- System for rehiring employees who left the Company to accompany a spouse who was transferred to another location
- Initiatives to help improve work-life balance.
  1. Reduced duties during pregnancy
  2. Shortened working hours for childcare (until the end of the child's third year of elementary school)
  3. Individual staggered work hours until the child finishes elementary school
  4. Full flexi-time system
  5. System for hourly use of paid vacation for childcare
- Diversity hiring
 

In order to recruit students with diverse backgrounds from around the world, we are implementing diversity hiring through activities to select employee candidates from students with global experience.

### Diversity Hiring Rate (Among New Graduates Hired as Career-Track Employees)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Graduates with non-Japanese citizenship	2%	0%	3%	0%	3%	26%
Graduates of overseas universities	0%	0%	0%	3%	6%	16%

## Voice Perspective of a Female Employee Working Overseas

I joined Kanematsu Australia in 2010. As a Finance Manager, I oversee all facets of Finance and Accounting. In addition, I work closely with Kanematsu New Zealand and provide support for taxation, financial, and external reporting.

Kanematsu Australia, originally established as the Sydney Branch of Kanematsu Shoten, is the longest established Japanese company in Australia, with more than 131 years of history. Kanematsu Australia trades in a wide range of products, such as meat, marine products, honey, grains, legumes, and feedstuff, as well as stainless steel and limestone. In partnership with other Kanematsu overseas offices,

the company has expanded trading with countries other than Japan in Asia, the Middle East, and South America in recent years. I am confident that with cross-border collaboration and the ability to leverage global talent, the overseas offices can make a greater contribution to the success of the Kanematsu Group.

I am appreciative of the opportunity to attend the online Kanematsu training in 2020. I valued the practical techniques taught in the programs and the relationships formed with colleagues from other offices. I will continue to learn, grow, and add value to the company to the best of my ability.



**Maki Namekawa**  
Kanematsu Australia Ltd.



## Health & Productivity Management

On March 4, 2021, Kanematsu was recognized as 2021 Certified Health & Productivity Management Outstanding Organization in the large enterprise category of the Certified Health & Productivity Management Organization Recognition Program organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Kanematsu's main health and productivity management initiatives are as follows.



### Establishment of the Kanematsu Health & Productivity Management Declaration

#### Kanematsu Health & Productivity Management Declaration

Kanematsu believes that maintaining and improving employee health is a crucial management issue for achieving sustainable growth. Accordingly, to advance health & productivity management, we strive to do the following.

1. **Health management:** We support employees' individual efforts to proactively maintain and improve their health.
2. **Environment improvement:** We create workplaces that ensure employees can work without endangering their health and participate fully.
3. **Ongoing improvement:** We study, implement, confirm effectiveness, and take steps to improve measures related to health management and environmental improvement on an ongoing basis.

### Establishment of the Health & Productivity Promotion System

Kanematsu is promoting health & productivity management based on a system comprising the Human Resources & General Affairs Department, industrial physicians, the Medical Center, the Occupational Health Committee, and the health

#### Health & Productivity Promotion System



insurance society, with the Chief Officer of Human Resources & General Affairs designated as the Health & Productivity Management Promotion Officer.

Furthermore, we have established a framework for reporting on health & productivity management initiatives to the Management Committee.

### Lifestyle-Related Illness Prevention

We are working toward the prevention and early detection of lifestyle-related illnesses through such measures as increasing the proportion of employees who undergo regular medical checkups and receive specific health guidance.

### Mental Health Problem Prevention

We aim to prevent mental health problems by such means as providing an internal consultation hotline and increasing the rate of employees who take stress checks.

## Work Style Reforms

Kanematsu is proactively committed to ensuring a good work-life balance and discourages long working hours in order to foster a healthy workforce. We have been improving the working environment so that employees can treasure the time they spend with their families as well as the time spent on hobbies and participating in social activities.

### Childcare Support

In addition to maternity and childcare leave systems, we have a number of systems in place to allow parents to continue working while pregnant or raising children. These include reduced duties and time off for doctor's visits during pregnancy, time off to care for sick children, and shortened work hours and full flextime system after returning from leave. From fiscal 2019, the period after returning from leave during which employees are eligible for reduced work hours has been extended from up to the child's third birthday to the end of the child's third year of elementary school. In addition, employees may work reduced hours with no reduction in pay

until the child's third birthday.

Many mothers take childcare leave, and when they return to work, as a rule, they are placed in the divisions in which they worked before. These measures are taken to create a pleasant working environment.

#### Number of Employees Taking Childcare Leave

FY2016	FY2017	FY2018	FY2019	FY2020
14	18	20*	20	28**

\* Includes two male employees

\*\*Includes four male employees

### Family Care Support

In addition to the conventional family care leave system, Kanematsu has recently enabled special paid holidays for family care.

We have also created a handbook for using support systems for balancing work and family care as part of efforts to provide information to employees who have concerns about family care. In addition, we have not only contracted with an external family care consultation service that employees can use at any time, but appointed a child-raising

and family care consultation officer, enabling one-to-one consultation on these matters.

Information about Kanematsu's family care-related systems is publicly available on the Ministry of Health, Labour and Welfare's *Ryoritsu Shien no Hiroba* website. In recognition of such systems, Kanematsu has been granted "Tomonin" certification as a company that provides work environments that enable employees to balance work with family care.



## Full Flextime System

In fiscal 2021, we implemented a full flextime system. In the interest of promoting flexible work styles, this system has done away with the core time (specific hours during which employees are required to work) designated under the

previous system. Now, in principle, individuals can freely adjust the times they begin and end their work in accordance with the varying demands of their own schedules, enabling more individually optimized and efficient work styles.

### Overview of the Full Flextime System

- Employees are, in principle, free to decide what time to start and end work within the hours of 5 am and 10 pm, with a minimum work time per workday of one hour.
- To use this system, in principle, employees must submit

notice of their planned start and end times by the end of the previous week. However, after such plans are submitted, they may be revised as needed to accommodate urgent errands, illness, or other individual circumstances.

## Remote Work System

In February 2020, we launched a remote work system on a trial basis to prevent the spread of COVID-19, and officially adopted the system in December 2020. In addition to

creating a remote work system for the work styles of a new era, we have provided environments and tools to enable employees to be efficient while working remotely.

## Systems for Using Paid Vacation

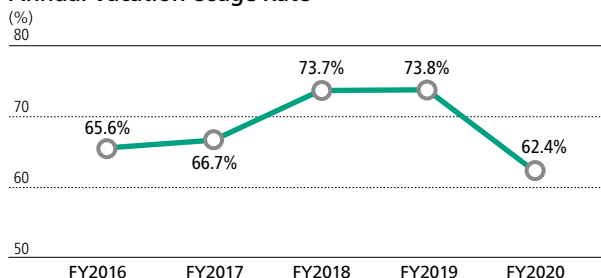
### Bronze Week

Since fiscal 2016, Kanematsu has maintained a "Bronze Week" system for systematically encouraging the use of annual paid vacation days. This is intended to make it easier for employees to take off the time they are entitled to and create workplaces that are more comfortable and rewarding.

From fiscal 2020, we have upgraded the system, renaming it the Bronze Week Plus System and doing away with the system of having sections designate candidate days off from which employees chose. We also increased the minimum number of days employees are required to use through the system to five to ensure compliance with the Revised Labor Standards Act's requirement that employees take at least five days of paid vacation per year. Since the system's introduc-

tion, the rate of annual vacation days used has risen steadily, reaching 73.8% in fiscal 2019. We will continue working to create even more employee-friendly workplaces and further increase the paid annual vacation usage rate.

### Annual Vacation Usage Rate



### Bronze Week Plus System Outline

- Makes it easier to take off a bridge day between two ordinary days off, the day before or after a three-day weekend, or take two days before or after a normal weekend, effectively extending the number of consecutive days off for the individual to four or more.
- This system is aimed at helping employees have special experiences that are difficult to realize with one or two days off so that they will feel refreshed and have new ideas that they can then put to use in their work.

- At the start of each fiscal year, employees schedule at least five days of paid vacation for that year.
- Applies to all employees, in principle, excluding those on dispatch within Japan, stationed overseas, or on leave.
- The system, which encourages the use of paid annual vacation, especially multiple consecutive days off, is named "Bronze Week Plus" in reference to the yearly clusters of public holidays in Japan popularly known as "Golden Week" and "Silver Week."

### My Weekend System

In fiscal 2019, we established the "My Weekend" system to encourage employees to take their paid annual vacation to, for example, pursue their hobbies or enjoy special family occasions. This system is aimed at helping employees feel comfortable taking days off for important events and giving greater

priority to their personal lives. In particular, managerial employees, who often find it particularly difficult to take time off, are asked to use at least five days per year. This system thus provides support to help employees prioritize both their work and private lives.

### My Weekend System Outline

- By encouraging employees to take off not only ordinary weekends, but days of personal significance, such as their wedding anniversaries or the birthdays of family members, as "my weekends," this system is aimed at helping employees take time for their personal interests and important

- family occasions.
- Managerial employees are asked to take at least five days off per year through the My Weekend system alone (no usage requirement has been set for non-managerial employees).

## Our Basic Stance on Corporate Governance

Kanematsu's founder himself put down the words "Let us sow and nurture the seeds of global prosperity." The Kanematsu Group recognizes the pioneering spirit fostered by our predecessors along with the wise use of our creative imagination and ingenuity, fulfilling our corporate social responsibilities through sound, flourishing businesses, and adherence to Company rules as key parts of its Corporate Principle. We operate in accordance with this principle and our Code of Conduct, striving to carry out corporate activities to serve our various stakeholders and help realize a sustainable society by providing socially valuable goods and services.

To this end, Kanematsu endeavors to strengthen corporate governance to increase the transparency of management and create a more equitable, efficient, and sound company. We work to improve corporate governance with the aim of increasing our enterprise value and winning the support of all our stakeholders, including shareholders, customers, business partners, and employees.

## System of Corporate Governance

### Board of Directors

The Board of Directors is made up of six directors, with the chairman of the Board of Directors as its presiding officer. The Board decides on matters required of it as set out in law and Kanematsu's Articles of Incorporation as well as business policies and other important matters and oversees business execution by directors. Two of the six directors are outside directors to ensure that the Board conducts appropriate decision making and to further reinforce the supervision of business execution. In principle, the Board of Directors meets once a month, with additional meetings held as necessary. Directors are appointed to the Board for one-year terms to allow the Board to respond appropriately to changes in the business environment.

### Main Board of Directors Agenda Topics and Number of Items Discussed

	FY2021	FY2020
Management strategy, corporate governance, and sustainability	25	25
Governance (rules, structures)	21	16
Closing of accounts	12	12
Internal control, risk management, and compliance	10	10
Human resources	9	6
Specific projects	50	62
Total	127	131

### Evaluating the Effectiveness of the Board of Directors

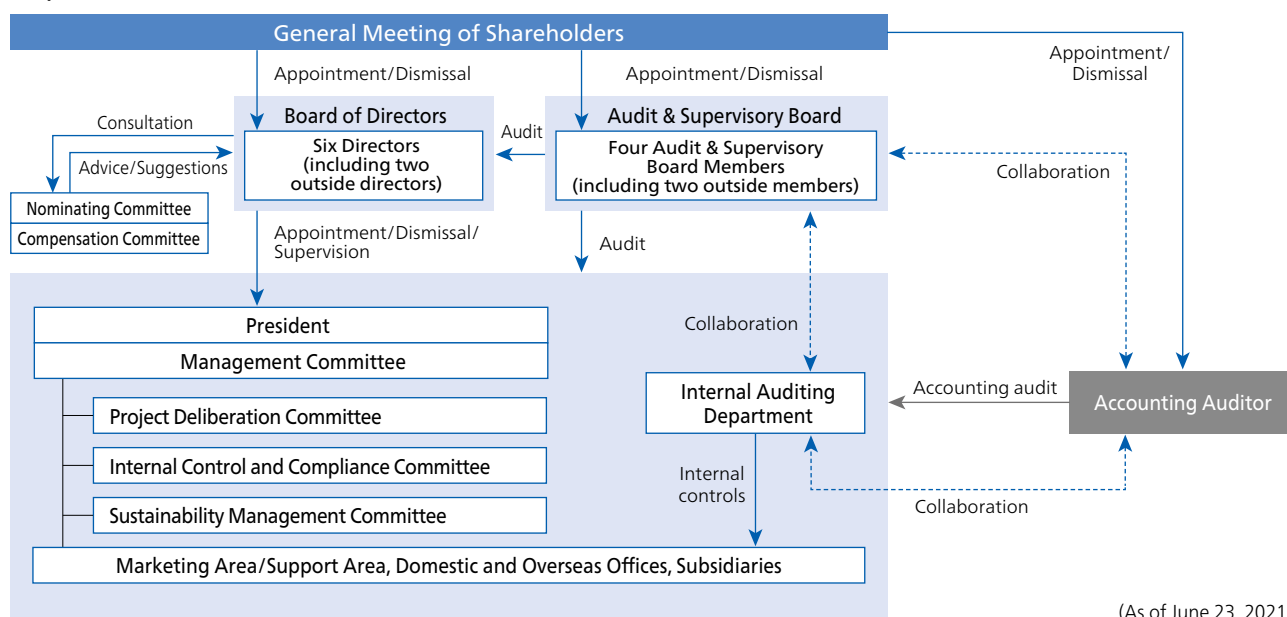
Each year, Kanematsu implements evaluations of the effectiveness of the Board of Directors to identify issues to address in the following year and confirm the status of measures undertaken to address issues identified the previous year. Through this process of evaluation and the implementation of measures to address issues identified, Kanematsu works to

continually improve the effectiveness of the Board of Directors. Based on issues identified in the fiscal 2020 evaluation, the Board of Directors and its secretariat implemented the measures listed below in fiscal 2021. We will continue working to resolve issues on an ongoing basis.

Issues Identified in the Fiscal 2020 Evaluation of the Effectiveness of the Board of Directors	Initiatives in Fiscal 2021 (April 2020–March 2021)
Medium- to long-term management strategy	The Board of Directors held open-ended discussions of the Group's business risks and medium- to long-term Group strategy.
Initiatives related to the SDGs	Based on an awareness that SDGs are a key element of sustained growth over the medium to long term, we adjusted the composition of our Sustainability Management Committee to include mainly the top management of our business divisions and discussed our current projects and future direction.
Revising the operation of the Board of Directors	By holding meetings of the Board of Directors and of the Management Committee (which comprises the executive officers) on different days, we ensured that the Board of Directors had adequate time for discussion and could deliberate on risk response regarding specific projects at a different level than the Management Committee.
Sharing opinions of investors	We shared information about shareholders and investors, including opinions they provided, with Board of Directors meeting participants and discussed them freely.



## Corporate Governance Structure



## Advisory Bodies

To reinforce the objectivity, independence, and accountability of the Board of Directors, Kanematsu has voluntarily established a Nominating Committee and a Compensation Committee as advisory bodies under the Board of Directors.

- **Nominating Committee:** Comprises the chairman as committee chair and the two outside directors. The committee provides recommendations to the Board of Directors based on deliberations regarding such matters as proposals for the General Meeting of Shareholders related to the appointment and dismissal of directors and the necessary policy, rules, and procedures for reaching related resolutions
- **Compensation Committee:** Comprises the president as committee chair and the two outside directors. The committee provides recommendations to the Board of Directors based on deliberations regarding such matters as policy regarding the setting of compensation levels and types for individual directors and executive officers as well as the necessary policy, rules, and procedures for reaching related resolutions.

## Reasons for the Adoption of the Current Corporate Governance System

Kanematsu uses the audit & supervisory board system in order to increase the transparency of management and create a more equitable, efficient, and sound company.

Two of the four Audit & Supervisory Board members are outside members. Based on their insights and experience, the outside members provide suggestions and advice from an objective standpoint, realizing effective outside management supervision and oversight.

In addition, the Company's directors include multiple highly independent outside directors in order to reinforce and enhance the effectiveness of the Board of Directors' management oversight and the transparency of its decision making.

Going forward, to further reinforce corporate governance, we will continue working to ensure a system of corporate governance that is appropriate in light of legal and regulatory systems, the conditions within the Company, and the Company's scale.

## Management Committee

Kanematsu has adopted an executive officer system to improve the flexibility of business execution, speed up management decision making, and further clarify roles and responsibilities through the separation of supervisory and executive functions. With authority delegated by the Board of Directors, the executive officers carry out business operations in their respective areas of responsibility based on the decisions of the Board of Directors.

To facilitate rapid decision making and flexible management, Kanematsu has set up a Management Committee, chaired by the president and composed of the chairman of the Board of Directors and certain executive officers. In principle, the Committee meets at least twice a month. The Committee establishes basic policies for Companywide general business execution in accordance with basic policies determined by the Board of Directors and provides instruction and guidance on the execution of business.

## Project Deliberation Committee

The Project Deliberation Committee considers and discusses important projects before they are referred to the Management Committee or other bodies. Comprising the chief officers of credit control, finance and accounting, and corporate planning, the Committee meets twice a month, in principle.

## Audit & Supervisory Board

Kanematsu uses the audit & supervisory board system. The Audit & Supervisory Board and its members act independently to audit directors' performance of their duties. Specifically, the four Audit & Supervisory Board members, including two outside members, receive reports from directors and employees on the performance of their duties as required, and attend meetings of the Board of Directors and Management Committee.

Furthermore, the full-time Audit & Supervisory Board Members attend the Project Deliberation Committee, Internal Control and Compliance Committee, and other important meetings or committees.

### Reasons for Selection of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for Selection	Fiscal 2021 Attendance
Outside Directors	Yuko Tahara	So that she can provide advice to management and appropriate oversight of business execution based on her wealth of experience in corporate management and deep insight gained through experience in human resources and organizational consulting.	17 of 17 Board of Directors meetings
	Kazuhiro Tanaka	So that he can provide advice to management and appropriate oversight of business execution based on his extensive expertise and deep insight regarding corporate management as a university professor specializing in business administration.	14 of 14 Board of Directors meetings <sup>1</sup>
Outside Audit & Supervisory Board Members	Yusaku Kurahashi	So that he can audit Kanematsu based on his expert knowledge and experience as a lawyer.	17 of 17 Board of Directors meetings 14 of 14 Audit & Supervisory Board meetings
	Nobuko Inaba	So that she can audit Kanematsu based on her expert knowledge and experience relating to accounting and tax affairs as a certified public accountant and as a certified public tax accountant.	— <sup>2</sup>

1. As Mr. Tanaka was appointed at the June 24, 2020 General Meeting of Shareholders, the number of meetings of the Board of Directors that he was eligible to attend differs from those for the other outside director and Audit & Supervisory Board members.

2. As Ms. Inaba was appointed at the June 23, 2021 General Meeting of Shareholders, she did not attend meetings in fiscal 2021.

## Outside Director and Outside Audit & Supervisory Board Member Support System

Outside directors are provided with necessary information, reports, and other communications, including advance briefings about Board of Directors agenda items. To enable them to smoothly and efficiently collect information and carry out their audit duties, outside Audit & Supervisory Board members are provided in advance with materials related to the meetings and committees that they attend as well as with approval requests to ensure adequate preparation.

## Director and Audit & Supervisory Board Member Compensation

### Breakdown of Director and Audit & Supervisory Board Member Compensation

	Total Compensation (millions of yen)	Total Compensation by Type (millions of yen)			Number of Individuals Receiving Compensation
		Monetary Compensation		Non-monetary Performance-linked Stock Compensation	
		Basic Compensation	Performance-linked Compensation		
Directors (excluding outside directors)	214	164	33	16	4
Outside Directors	19	19	—	—	3
Audit & Supervisory Board Members (excluding outside members)	49	49	—	—	2
Outside Audit & Supervisory Board Members	26	26	—	—	3
Total	309	259	33	16	12

1. Per the resolution of the June 24, 2015 General Meeting of Shareholders, total annual compensation for directors is capped at ¥300 million (of which, total annual compensation for outside directors is capped at ¥30 million), and total annual compensation of Audit & Supervisory Board Members is capped at ¥84 million.

2. The above table includes two individuals who served as outside directors or Audit & Supervisory Board members who retired as of the conclusion of the June 24, 2020 General Meeting of Shareholders.

3. The above figure for non-monetary compensation (¥16 million) is the amount recorded as costs for performance-linked stock compensation in fiscal 2021.

## Performance-Linked Stock Compensation Plan

The performance-linked stock compensation plan is aimed at more closely linking director compensation with corporate performance and stock price and better motivating directors to improve corporate performance and enterprise value over the medium term by having directors share with other shareholders the potential benefits and risks of share price changes. Under the plan, a trust established using funds provided by the Company acquires shares of the Company. Via the trust, shares of the Company in a number equivalent to the number of points granted to each director by the Company, based on a designated formula, are then granted to each director. One point represents one share of the Company's stock; however, in the event of a share split, reverse share split, gratis share allocation or other event for which it would be considered reasonable to adjust the number of shares of the Company, the Company will make reasonable adjustments reflecting the ratio of such stock split or reverse stock split, etc.

## Internal Auditing

The Internal Auditing Department conducts internal audits of Kanematsu Corporation and its subsidiaries to ensure proper accounting and record keeping and to evaluate and oversee improvement and control activities to help make business execution more effective and efficient.

## Internal Control System and Risk Management System

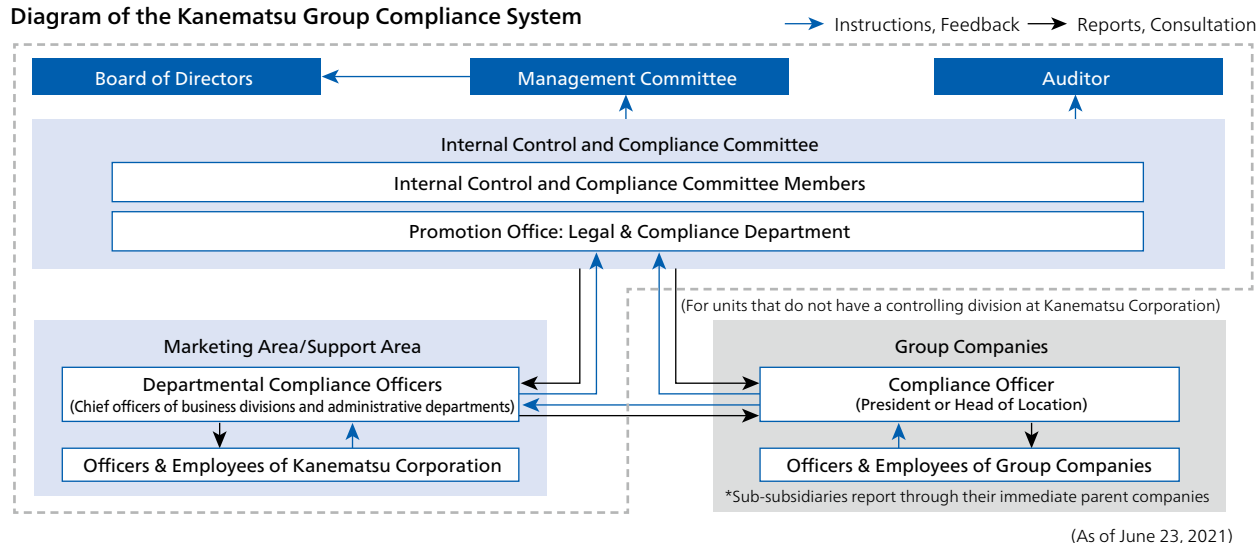
### Maintaining the Internal Control System

To comprehensively assess risks facing the Kanematsu Group, to comply with laws and regulations relating to operational effectiveness and efficiency and business activities, to protect its assets, and to ensure the reliability of its financial reporting, the Kanematsu Group has built an internal control system. To maintain and advance the use of this system, we have also established the Internal Control and Compliance Committee. We develop, operate, assess, and improve internal controls related to financial reporting to ensure the correctness of the Group's reporting in line with the internal control reporting systems defined in the Financial Instruments and Exchange Law.

### Compliance

In light of the importance of corporate legal compliance, we have set up internal control systems for the Group as well as an Internal Control and Compliance Committee to implement said systems, seeking to strengthen our internal compliance system. In addition to preparing a Compliance Handbook that covers all Group companies, we work to enhance awareness of and training on sensible behavioral ethics. The Group also maintains a hotline system that allows employees to directly report to or consult with the Internal Control and Compliance Committee or an outside lawyer.

Diagram of the Kanematsu Group Compliance System



### Elimination of Antisocial Forces

One of Kanematsu's compliance commitments is to take a firm stand against and eschew all relationships with antisocial forces. To promote the elimination of antisocial forces, Kanematsu belongs to the Tokyo Metropolitan Police Department's Special Violence Prevention Countermeasures Association, cooperating closely on a regular basis by sharing information. The Human Resources & General Affairs Department is designated to coordinate Companywide response and information gathering to address any unreasonable demands from antisocial forces, and the Company maintains a framework for responding in coordination with outside organizations, including the police and attorneys.

### Information Management System

With regard to information management, we have established standards for the retention and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of Kanematsu, certificates related to properties, and other similar documents.

As information is a valuable corporate asset, we have also formulated, and work to reinforce, rules on information security management with the aim of protecting and managing personal data and other information in line with compliance requirements.

With regard to security in the use of information systems, the Group has established information security management rules aimed at preventing leaks and losses of important information and established standardized rules covering the use of PCs, networks, and e-mail to protect corporate and personal information. Furthermore, the Group continually reviews its systems framework aimed at enhancing security and operates and maintains said framework to ensure that security is maintained at necessary and appropriate levels.



## Risk Management

With respect to business risks that may affect our operations, based on designated levels of authority, departments responsible for functions related to each type of risk establish internal regulations along with detailed enforcement regulations and prepare operational guidelines while using training and other means to ensure thorough awareness of risk management. The Company also sets up cross-departmental committees as necessary to control risks.

We have established an approval request system based on designated levels of authority for making judgements and decisions about business risks. The Project Deliberation Committee considers important investments and loans, including their execution, continuance, and withdrawal, based on the comprehensive examination of relevant risks.

To address the risk of crises related to the occurrence of major events, such as natural disasters, we have put in place a system, including specific rules and manuals, to ensure the appropriate management of the Group at such extraordinary times.

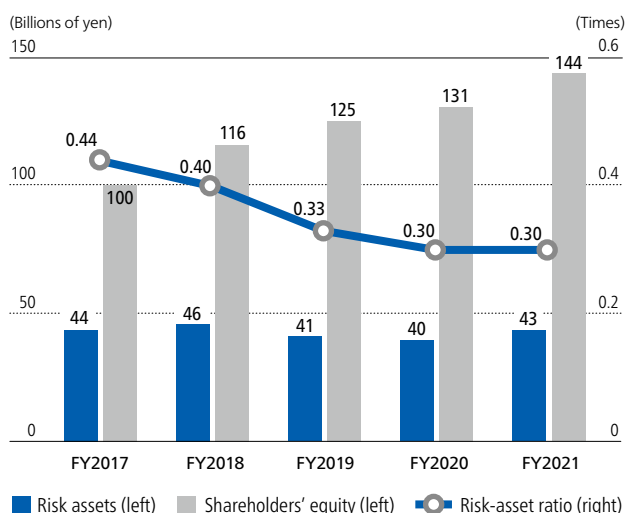
## Quantifying and Monitoring Risk

The Kanematsu Group has laid out basic guidelines for controlling and managing risk in its Risk Management Guidelines. Based on said guidelines, we classify and define risks, then respond to each appropriately, aiming to minimize losses to the Kanematsu Group and achieve sound business growth and development.

The Group monitors quantifiable risks (market risk, credit risk, investment risk, country risk, etc.) by regularly measuring such risks and reporting the results to management. Specifically, to measure maximum possible losses (risk assets) we apply a proprietary weighting scheme corresponding to the potential loss risk to all assets included in the Consolidated Statement of Financial Position as well as off-balance sheet items.

Recently, to achieve more sophisticated capital management, we set an upper limit on the risk asset ratio, aiming to ensure a sound balance of risk assets and risk buffer (shareholder's equity) and maintain a sound financial position while increasing enterprise value through business creation and revenue expansion.

### Risk Assets



## Groupwide Activities

Group company presidents meet twice a year and at other times as necessary to share information on Groupwide business activities. These meetings are aimed at ensuring mutual understanding and awareness with regard to corporate governance issues.

Within the Kanematsu Group, Kanematsu Electronics Ltd. and Kanematsu Sustech Corporation are subsidiary companies, as defined in Article 8-3 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc., that are listed on a securities exchange. Kanematsu respects these companies' management autonomy and, strictly in keeping with its position and level of authority as a shareholder, provides them with advice regarding all types of matters and requires advance internal approval only regarding important matters. Furthermore, to prevent inappropriate transactions with these companies, their subsidiaries, or their affiliates, and to prevent improper accounting, Kanematsu and the said two companies exchange information as needed while securing the independence of the two companies and their subsidiaries, etc.

## Disclosure

Kanematsu regards promptly, fairly and accurately disclosing important corporate information about management to shareholders, investors, and all other stakeholders, including employees, business partners, and the media, as well as ensuring transparency, as a responsibility of management. We practice timely disclosure of important corporate information, such as that regarding decisions made, the occurrence of material incidents, and the closing of accounts, by registering such information with securities exchanges and through our website and other channels. We handle unpublished material information in accordance with internal rules regarding the management of material information and control of insider trading, working on a Groupwide basis to prevent insider trading.

## Interview with the Outside Directors



Human resources constitute the Kanematsu Group's most important asset. We asked our outside directors about the strengths of Kanematsu's human resources and what development frameworks or work styles the Group will need going forward to continue to grow amid a rapidly changing business environment.

### Human Resource Development and Strategy

**Q:** Kanematsu's Corporate Principle includes the passage, "Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all." Since the Group's founding 132 years ago, Kanematsu has strived to develop its people and create employee-friendly workplaces. We are known among our business partners for the good nature and honesty of our people. As outside directors, what do you see as Kanematsu's particular features, strengths, and weaknesses?

**Tahara:** Kanematsu has an excellent corporate culture that values people. There is a warm, homey atmosphere—for example, every year, the corporate officers and newly appointed



**Yuko Tahara**

Outside Director

1998 President and CEO, Basic Inc. (incumbent)  
2018 Outside Director & Member of the Audit and Supervisory Committee, Sanyo Homes Corporation (incumbent)  
2019 Outside Director, Kanematsu Corporation (incumbent)  
2020 Visiting Professor, Research Institute of Advanced Education, The Graduate School of Information & Communication  
2021 Professor, School of Professional Education, The Graduate School of Information & Communication (incumbent)

division managers visit the grave of Group founder Fusajiro Kanematsu to pay their respects. I get the impression that helping employees develop outstanding character has long been a key part of Kanematsu's culture. In addition, I sense a certain culture of tolerance and generosity of spirit that allows employees to boldly take on challenges. This culture nurtures employees who proactively make suggestions without having to be told and take the initiative to move forward.

**Tanaka:** I agree that Kanematsu has a wealth of employees with excellent integrity. Kanematsu's particular size allows it to take attentive care of its employees, and its culture allows employees to ambitiously try out various things early in their careers. People grow the most when they are entrusted with a job that they themselves can directly and tangibly impact, and Kanematsu's employees have many such experiences. Going forward, I hope the Group will maintain these characteristics even as it gets larger. I also think that the creation of Kanematsu University represents a major strength. This approach to developing human resources through not only regular on-the-job practice, but such practice in combination with learning via Kanematsu University, is very promising.

### Diversity and Inclusion

**Q:** Kanematsu launched the Diversity and Inclusion (D&I) Team in fiscal 2020 and a cross-divisional D&I project team in fiscal 2021. There are still many issues to address, but what are your views on Kanematsu's diversity-related measures so far?

**Tahara:** The recent launch of the cross-divisional D&I project team is a very positive step. The exchange across divisions of their respective specialized skills and expertise will make their efforts more potent. I have previously expressed my opinion that Kanematsu's strength as a trading company is the

know-how and expertise it has accumulated through the various businesses it undertakes. The product of such intellectual assets is none other than its outstanding human resources. Collaborative D&I initiatives like this, which look beyond just including women, will lead to new business creation possibilities going forward.

**Tanaka:** Diversity means respecting the individuality of others. Mutual respect of one another's individuality, in turn, means respecting the facts of reality. Distorting or denying the facts leads to trouble. For example, when a female employee takes maternity leave, it can temporarily increase the workload of her colleagues. Such situations arise from the natural differences among diverse employees, including gender, which are simply facts of reality. If everyone involved accepts and respects them as such, it can lead them to look for creative ways to overcome difficulties and become a positive impetus for improvement. In advancing D&I, it is crucial to not only create systems, but develop workplace culture.

## Work Style Reforms

**Q:** Amid the ongoing COVID-19 pandemic, Kanematsu has moved forward with work style reforms and efforts to diversify work styles, including the use of remote work and full flextime systems. However, while diversity and freedom in work styles are increasing, we are still figuring out some aspects of human resource management under these new frameworks. Do you have any advice for increasing labor productivity?

**Tahara:** Conventional personnel management has focused on just that—managing personnel. Today, however, focusing on the know-how, skills, and competencies of each individual to develop and effectively utilize human equity is a major factor in corporate value creation and growth. In light of this, more and more companies overseas are advancing disclosure in line with ISO 30414 (Human Resource Management). To better focus on the strengths of individual employees, HR-related tech, like that which Kanematsu is implementing, and diverse career plans will be increasingly crucial going forward. In addition, a growing number of companies are utilizing “workations” (a combination of work and vacation), which can have many benefits, such as furthering intellectual creation, increasing productivity, and building ties with local communities. The crucial first step for such initiatives is making work more trackable.

**Tanaka:** Kanematsu's corporate culture tends to assume the best of people. This is a good thing, and labor management should, fundamentally, do so as well. However, assuming the best unconditionally, that is, simply trusting everyone to handle their work with no accountability, is asking for trouble. When a supervisor assigns a task to an employee to complete, that supervisor retains a responsibility to check on the project's progress and provide supervision when called for. That said, placing too little trust in employees and subjecting them to constant surveillance is also a problem. The key, in other words, is to assume the best of people without being careless. On a



**Kazuhiro Tanaka**

Outside Director

2010 Professor, Graduate School of Commerce and Management, Hitotsubashi University  
 2018 Professor, Graduate School of Business Administration, Hitotsubashi University (incumbent)  
 2019 Dean, Graduate School of Business Administration and Faculty of Commerce and Management, Hitotsubashi University (incumbent)  
 2020 Outside Director, Kanematsu Corporation (incumbent)

different note, we humans, by our nature, tend to focus on the tasks immediately before us. To increase labor productivity, it will be important to revise daily work processes using DX and, in particular, for managers to maintain a long-term perspective.

## Expectations for Kanematsu from Expert Perspectives

**Q:** Lastly, from the perspective of your areas of expertise, what expectations do you have for Kanematsu?

**Tahara:** Trading companies are often subject to a conglomerate discount, but I think that they should rather receive a premium, as they contain tremendous potential, resources, and opportunities. I think that the move to the new head office in 2022 may be Kanematsu's time to shine in terms of its strengths in DX. Surprisingly, Kanematsu was appointing women to management positions as far back as the 1950s, making it truly ahead of its time. I think that this culture of looking at the individual and helping them grow has been a constant at Kanematsu ever since. I have great expectations that Kanematsu will continue to leverage this culture to accept diversity and further develop its strengths going forward.

**Tanaka:** It goes without saying that the long-term growth of a company depends on the growth of the individual employees who carry out its business and the development of human resources who can manage the company not only at the level of individual businesses, but as a whole. In that respect, I think that Kanematsu University will play a crucial role, and I hope to see it further enhanced going forward. Discussions of human resource development tend to focus entirely on skills and knowledge, but character is also important. People are a trading company's capital. In addition to knowledge and skills, character and integrity are especially vital. I feel that there are truly a great number of people with integrity at Kanematsu, and I hope that the Group will continue to value and cherish that culture and use it to its advantage.



# Corporate Officers

(As of July 1, 2021)

## Directors and Audit & Supervisory Board Members



**Kaoru Tanigawa**  
Chairman

Shares held: 30,900

1981 Joined Kanematsu-Gosho Ltd.  
2015 Director, Senior Managing Executive Officer  
2017 President  
2021 Chairman (incumbent)



**Yoshiya Miyabe**  
President

Shares held: 15,800

1983 Joined Kanematsu-Gosho Ltd.  
2018 Director, Senior Managing Executive Officer  
2021 President (incumbent)



**Masayuki Shimojima**  
Director

Shares held: 27,700

1974 Joined Kanematsu-Gosho Ltd.  
2010 President  
2017 Chairman  
2021 Director (incumbent)



**Tetsuro Tsutano**  
Director

Shares held: 23,600

1992 Joined Kanematsu Corporation  
2017 Director, Executive Officer  
2018 Director, Senior Executive Officer (incumbent)



**Yuko Tahara**  
Director

Shares held: 0

1998 President and CEO, Basic Inc. (incumbent)  
2018 Outside Director & Member of the Audit and Supervisory Committee, Sanyo Homes Corporation (incumbent)  
2019 Outside Director, Kanematsu Corporation (incumbent)  
2020 Visiting Professor, Research Institute of Advanced Education, The Graduate School of Information & Communication  
2021 Professor, School of Professional Education, The Graduate School of Information & Communication (incumbent)



**Kazuhiro Tanaka**  
Director

Shares held: 0

2010 Professor, Graduate School of Commerce and Management, Hitotsubashi University  
2018 Professor, Graduate School of Business Administration, Hitotsubashi University (incumbent)  
2019 Dean, Graduate School of Business Administration and Faculty of Commerce and Management, Hitotsubashi University (incumbent)  
2020 Outside Director, Kanematsu Corporation (incumbent)



**Tetsuro Murao**  
Audit & Supervisory Board Member (full-time)

Shares held: 9,200

1976 Joined Kanematsu-Gosho Ltd.  
2015 President, Shinto Corporation  
2019 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)



**Motohisa Hirai**  
Audit & Supervisory Board Member (full-time)

Shares held: 3,800

1976 Joined Kanematsu-Gosho Ltd.  
2014 Senior Managing Director, Kanematsu-NNK Corporation (now Kanematsu Sustech Corporation)  
2020 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)



**Yusaku Kurahashi**  
Audit & Supervisory Board Member

Shares held: 0

2007 Registered as attorney at law and joined Nakamura, Tsunoda & Matsumoto  
2015 Partner of Nakamura, Tsunoda & Matsumoto (incumbent)  
2019 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)  
2020 Outside Director (Audit & Supervisory Committee Member), UNITED ARROWS LTD. (incumbent)



**Nobuko Inaba**  
Audit & Supervisory Board Member

Shares held: 0

2005 President, Inaba C.P.A. Office (incumbent)  
2007 Representative Director, PAS Corporation (now Hayabusa Consulting Corporation) (incumbent)  
2014 Outside Audit & Supervisory Board Member, Tokyo TY Financial Group, Inc (now Tokyo Kiraboshi Financial Group, Inc.) (incumbent)  
2019 Outside Corporate Auditor, DeNA Co., Ltd. (incumbent)  
2021 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)

1 Ms. Yuko Tahara and Mr. Kazuhiro Tanaka are outside directors.

2 Mr. Yusaku Kurahashi and Ms. Nobuko Inaba are outside Audit & Supervisory Board members.

3 Ms. Yuko Tahara, Mr. Kazuhiro Tanaka, Mr. Yusaku Kurahashi, and Ms. Nobuko Inaba are independent officers, as defined by the Tokyo Stock Exchange.

## Executive Officers



**Yoshiya Miyabe**  
President



**Toshihide Motoshita**  
Senior Managing Executive Officer  
Chief Officer, Credit Control, Legal and Compliance



**Eiji Kan**  
Managing Executive Officer  
Chief Officer, Steel, Materials & Plant Division  
General Manager, Osaka Branch; General Manager, Nagoya Branch



**Masayuki Hamasaki**  
Managing Executive Officer  
Chief Officer, Grain, Oilseeds & Feedstuff Division



**Masahiro Harada**  
Managing Executive Officer  
Chief Officer, Electronics & Devices Division, Digital Transformation (DX) Acceleration Team



**Kazuo Tanaka**  
Senior Executive Officer  
Chief Officer, Human Resources & General Affairs, Traffic & Insurance



**Tetsuro Tsutano**  
Senior Executive Officer  
Chief Officer, Corporate Planning, IT Planning, Technologies and Business Collaboration



**Ryoichi Kidokoro**  
Senior Executive Officer  
Chief Officer, Motor Vehicles & Aerospace Division



**Hiroshi Yamashina**  
Senior Executive Officer  
President, Kanematsu USA Inc.



**Osamu Iwata**  
Executive Officer  
Deputy Chief Officer, Steel, Materials & Plant Division



**Yoichiro Muramatsu**  
Executive Officer  
President, Kanematsu GmbH; President, Kanematsu Europe PLC



**Jun Nakajima**  
Executive Officer  
Deputy Chief Officer, Grain, Oilseeds & Feedstuff; General Manager, Grain & Feedstuff Dept.



**Toru Hashimoto**  
Executive Officer  
Chief Officer, Meat Products Division



**Koichi Nishimura**  
Executive Officer  
Chief Officer, Foods Division



**Akihiro Fujita**  
Executive Officer  
Deputy Chief Officer, Electronics & Devices Division; General Manager, Semiconductor Equipment Dept.; General Manager, Electronics Planning Office

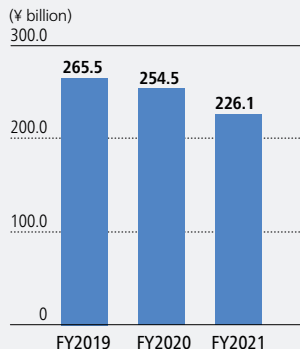

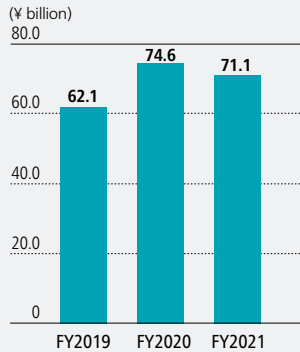


**Kaori Kusuda**  
Executive Officer  
Deputy Chief Officer, Internal Auditing Dept.; General Manager, Internal Auditing Dept.



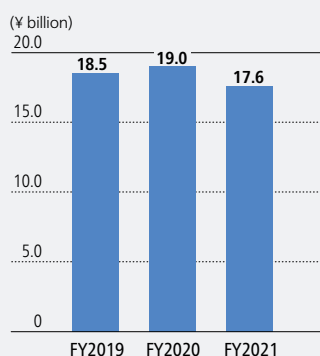
**Shuji Masutani**  
Executive Officer  
Chief Officer, Finance, Accounting, Business Accounting

# Business Segments

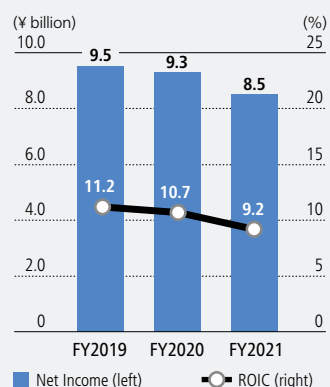
Main Business		Revenue								
<h3>Electronics &amp; Devices</h3> 	<ul style="list-style-type: none"><li>• Semiconductor Equipment</li><li>• Electronic Components and Materials</li><li>• Industrial Electronics</li><li>• Semiconductors &amp; Devices</li><li>• ICT Solutions</li><li>• Mobile</li><li>• CCTV Systems</li><li>• Data</li></ul>	<p>(¥ billion)</p> <p>300.0</p>  <table><tr><th>Fiscal Year</th><th>Revenue (¥ billion)</th></tr><tr><td>FY2019</td><td>265.5</td></tr><tr><td>FY2020</td><td>254.5</td></tr><tr><td>FY2021</td><td>226.1</td></tr></table>	Fiscal Year	Revenue (¥ billion)	FY2019	265.5	FY2020	254.5	FY2021	226.1
Fiscal Year	Revenue (¥ billion)									
FY2019	265.5									
FY2020	254.5									
FY2021	226.1									
<h3>Foods, Meat &amp; Grain</h3> 	<h4>Foods</h4> <ul style="list-style-type: none"><li>• Foods (agricultural products, marine products, beverages, etc.)</li><li>• Cooked and Processed Foods</li><li>• Processed Agricultural Products</li></ul> <h4>Meat Products</h4> <ul style="list-style-type: none"><li>• Meat Products</li></ul> <h4>Grain, Oilseeds &amp; Feedstuff</h4> <ul style="list-style-type: none"><li>• Grain, Food Soybeans, Oilseeds</li><li>• Feedstuff</li></ul>	<p>(¥ billion)</p> <p>300.0</p>  <table><tr><th>Fiscal Year</th><th>Revenue (¥ billion)</th></tr><tr><td>FY2019</td><td>244.9</td></tr><tr><td>FY2020</td><td>251.4</td></tr><tr><td>FY2021</td><td>244.6</td></tr></table>	Fiscal Year	Revenue (¥ billion)	FY2019	244.9	FY2020	251.4	FY2021	244.6
Fiscal Year	Revenue (¥ billion)									
FY2019	244.9									
FY2020	251.4									
FY2021	244.6									
<h3>Steel, Materials &amp; Plant</h3> 	<ul style="list-style-type: none"><li>• Steel</li><li>• Steel Tubing</li><li>• Chemicals</li><li>• Energy</li><li>• Plant &amp; Ships</li><li>• Machine Tools &amp; Industrial Machinery</li></ul>	<p>(¥ billion)</p> <p>150.0</p>  <table><tr><th>Fiscal Year</th><th>Revenue (¥ billion)</th></tr><tr><td>FY2019</td><td>139.4</td></tr><tr><td>FY2020</td><td>129.9</td></tr><tr><td>FY2021</td><td>96.8</td></tr></table>	Fiscal Year	Revenue (¥ billion)	FY2019	139.4	FY2020	129.9	FY2021	96.8
Fiscal Year	Revenue (¥ billion)									
FY2019	139.4									
FY2020	129.9									
FY2021	96.8									
<h3>Motor Vehicles &amp; Aerospace</h3> 	<ul style="list-style-type: none"><li>• Motor Vehicles and Parts</li><li>• Aerospace</li></ul>	<p>(¥ billion)</p> <p>80.0</p>  <table><tr><th>Fiscal Year</th><th>Revenue (¥ billion)</th></tr><tr><td>FY2019</td><td>62.1</td></tr><tr><td>FY2020</td><td>74.6</td></tr><tr><td>FY2021</td><td>71.1</td></tr></table>	Fiscal Year	Revenue (¥ billion)	FY2019	62.1	FY2020	74.6	FY2021	71.1
Fiscal Year	Revenue (¥ billion)									
FY2019	62.1									
FY2020	74.6									
FY2021	71.1									



## Operating Profit

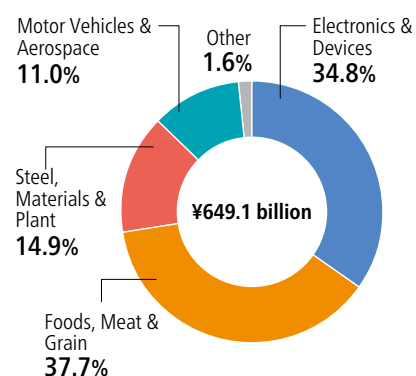


## Net Income\*/ROIC

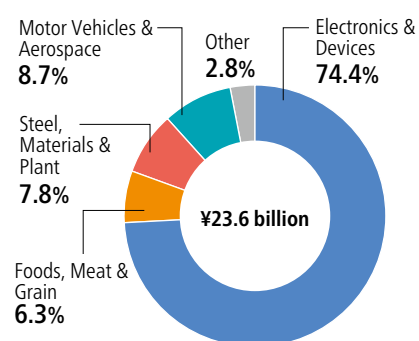


(FY 2021)

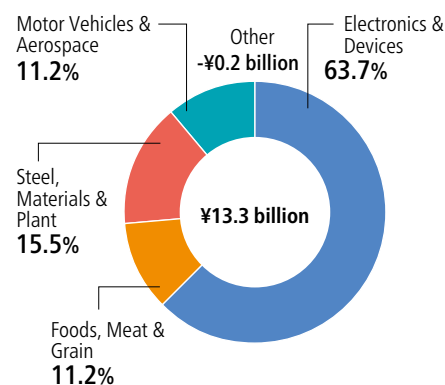
## Revenue



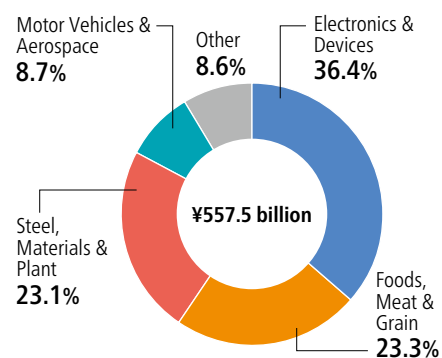
## Operating Income



## Net Income\*



## Total Assets



Kanematsu's Progress and Strengths

Management Strategy

Sustainability

Review of Operations

Financial Section and Company Information

\* Profit for the year attributable to owners of the Parent

# Electronics & Devices

The Electronics & Devices segment handles a value chain spanning ICT solutions, mobile, and electronics-related materials parts, devices and equipment, providing unique added value across a wide range of fields. Using our solid technological prowess and wealth of know-how in electronics, we are advancing new initiatives in the IoT and AI fields and offering new value to contribute to society.



**Masahiro Harada**

Managing Executive Officer  
Chief Officer, Electronics &  
Devices Division

## Key SDGs

The Electronics & Devices segment is closely related to innovative digital technologies and offers many opportunities for expansion into new businesses. Advanced technologies only make a difference once implemented, making this a challenging area, but by building organic partnerships and continuing segment-wide efforts, we strive to contribute to society.



## Segment Vision

Constantly provide solutions to international society by leveraging advanced technologies in all fields

## Segment Strengths

- Stable profit generated by the solid foundations built up in the ICT solutions and mobile businesses
- Expansive supply chains and a robust customer base in the semiconductor component and equipment businesses and the electronic devices and materials businesses
- Specialized business areas—we develop specific business areas in depth, for example, enhancing business proposal capabilities by acquiring development functions centered on commercial printers in the industrial electronics business

## Business Environment

### Opportunities

- Growth of the remote work market
- The creation and expansion of related technology and service markets driven by the adoption of AI, IoT, robotics, and 5G
- Accelerating DX initiatives at companies in Japan

### Growth Strategies

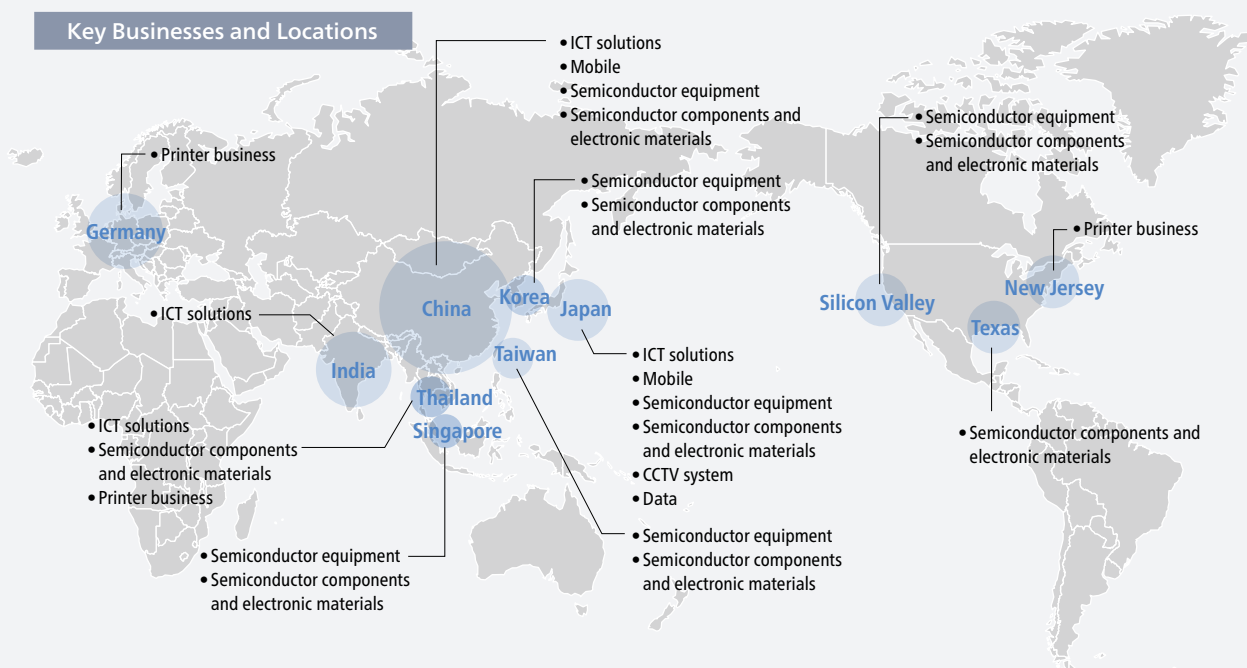
- Provide solutions and services in such areas as virtual desktop infrastructure (VDI) and connectivity to reinforce the earnings base of the ICT solutions and mobile businesses
- Provide new value to expand opportunities for profit by offering related solutions in the ICT solutions and mobile businesses as well as related products in the semiconductor component and equipment businesses and the electronic devices and materials businesses
- Promote M&A and innovation investment in solutions providers, including startups, and expand profit through synergies with existing businesses

### Risks

- Increasing sophistication and complexity of information security, shortage of specialized professionals, and tightening regulations
- Industry reorganization, the impact of core technologies, and technological innovation
- Supply chain interruptions due to changing international conditions, geopolitical risks, or pandemics

### Countermeasures

- Acquire and expand solutions platforms based on capital alliances and partnerships with companies in and outside Japan that have specialized technologies
- Expand scale by acquiring companies and businesses and acquire and develop new products and solutions through innovation investment
- Optimize and diversify supply chains by expanding the functions of overseas locations



## Progress toward the Medium-Term Vision

The COVID-19 pandemic impacted our businesses in many ways. In the ICT solutions business, we faced limitations on business activities, and some aspects of IT investment were restrained, reflecting worsening corporate results. However, demand for strategic IT investment, such as that for remote work, increased, and we strived to further expand sales in VDI environment building, security solutions, and service-based businesses. The mobile business was forced to shorten store hours and faced industry restructuring and the introduction of plans available online. Under these

circumstances, we acquired and promoted the consolidation of mobile phone sales agencies, aiming to increase our market share and thereby secure our position while building a high-revenue business structure.

In the semiconductor component and equipment businesses, we acquired an IC test handler manufacturing business and made a company that sells laser wafer marking equipment and provides related services a Group company, expanding our business portfolio.

## Business Highlight

### Sales of Stamping-Type Plating Machines

In the industrial electronics and electronic materials businesses, we began sales of a stamping-type plating machine that enables high-speed plating. This machine was developed by Mikado Technos Co., Ltd., incorporating its proprietary vacuum press technologies and drawing on patents and expertise provided by Toyota Motor Corporation. The product features a revolutionary new technology employing a polymer membrane (solid electrolyte membrane) that allows metal ions to pass through, effectively “stamping” metal plating only on the necessary parts of components. This process eliminates the need to completely immerse components in baths of plating solution, as with conventional processes. As such, it will enable major reductions in emissions of waste solution and CO<sub>2</sub>, helping to reduce environmental impact.



# Foods, Meat & Grain

## Foods

Committed to safe, secure food, this division applies a manufacturer's perspective to maintain an integrated supply system spanning raw material procurement through finished product processing.

With a broad lineup that includes agricultural products, marine products, coffee, alcoholic and non-alcoholic beverages, and cooked foods, the Foods Division meets diverse market needs.

### Koichi Nishimura

Executive Officer,  
Chief Officer, Foods Division



#### Key SDGs

The Foods division seeks to secure stable food sources and contribute to local communities by promoting business in environmentally friendly and sustainable agricultural and marine products, such as Rainforest Alliance-certified coffee and MSC/ASC-certified\* marine products. Furthermore, we are contributing to the reduction of food loss through the provision of processed ingredients that offer extended shelf lives while maintaining high quality.

\* MSC: Marine Stewardship Council; ASC: Aquaculture Stewardship Council



### Division Vision

Support people's health in Japan and across Asia by providing a stable supply of safe, reliable, high-quality food ingredients and products

### Division Strengths

- Procurement network leveraging locations worldwide for securing high-quality, differentiated raw ingredients
- Specialized staff capable of quickly developing products and proposals in response to customer needs
- Import, manufacturing, and logistics networks covering growing Asian markets

### Business Environment

#### Opportunities

- Demographic graying of consumers and rising health awareness
- Personnel shortages and rising staffing costs in the food products industry
- Growing food demand and shift from focus on quantity toward quality in Asia

#### Risks

- Damage to agricultural products under cultivation or operational disruptions of processing and manufacturing facilities or logistics attributable to global warming or extreme weather events
- Health hazards for consumers due to the contamination of food products
- Global population growth and food resource depletion

#### Growth Strategies

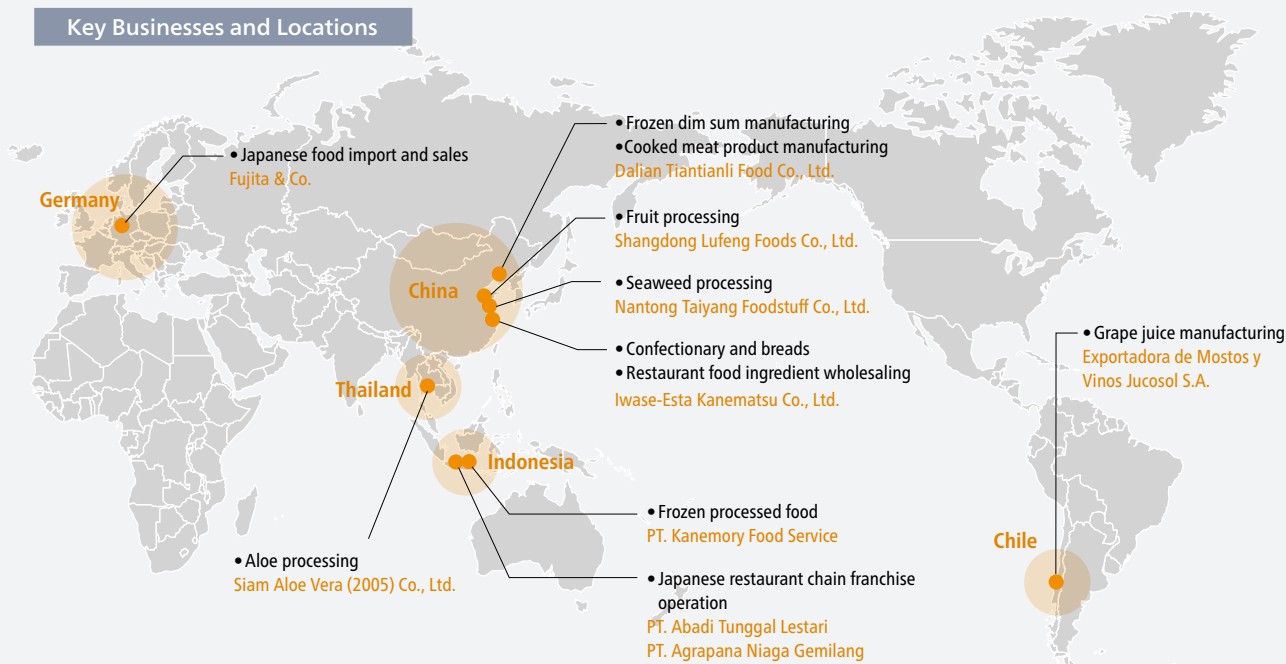
- Develop production sites for fresh agricultural products that are safe and reliable
- Develop and commercialize delicious and easy to prepare processed food products targeted to specific markets around the world
- Leverage DX to save labor in sorting and processing and improve quality
- Expand mechanisms for providing safe, reliable food at Japanese standards and grow businesses in local production for local consumption

#### Countermeasures

- Hedge risks by working with production sites distributed around the world; secure water resources and promote cultivation
- Reinforce food safety management systems based on ISO 22000 and FSSC 2200
- Trade in agricultural and marine products that are certified as sustainable by third parties and promote the use of renewable products



## Key Businesses and Locations



## Progress toward the Medium-Term Vision

To strengthen its ability to procure high-quality raw materials overseas, the Foods Division works with suppliers around the world via exclusive contracts, investment, and facility loan agreements. To ensure the level of quality that consumers in Japan expect, we reinforce production systems and put in place Japanese specialists to oversee quality control systems. Through such efforts, we are working to ensure the stable supply of safe, reliable food. Furthermore, as the COVID-19 pandemic has increased demand for ready-made meals and foods prepared at home, we have expanded sales of retail products to meet consumer needs.

In the cooked foods business, anticipating needs for foods that are quick and easy to prepare, we developed pre-cooked food products and easy meal preparation kits. In the fruit processing and fruit juice businesses, we expanded

our retail lineup of frozen fruits and vegetables that are easy to eat and leave minimal residue when used at home.

In the alcoholic and non-alcoholic beverage business, the COVID-19 pandemic led to increased demand for in-home consumption. In response, we developed such retail products as bottled wine and coffee products, and sales have been strong.

In Asian markets, to respond to changes in the market environment of PT. Kanemory Food Service in Indonesia, we are advancing product supply to cloud kitchens for home delivery services and the development of frozen food products for retail distribution. Furthermore, by reinforcing relationships with our partners and aggressively investing, we aim to become a leader in the region as part of efforts to achieve the medium-term vision.

## Business Highlight

### Cutting-Edge Fruit Processing Technology—Nice Tech

As a leader in processed fruit products, Kanematsu develops products based on a commitment to safety, reliability, and quality.

In recent years, we have been focusing efforts on frozen fruit based on Nice Tech, a new freezing technology. Ordinary rapid freezing has a significant downside—when fruit is frozen this way, the cell walls break, causing water to leak out along with nutrients and flavor. With Nice Tech freezing technology, however, fruit can be frozen and thawed without breaking the cell walls and losing water. This allows fruit to retain all its natural nutrition and flavor. As a result, we are able to offer frozen

fruit at a quality level virtually the same as fresh.

Kanematsu has been handling Nice Tech products since their launch in 2014. As a sales agency, we strive for technological and quality enhancement and to more broadly market these products.

Nice Tech frozen fruit can be stored longer than fresh, helping to reduce food waste. Going forward, we will expand sales of these products as a form of sustainable fruit.



# Foods, Meat & Grain

## Meat Products

Leveraging our accumulated know-how as an industry leader in the meat products business, we build meat product value chains, from securing raw ingredient sources to processing and sales, to provide a stable supply of safe, reliable, high-value-added products that meet customer needs.

### Toru Hashimoto

Executive Officer,  
Chief Officer,  
Meat Products Division



#### Key SDGs

The Meat Products division promotes business in animal products produced with low environmental impact, such as Uruguayan beef, and proactively engages with new food technologies, such as those for meat substitutes, to help secure sustainable food sources.



### Division Vision

Support people's health in Japan and across Asia by providing a stable supply of safe, reliable, high-quality food ingredients and products

### Division Strengths

- A product lineup spanning the full range of meat products and a leading market share in each product category
- Meat product value chains extending from raw ingredient procurement (production site development) to processing and distribution to meet customer needs
- Attentive service with highly specialized staff and differentiated products and services

### Business Environment

#### Opportunities

- Expansion of imports due to reduced import tariffs under the TPP11, the EPA with the European Union, and the TAG with the United States
- Growing demand for meat products in Asian markets
- Growing consumer awareness of safety and reliability issues

#### Growth Strategies

- Pursue expansion of scale via business investment and M&A to strengthen the functions of the meat products group and thereby reinforce domestic sales
- Extend business models used in Japan to expand meat product businesses in Asian markets
- Step up initiatives undertaken with current suppliers and cultivate new production sites to develop safe, secure, high-value-added products with a stable supply stream

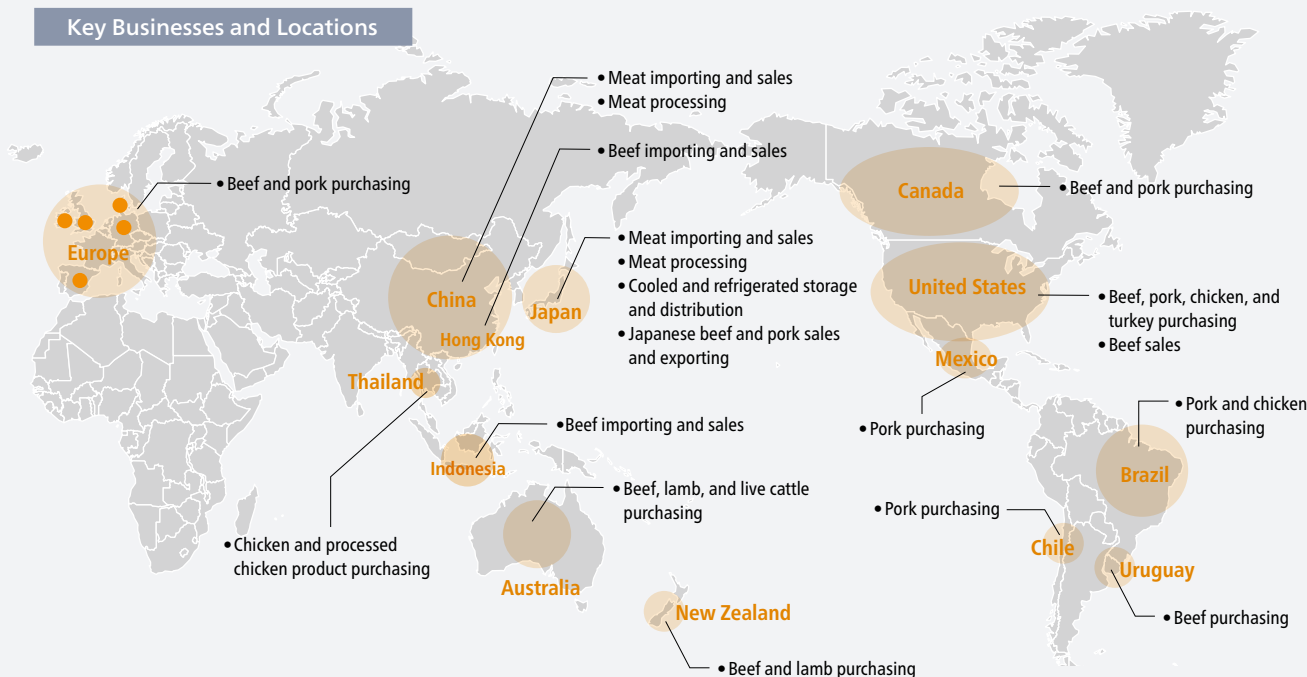
#### Risks

- Supply interruption related to diseases, such as foot-and-mouth disease, BSE, hog cholera, and avian influenza
- Raw ingredient price fluctuation
- Decrease in Japan-bound supply availability due to rapid growth in demand for meat products in Asian markets

#### Countermeasures

- Diversify production sites to better distribute suppliers
- Diversify customers and expand processing businesses to mitigate price fluctuation risk
- Reinforce procurement capabilities by deepening initiatives with suppliers

## Key Businesses and Locations



## Progress toward the Medium-Term Vision

To establish a stable supply of safe, reliable, high-value-added products that meet customer needs, we continue to build value chains. In upstream areas, we are reinforcing relationships with suppliers through business tie-ups and investment while diversifying our sources to secure a stable supply. In mid- and downstream areas, we have worked with Group companies and our partner companies to reinforce such functions as sales business promotion, storage (refrigeration), and processing. In the processing business, in 2019 we established a joint venture plant in Higashi Ogishima, Kawasaki, to reinforce Group functions in the Japanese

market. Responding to the rapid growth in Asian markets, in 2018 we established Dalian Matsutomo Foods Co., Ltd., as a joint venture with a local partner in China for the primary processing and sale of meat products. In the Chinese market, which is beginning to emerge from the economic stagnation caused by the COVID-19 pandemic, demand for beef is recovering and increasing. To meet this demand, we plan to expand the facilities of Dalian Matsutomo Foods. We will horizontally expand similar initiatives in growing Asian markets to expand the earnings base.

## Business Highlight

## Helping Solve the Protein Crisis—Expanding the Plant-Based Meat Business

The United Nations estimates that the global population will reach 10 billion by 2050. At the same time, the global supply of protein is expected to fall short of demand by 2030, creating a global protein crisis. Against this backdrop, in December 2020, the Kanematsu Group formed a capital alliance with DAIZ Inc., a startup in the business of plant-based meat, to help provide a stable supply of high-quality plant protein to the market. The Kanematsu Group will leverage its wide-ranging sales channels in and outside Japan in the food soybeans, oilseeds, meat products, and food businesses to sell *Miracle Meat*,\* the plant-

based meat developed and produced by DAIZ. By promoting this business, we will help solve the global protein crisis and reduce environmental impact, contributing to the realization of a sustainable world.

\* A plant-based food made from legumes that reproduces the rich flavors and textures of meat using multiple manufacturing methods patented in Japan, the United States and Europe. This "next-generation meat" offers the potential to greatly reduce meat industry greenhouse gas emissions. As a new superfood from Japan and the latest in food tech, the application of this technology to a wide variety of product categories is very promising.



# Foods, Meat & Grain

## Grain, Oilseeds & Feedstuff

The Grain, Oilseeds & Feedstuff Division stably procures the basic food products and production materials that form the foundation for diverse food production from around the world, providing stable supplies to food product manufacturers in Japan and Asia.

The global population and demand for protein are increasing rapidly, and are expected to continue growing in the decades to come. At the same time, supply risks, such as those from extreme weather and trade protectionism, are growing. In these circumstances, we constantly strive to enhance our ability to stably supply high-quality products.

### Masayuki Hamasaki

Managing Executive Officer  
Chief Officer, Grain, Oilseeds & Feedstuff Division



#### Key SDGs

As climate change advances and demand for food increases, global food production and supply is becoming a more pressing issue. Kanematsu is working to secure food supply based on sustainably managed production in order to support healthy and abundant diets. We also support productivity improvements via the adoption of new technologies.



### Division Vision

Support people's health in Japan and across Asia by providing a stable supply of safe, reliable, high-quality food ingredients and products

### Division Strengths

- Comprehensive product lineup, including oilseeds and staple grains, such as rice, barley, soybeans, and corn, as well a wide range of related products
- Resources to secure a stable food supply (supply bases in key food production regions worldwide and human resources with abundant product expertise)
- Supply of high-quality products from production sites that practice stringent quality control in and outside Japan

### Business Environment

#### Opportunities

- Increasing regularity of extreme weather events
- Growing global demand
- Growing demand for quality
- Bringing in new technologies

#### Growth Strategies

- Diversify supply regions leveraging our global network
- Capture growing demand in China and other Asian markets
- Enhance quality at production facilities for mixed feedstuff, fertilizer, soybeans, forage, and other products
- Use IoT, genome editing, and other technologies to help increase the productivity of our partner

#### Risks

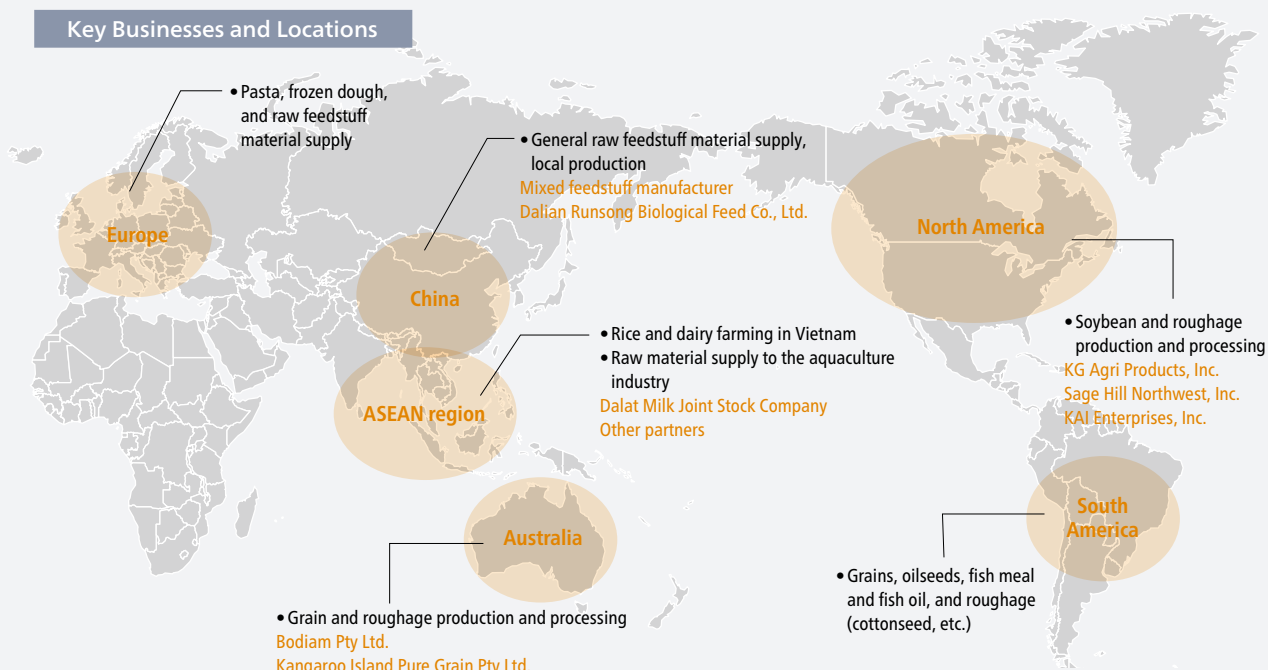
- Price fluctuations
- Supply disruptions due to extreme weather events
- Quality control

#### Countermeasures

- Enter into hedges via futures markets, such as the Chicago Mercantile Exchange
- Secure stable supply by diversifying production sites and suppliers
- Enhance quality control through upstream production and sourcing businesses



## Key Businesses and Locations



## Progress toward the Medium-Term Vision

In the rice business, we have a leading share of Japan's imported rice market and are seeing gradual growth in rice trading overseas, such as exports to Singapore and China. Going forward, we will also focus on exports from Vietnam, our overseas base for the rice business, to other countries in Asia.

In the food soybean and oilseed business, we are leveraging our diverse supply network comprising a wholly owned sorting plant and partner plants in North America to maintain a leading market share in Japan. We have also begun seed improvement using genome editing with the aim of providing even more added value.

In the overseas feedstuff materials business, our joint-venture soybean processing plant in Dalian, China, established with local

partners, has begun operations. The plant has a planned capacity of 100,000 tons per year, and production and sales are advancing smoothly. Furthermore, using this sales channel, we are also expanding sales of other animal feedstuff products.

In North America, our forage processing plant remains in full utilization after a previous drop due to U.S.-China trade friction. Exports to the Middle East are also gradually increasing, and this business promises growth going forward.

In the domestic feedstuff materials business, we have a supply framework for an unmatched full product lineup and are working to realize smart farming through the application of ICT across the livestock field.

## Business Highlight

### Start of Operations at an Animal Feedstuff Soybean Processing Plant and Sustainable Feedstuff Material Supply in China

In 2019, Kanematsu established Dalian Runsong Biological Feed Co., Ltd. as a joint venture with local partners. This company operates outside Dalian, China, producing soybean products for animal feedstuff, such as puffed soybean meal, that are sold on the domestic Chinese market. In the first half of 2020, the COVID-19 pandemic caused delays in the company's operational launch. In the latter half of the year, however, it began operation in earnest, making a smooth start toward a planned annual capacity of 100,000 tons.

In recent years, reflecting government policies, major meat producers have been moving their farms to northeast China, setting up new facilities and implementing plans to increase production by more than 10% per year. Such major meat producers are the main customers of our joint venture,

and we expect strong growth going forward.

Kanematsu supplies all the joint venture's raw materials, mainly soybeans produced in the United States. The U.S.-grown soybeans are sourced only from factories certified under the Soy Sustainability Assurance Protocol (SSAP), and the joint venture is one of few companies authorized by the U.S. Soybean Export Council to use the SSAP certification logo on the packages of its products distributed in China. Through its operations, the joint venture is promoting a shift away from animal protein meal—an area of concern due to dwindling supply—and toward its sustainable plant-based animal feedstuff while contributing to the growth of domestic meat production in China, where demand is growing. The Kanematsu Group aims to continue to contribute to the development of the meat industry going forward.



# Steel, Materials & Plant

The Steel, Materials & Plant segment covers a full range of iron and steel products, energy solutions, chemicals, industrial plant and infrastructure facilities, and ships. Across a wide variety of operations, highly specialized staff uphold Kanematsu's commitment to supplying and developing high-value-added products.

## Eiji Kan

Managing Executive Officer,  
Chief Officer, Steel, Materials &  
Plant Division



### Key SDGs

The Steel, Materials & Plant segment contributes to environmental sustainability through the promotion of biomass fuels and other sustainable energy as well as the use and reuse of environmentally friendly materials.



## Segment Vision

Change society by providing high-value-added products through businesses that support infrastructure

## Segment Strengths

- Diverse products and relationships with a broad client base due to the integration of businesses in different sectors
- Business creation capabilities of staff with wide-ranging expertise in areas from trading to business investment
- Global value chains operating in cooperation with influential partners in and outside Japan

## Business Environment

### Opportunities

- Changes in the global energy market structure, including declining demand for fossil fuels
- Intensifying trade frictions between key countries, such as the United States, China, and nations in Europe and Asia
- Growing global awareness of the SDGs and other environmental issues

### Growth Strategies

- Accelerate initiatives in renewable energy businesses
- Expand business in high-performance products and products made to proprietary standards to reduce risk related to trade problems
- Create new business schemes by reinforcing relationships with business partners

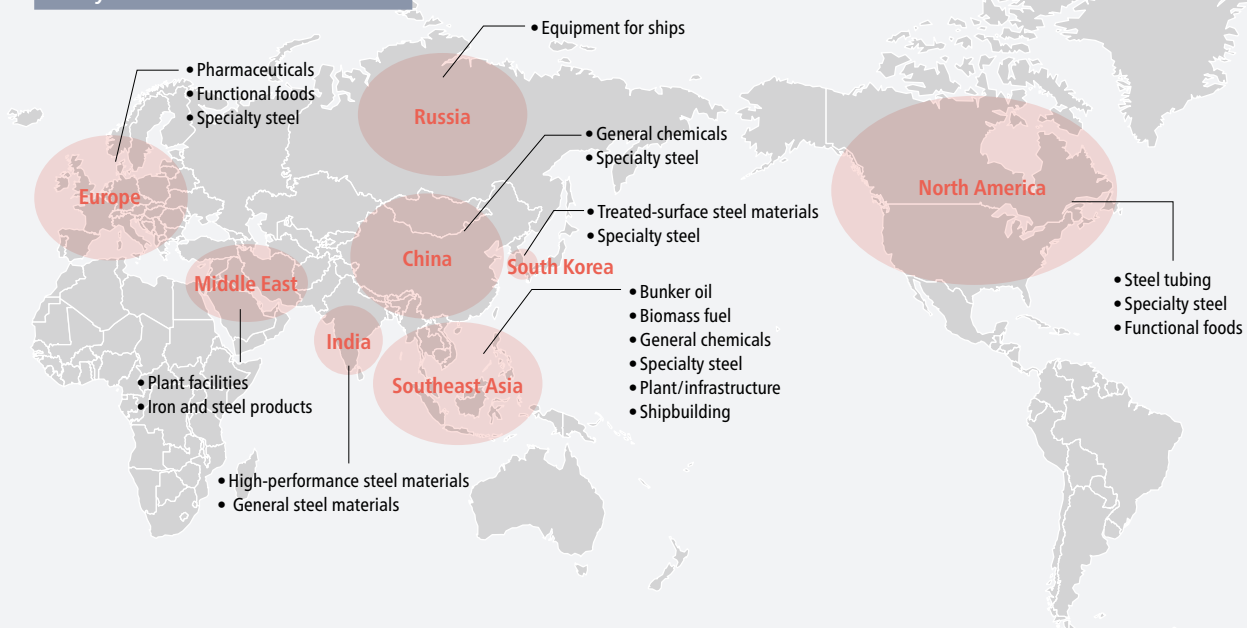
### Risks

- Further changes to market structures and the realization of geopolitical risks due to trade problem intensification
- Temporary personnel shortages due to accelerating business investment
- Changes to the business environment due to tightening environmental regulations or other factors arising from the international shift toward lower carbon emissions

### Countermeasures

- Mitigate the risk of trading right advantages being weakened by cultivating new markets, products, and trading partners
- Provide education and opportunities for employees to gain experience, mainly through personnel exchanges with affiliated companies in and outside Japan
- Create new businesses that contribute to environmental preservation, including CO<sub>2</sub> reduction

## Key Businesses and Locations



## Progress toward the Medium-Term Vision

In the chemicals business, we deepened initiatives in the high-value-added pharmaceuticals and life science fields. In the iron and steel business, we have invested in South Korean and Vietnamese companies with strengths in the construction materials field, which offers high growth potential. In Japan, we have welcomed a Kyushu-based aluminum construction material manufacturer into the Group, reinforcing our comprehensive construction material-related product and service sales capabilities.

In the steel tubing business, we have established a technical center and a new factory with an eye to meeting long-term needs in the United States, which has become the world's top oil producer.

In the energy business, in response to rising renewable energy demand and growing concern about the environment, we are expanding initiatives in the solar power generation and biomass fuel businesses.

In the plant and ships business, we are working to achieve greater differentiation from our competitors, mainly through package project proposals covering everything from raw materials and products to related materials.

While this segment currently faces numerous headwinds, such as shifting crude oil prices and trade problems, we are steadily taking steps to build a stable business foundation for the future.

## Business Highlight

### Development and Supply of Steel Piping for CO<sub>2</sub> Injection in Oil Reservoirs in the United States: Helping Reduce CO<sub>2</sub> Emissions

Carbon capture, utilization and storage (CCUS) has been spotlighted in recent years as a necessary technology for achieving carbon neutrality by 2050. In the United States, Kanematsu provides steel tubing for CO<sub>2</sub> enhanced oil recovery (EOR), a method of CCUS.

A process for extracting crude oil from oil fields where extraction is otherwise impossible, CO<sub>2</sub> EOR entails injecting CO<sub>2</sub> into oil reservoirs. At the end of the process, CO<sub>2</sub> that would have been released into the atmosphere remains stored in the reservoir. The United States has been implementing EOR projects for more than 60 years and today accounts for almost 90% of active EOR projects globally.

Kanematsu and its U.S.-based Group companies Steel Service Oilfield Tubular, Inc. and Benoit Premium Threading, LLC, have supplied steel tubing with specialized connections to CO<sub>2</sub> EOR operators for many years. Going forward, the Kanematsu Group will build a supply network for the promising global CCUS market in order to contribute to the realization of a sustainable world.



# Motor Vehicles & Aerospace

The motor vehicles and parts business handles motorcycle and automobile parts as well as complete built up vehicles, while the aerospace business handles aircraft and parts as well as space-related products. These businesses operate on a global scale, leveraging the Group's superb expertise and extensive information resources.



**Ryoichi Kidokoro**

Senior Executive Officer  
Chief Officer, Motor Vehicles & Aerospace Division

## Key SDGs

The Motor Vehicles & Aerospace segment aims to contribute to society by providing safe and pleasant mobility. We aim to build living environments that are environmentally friendly, sustainable, and free of traffic accidents through next-generation mobility.



## Segment Vision

**Contribute to society by creating next-generation mobility businesses centered on the environment, safety, and comfort**

## Segment Strengths

- A strong roster of sales assets, including industry-leading customers and business partners around the world, built up over the decades
- Supply chain management that leverages our logistics network through overseas locations and Group companies
- Ability to gather information, set up businesses, and execute investments in areas related to advanced technologies and startups

## Business Environment

### Opportunities

- Long-term growth in demand for cars and motorcycles in emerging countries and the emergence of new demand related to the evolution of CASE and MaaS technologies
- Growing demand for air travel in step with globalization and growth in the space business due to public and private development and forward-looking investment in developed countries
- Rapid diversification of mobility as part of a once-in-a-century period of technological innovation and digitization

### Risks

- Fluctuations in demand due to changes in international conditions, such as environmental regulations, economic sanctions, or trade frictions
- Drastic changes in commodity structures, value chains, or business models due to the development of CASE, MaaS, or other such technologies
- Fluctuations in commercial air travel due to movement restrictions imposed in response to global pandemics

### Growth Strategies

- Leverage the Group's global network to further hone existing projects, increase value added, and execute new investments
- Further develop the commercial aircraft aftermarket business and expand scale, mainly in the part-out and maintenance, repair and overhaul (MRO) businesses
- Advance partnerships with startups, mainly through our investment base in Silicon Valley, to create new businesses

### Countermeasures

- Innovate existing value chains, create new added value and evolve to implement next-generation business models
- Increase trading of components for EVs and other environmentally friendly vehicles, develop data and software businesses in addition to our existing businesses
- Rebuild business operations and reinforce our foothold in growing markets in Asia



## Key Businesses and Locations

(Germany, Italy, United Kingdom, Austria, Ireland, and Poland)

Europe

- Motorcycle and automobile OEM components and warehouse operation
- Export of helicopter and aircraft components to Japan
- Replacement, maintenance, leasing, and sale of aircraft rotatable components
- Sales and maintenance of completed four-wheel automobiles
- Sales of engines, generators, lawnmowers, and other general-purpose machinery

China

India, Thailand, Indonesia

- Motorcycle OEM components and warehouse operation
- Establishment and operation of joint-venture plants with business partners

South Korea

- Motorcycle and automobile OEM components
- Establishment and operation of joint-venture plants with business partners

Japan

- Motorcycle OEM components
- Aerospace equipment and component agency sales

- Aircraft and helicopter fuselages, components sales agency, and space-related sales agency (private/public)
- Rocket downrange operations
- Kanematsu Aerospace Corp. (aircraft equipment import agency sales)
- Kaneyo Co., Ltd. (Fiber material import, export, and domestic sales)
- Datatec Co., Ltd. (Vehicle operation management, driving safety analysis, and other network service development and sales; and vehicle meter development and sales)

- Motorcycle, automobile, ATV, and golf cart OEM components, motorcycle aftermarket components
- Export of aircraft fuselages and components to Japan
- Investment in VC funds, seeking out advanced technologies, and growth support for startups

North America

Central & South America (Mexico and Brazil)

- Motorcycle and automobile OEM component trading

## Progress toward the Medium-Term Vision

In the motorcycle and automobile business, we have been setting up sales offices in Thailand and India, leading to close involvement in production in Thailand by Indian manufacturers, and we are now in the process of establishing new operations centered on Asia. Aiming to expand our areas of business, in February 2021, we acquired 90% of the shares of Datatec Co., Ltd. With this acquisition, we will advance new data businesses in and outside Japan. In the aircraft business, Kanematsu has partnered with Skyports Limited, a company that develops vertiports, a form of ground-based infrastructure for eVTOL (flying vehicles), which are being hailed as the next generation of mobility. Through this partnership, we are building the foundations for business in this

field, which we aim to pioneer in Japan. In the space business, the satellite-related component business, an area of strength, performed steadily, and we have been receiving stable orders in the rocket downrange operations business and contributing to national projects.

Moreover, to further efforts to develop cutting-edge technologies and build new business models, in April 2021 we established the cross-divisional Advanced Mobility Business Development Section. Working in close coordination with Kanematsu Ventures Inc. (established in Silicon Valley in 2018), the new department will work to further accelerate business investment and new business creation initiatives.

## Business Highlight

### New Business in Vehicle Data

Kanematsu acquired 90% of the shares of Datatec Co., Ltd. in February 2021. Datatec possesses particular expertise in vehicle behavior analysis technology and provides such products and services as digital tachographs for commercial vehicles and other in-vehicle devices that aid safe driving. The company also provides products and services that improve fuel efficiency, helping to reduce CO<sub>2</sub> emissions. Datatec is currently conducting field tests in Indonesia as part of the Ministry of the Environment's Financing Program to Demonstrate Decarbonization Technology for Realizing Co-Innovation, developing technologies aimed at facilitating a shift to a low-carbon world.

Kanematsu will expand sales of Datatec's mainstay

digital tachographs in Japan and overseas and utilize Datatec's vehicle behavior analysis technology to develop new businesses in the in-vehicle telematics market. Leveraging the vast amounts of vehicle operation data obtained from Datatec's in-vehicle units along with AI, we will focus our efforts on the environment, safety, and comfort. We will work toward a next-generation mobility society that is free from traffic accidents and friendly to the environment, thereby contributing to the achievement of the SDGs.



# Financial and ESG Highlights

(As of March 31)

JGAAP

IFRS

	2011	2012	2013	2014	2015
<b>For the year:</b>					
Net sales	¥936,891	¥1,006,365	¥1,019,232	¥1,114,539	—
Revenue	—	—	—	—	¥704,211
Gross profit	76,905	80,900	80,021	86,402	87,880
Operating income/Operating profit	18,029	21,426	18,262	19,776	23,547
Income (loss) before income taxes and minority interests/Profit before tax	13,030	13,529	16,781	19,075	22,373
Net income (loss)/Profit for the year attributable to owners of the Parent <sup>3</sup>	9,175	6,110	9,564	11,799	10,546
Cash flows from operating activities	7,827	15,822	1,355	22,384	6,758
Cash flows from investing activities	17,322	1,291	1,466	(1,111)	(6,649)
Free cash flow	25,149	17,113	2,821	21,273	109

<b>At year-end:</b>					
Total assets	388,676	399,753	399,186	428,459	466,314
Net assets/Total equity	49,576	55,992	75,912	96,204	119,015
Shareholders' equity/Total equity attributable to owners of the Parent	33,101	39,008	54,519	71,657	90,244
Net interest-bearing debt	104,612	90,012	86,439	68,038	72,155

<b>Per share (yen):</b>					
Net income/Basic earnings per share attributable to owners of the Parent <sup>3</sup>	¥21.93	¥14.60	¥ 22.80	¥ 28.09	¥ 125.49 <sup>4</sup>
Net assets/Equity attributable to owners of the Parent	79.07	93.16	129.82	170.54	1,072.20 <sup>4</sup>
Cash dividends	—	—	—	3.00	4.00

<b>Financial indicators:</b>					
Return on equity (ROE) (%)	29.59	16.95	20.45	18.70	12.99
Equity ratio (%)	8.5	9.8	13.7	16.7	19.4
Net D/E ratio (times)	3.2	2.3	1.6	0.9	0.8

**ESG\* (Non-Financial) Data:** \*ESG: Short for environmental, social, and corporate governance.

Employees—consolidated	4,770	4,770	5,522	5,747	6,002
Employees—non-consolidated (women)	832 (250)	795 (238)	782 (242)	800 (246)	813 (253)
Percentage of women among employees—non-consolidated (%)	30	30	31	31	31
CO <sub>2</sub> emissions (t-CO <sub>2</sub> ) <sup>6, 7</sup>	644.76	443.83	471.42	456.44	377.54
Total paper use (sheets) <sup>7</sup>	6,801,305	7,062,310	6,874,521	6,648,353	6,645,797
External disposal of general waste (t) <sup>7</sup>	71.50	46.57	48.95	37.60	33.40
Total electricity consumption (kWh) <sup>7</sup>	1,561,164	871,965	828,514	805,015	682,717
Directors (outside directors) <sup>8</sup>	10 (0)	10 (0)	10 (0)	6 (1)	7 (2)
Audit & Supervisory Board members <sup>8</sup> (outside Audit & Supervisory Board members)	4 (3)	4 (3)	4 (3)	4 (2)	4 (3)
Average length of service (years)	15.1	15.5	16.0	15.7	15.5
Three-year job separation rate (%) <sup>9</sup>	6.5	10.3	0	2.6	3.5
Average overtime worked (hours/month)	7.2	10.1	8.3	8.0	8.8

Notes For the above items with two titles, the first applies to figures under JGAAP and the second to figures under IFRS.

1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.

2. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥110.71 to U.S.\$1.00, the exchange rate prevailing on March 31, 2021.

3. JGAAP: Net income attributable to owners of the Parent / IFRS: Profit for the year attributable to owners of the Parent.

4. Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five common shares to one. The calculation of the above figures assumes that said share consolidation was implemented on April 1, 2014.

5. Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five common shares to one. The calculation of the above figure assumes that said share consolidation was implemented on April 1, 2017.

## IFRS

						Millions of yen <sup>1</sup>	Thousands of U.S. dollars <sup>2</sup>
	2016	2017	2018	2019	2020	2021	2021
	—	—	—	—	—	—	—
	¥668,374	¥675,579	¥714,790	¥723,849	¥721,802	<b>¥649,142</b>	<b>\$5,863,477</b>
	86,238	100,139	106,371	110,014	110,904	<b>101,515</b>	<b>916,952</b>
	18,772	22,633	26,160	30,349	28,352	<b>23,635</b>	<b>213,490</b>
	18,122	17,875	26,043	29,177	26,944	<b>23,580</b>	<b>212,992</b>
	8,959	8,049	16,317	16,605	14,399	<b>13,315</b>	<b>120,272</b>
	33,024	11,852	434	24,698	24,259	<b>36,984</b>	<b>334,070</b>
	(4,214)	(14,691)	1,103	(6,575)	(10,215)	<b>(9,927)</b>	<b>(89,667)</b>
	28,810	(2,839)	1,537	18,123	14,044	<b>27,057</b>	<b>244,403</b>
	443,592	479,717	519,889	549,459	551,671	<b>557,495</b>	<b>5,035,640</b>
	120,706	129,863	147,050	158,698	166,174	<b>180,492</b>	<b>1,630,316</b>
	91,599	100,357	116,012	125,246	130,829	<b>143,926</b>	<b>1,300,029</b>
	48,813	55,429	59,045	49,969	51,807	<b>40,520</b>	<b>366,003</b>
	¥ 106.46 <sup>4</sup>	¥ 95.64 <sup>4</sup>	¥ 193.79 <sup>4</sup>	¥ 198.22	¥ 172.43	<b>¥ 159.44</b>	<b>\$ 1.44</b>
	1,088.45 <sup>4</sup>	1,192.21 <sup>4</sup>	1,377.66 <sup>4</sup>	1,499.86	1,566.60	<b>1,723.42</b>	<b>15.57</b>
	5.00	6.00	48.00 <sup>5</sup>	60.00	60.00	<b>60.00</b>	<b>0.54</b>
	9.85	8.39	15.08	13.77	11.25	<b>9.69</b>	
	20.6	20.9	22.3	22.8	23.7	<b>25.8</b>	
	0.5	0.6	0.5	0.4	0.4	<b>0.3</b>	
	5,832	6,727	6,666	6,915	7,182	<b>7,296</b>	
	816 (259)	835 (273)	842 (282)	765 (263)	775 (266)	<b>795 (284)</b>	
	32	33	33	34	34	<b>36</b>	
	392.58	398.68	400.74	358.31	304.05	<b>265.44</b>	
	6,087,765	6,256,363	5,920,960	5,510,121	4,919,786	<b>3,099,900</b>	
	31.90	32.70	29.50	35.00	27.20	<b>18.28</b>	
	735,174	768,166	772,137	690,378	659,534	<b>597,845</b>	
	7 (2)	8 (3)	8 (3)	6 (2)	6 (2)	<b>6 (2)</b>	
	4 (3)	4 (3)	4 (3)	4 (3)	4 (2)	<b>4 (2)</b>	
	13.8	15.4	15.5	15.0	14.0	<b>13.8</b>	
	4.8	5.2	9.4	10.5	—	<b>—</b>	
	8.1	11.6	12.1	12.5	17.5	<b>18.1</b>	

6. The coefficients used to calculate the above figures are the most recent values published by the Japan Foreign Trade Council (originally published by the Electric Power Council for a Low Carbon Society via the Japan Business Federation).

7. The figures above are the totals for Kanematsu's domestic locations on a non-consolidated basis and are subject to change due to changes in office space due to the consolidation of branches or sales offices, etc.

8. The number following the General Meeting of Shareholders, after the year-end.

9. The percentage of employees hired in the year in question who had left the Group as of three years later (for example, of the 42 employees hired in April 2015, 2 had left the Group as of April 2018, so the rate for the year ended March 31, 2016 is calculated as (2/42)×100).

# Management's Discussion and Analysis

## Business Results

For the fiscal year ended March 31, 2021, revenue declined ¥72,660 million (10.1%) from the previous fiscal year to ¥649,142 million. Gross profit decreased ¥9,389 million (8.5%) from the previous fiscal year to ¥101,515 million. Operating profit decreased ¥4,717 million (16.6%) from the previous fiscal year to ¥23,635 million, reflecting the decrease in gross profit and despite a decrease in selling, general and administrative expenses. Profit before tax decreased ¥3,364 million (12.5%) from the previous fiscal year to ¥23,580 million, reflecting improvements in finance costs and share of profit of investments accounted for using the equity method. Profit for the year attributable to owners of the Parent decreased ¥1,084 million (7.5%) from the previous fiscal year to ¥13,315 million. As a result, return on equity (ROE) calculated on the basis of total equity attributable to owners of the Parent (shareholders' equity) came to 9.7%.

## Segment Information

Results for each business segment are described below.

### Electronics & Devices

Revenue decreased ¥28,407 million year on year to ¥226,109 million. Operating profit fell ¥1,388 million to ¥17,575 million. Profit for the year attributable to owners of the Parent fell ¥844 million to ¥8,484 million.

Performance in terms of operating profit was as follows. The ICT solutions business was generally solid, despite slow growth in server and storage-related sales to the manufacturing industry and services sector. The mobile business remained lackluster, mainly due to decreased store foot traffic, reflecting shorter business hours. The semiconductor parts and equipment business saw firm performance in such areas as shipments to China of LCD manufacturing equipment.

The COVID-19 pandemic impacted our businesses in many ways. In the ICT solutions business, we faced limitations on business activities, and some aspects of IT investment were restrained, reflecting worsening corporate results. However, demand for strategic IT investment, such as that for remote work, increased, and we strived to further expand sales in VDI environment building, security solutions, and service-based businesses. The mobile business was forced to shorten store hours and faced industry restructuring and the introduction of service plans available online. Under these circumstances, we acquired and promoted the consolidation of mobile phone sales agencies, aiming to increase our market share and thereby secure our position while building a high-revenue business structure. In the semiconductor component and equipment businesses, we acquired an IC test handler manufacturing business and made a company that sells laser wafer marking equipment and provides related services a Group company, expanding our business portfolio.

### Foods, Meat & Grain

Revenue decreased ¥6,786 million year on year to ¥244,617 million. Operating profit fell ¥883 million to ¥1,498 million. Profit attributable to owners of the Parent rose ¥241 million to ¥1,495 million.

Performance in terms of operating profit was as follows. The feedstuff business was strong, reflecting growing demand for food prepared at home and rallying prices. Performance in the food business and the meat products business was lackluster, due largely to struggling sales in the food service sector.

The food business was impacted by the COVID-19 pandemic, but continues to work with suppliers around the world via exclusive contracts, investment, and facility loan agreements to strengthen its ability to procure high-quality raw materials overseas. To ensure the level of quality that consumers in Japan expect, we send Japanese specialists to reinforce production and quality control systems. Through such efforts, we are working to ensure the stable supply of safe, reliable food. In the meat products business, to establish a stable supply of safe, reliable, high-value-added products that meet customer needs, we continued to build value chains, investing in a Uruguayan beef producer and a company that produces plant-based meat from soy. In the feedstuff business, reflecting economic recovery in China, our joint-venture soybean processing plant established with local partners in China and our forage processing plant in North America have been operating smoothly. Going forward, we aim to further expand overseas trading, improve cultivars through genome editing, and realize smart farming.

### Steel, Materials & Plant

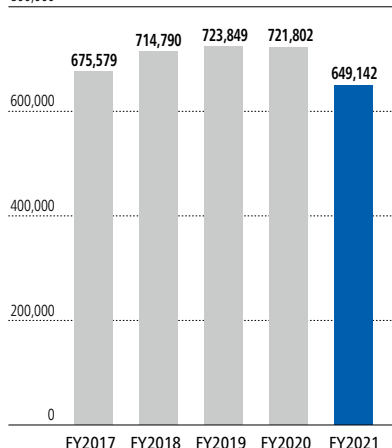
Revenue decreased ¥33,027 million year on year to ¥96,831 million. Operating profit fell ¥1,979 million to ¥1,840 million. Profit attributable to owners of the Parent decreased ¥195 million to ¥2,060 million.

Performance in terms of operating profit was as follows. Performance in the energy business was firm, mainly thanks to improvement in the profitability of domestic petroleum product trading. Meanwhile, performance in the iron and steel business was lackluster, mainly due to high raw materials prices and the stagnation of overseas markets, despite improvement in market conditions in Japan after manufacturers began raising prices. Performance in the machine tools and industrial machinery business was weak, due primarily to the postponement of capital investment plans, and the steel tubing business also performed poorly, reflecting the continued impact of weak drilling demand.

While this segment currently faces numerous headwinds, such as shifting crude oil prices and trade problems, in the iron and steel business, we have invested in South Korean and Vietnamese companies with strengths in the construction materials field, which offers high growth potential, reinforcing our comprehensive construction material-related product and service sales capabilities. In the chemicals business, we deepened initiatives in the high-value-added pharmaceuticals and life science fields; in the steel tubing business, we established a new factory; in the energy business, we

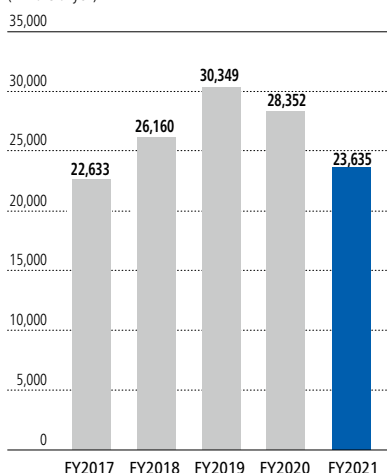
### Revenue

(Millions of yen)



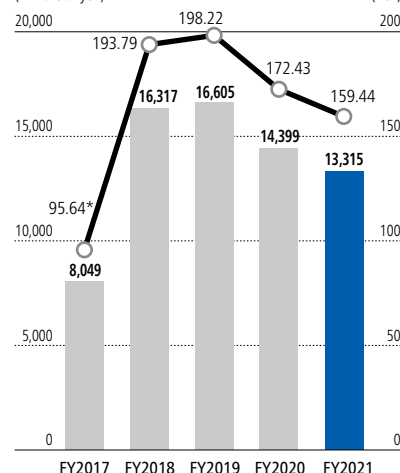
### Operating Profit

(Millions of yen)



### Profit for the Year Attributable to Owners of the Parent / Basic Earnings per Share

(Millions of yen)



■ Profit for the Year Attributable to Owners of the Parent  
● Basic Earnings per Share

\* Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. The calculation of the above figures assumes that said share consolidation was implemented on April 1, 2016.



are expanding initiatives in the solar power generation and biomass fuel businesses; and in the plant and ships business, we are working to achieve greater differentiation from our competitors, mainly through package project proposals. Through such initiatives, we are taking steps to build a stable business foundation for the future.

### Motor Vehicles & Aerospace

Revenue decreased ¥3,519 million year on year to ¥71,086 million. Operating profit fell ¥328 million to ¥2,055 million. Profit attributable to owners of the Parent dropped ¥169 million to ¥1,497 million.

Performance in terms of operating profit was as follows. In the aerospace business, domestic aircraft-related transactions with government agencies were solid, offsetting a slump in overseas transactions involving aircraft parts. The motor vehicles and parts business recovered slightly from the decline in global demand but was still affected and remained weak.

In the motor vehicles and parts business, we acquired a dashboard camera development and manufacturing company with the aim of expanding our areas of business. Leveraging this acquisition, we will advance new data businesses in and outside Japan. In the aerospace business, we formed a partnership in the development of ground-based infrastructure for eVTOL (flying vehicles), which are being hailed as the next generation of mobility. Through this partnership, we are building the foundations for business in this field, which we aim to pioneer in Japan. Moreover, we are working to establish innovative new businesses through our investment base in Silicon Valley and continue to evolve our initiatives in business investment and new business creation.

### Other

Revenue decreased ¥921 million year on year to ¥10,497 million. Operating profit fell ¥123 million to ¥696 million. Profit attributable to owners of the Parent rose ¥90 million to ¥380 million.

## Analysis of Financial Status

### Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review increased ¥5,824 million from the end of the previous fiscal year to ¥557,495 million.

Interest-bearing debt decreased ¥21,237 million from the end of the previous fiscal year to ¥122,157 million, mainly due to the repayment of borrowings and the redemption of bonds. Net interest-bearing debt after deducting cash and deposits fell ¥11,287 million from the end of the previous fiscal year to ¥40,520 million. Interest-bearing debt does not include lease liabilities.

In terms of equity, equity attributable to owners of the parent rose ¥13,097 million from the end of the previous fiscal year to ¥143,926 million, chiefly due to retained earnings and increases in other components of equity resulting from the depreciation of the yen and rising share prices.

As a result, the equity ratio at the end of the fiscal year under review was 25.8%. The net D/E ratio stood at 0.3 times.

### Cash Flows

In the year under review, net cash provided by operating activities totaled ¥36,984 million. Net cash used in investing activities amounted to ¥9,927 million. Net cash used in financing activities amounted to ¥37,497 million. As a result, after the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year under review stood at ¥81,045 million, down ¥10,060 million from the end of the previous fiscal year.

### Fundraising

The Kanematsu Group carries out fundraising in line with a basic policy of stably procuring funds at low cost as needed to realize sustainable growth in line with its six-year medium-term vision, *future 135*.

The Group raises funds primarily through indirect financing based on good relations with its main banks, regional banks, life and non-life insurers, and other financial institutions. Kanematsu also raises funds from capital markets by issuing straight corporate bonds as a means of long-term capital procurement. At the end of the fiscal period under review, debt procurement through direct financing accounted for 8% of consolidated interest-bearing debt.

To facilitate capital procurement, Kanematsu receives ratings from Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I). The Group's long-term ratings as of the end of the fiscal year under review are BBB+ (positive) from JCR and BBB+ (stable) from R&I, one rank higher than a year earlier.

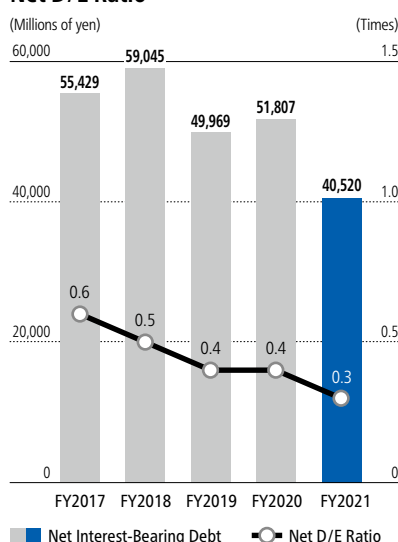
To secure liquidity on hand, the Group maintains an ample balance of cash and cash equivalents and has established commitment lines with major financial institutions.

To efficiently procure capital on a consolidated basis, the Group has adopted a cash management system under which fundraising for major domestic subsidiaries and affiliates is concentrated at the Parent Company and proceeds are then allocated in response to capital requirements. At the end of the fiscal period under review, the Company's interest-bearing debt accounted for 65% of the consolidated Group's interest-bearing debt, a reflection of the concentration of fund procurement at the Parent Company.

As a result of the above fundraising activities, at the end of the fiscal period under review, gross interest-bearing debt stood at ¥122,157 million, a decrease of ¥21,237 million from the end of the previous fiscal year. Net interest-bearing debt stood at ¥40,520 million, down ¥11,287 million from the end of the previous fiscal year. As a result, the net D/E ratio stood at 0.3, and Kanematsu's financial position remained sound.

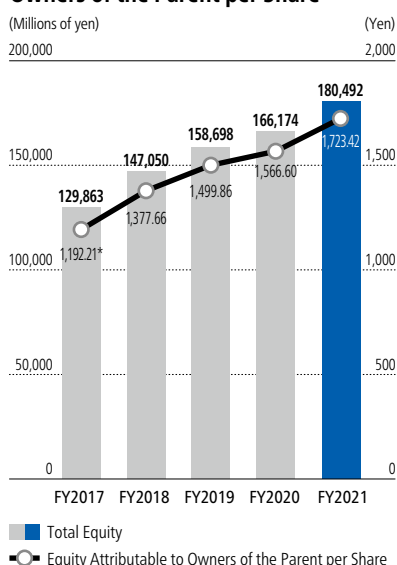
Corporate bonds and long-term borrowings (including the current portion of corporate bonds and long-term borrowings) accounted for 69% of the balance of interest-bearing debt at the end of the fiscal year under review (or 99% on a non-consolidated basis). As such, Kanematsu's fundraising was stable.

### Net Interest-Bearing Debt\*1 / Net D/E Ratio\*2



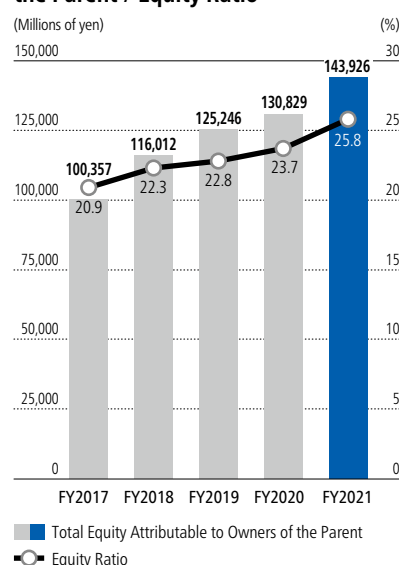
\*1 Net interest-bearing debt = Interest-bearing debt - Cash and cash equivalents  
 \*2 Net D/E ratio = Net interest-bearing debt / Total equity attributable to owners of the Parent

### Total Equity / Equity Attributable to Owners of the Parent per Share



\* Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. The calculation of the above figures assumes that said share consolidation was implemented on April 1, 2016.

### Total Equity Attributable to Owners of the Parent / Equity Ratio



# Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 23, 2021.

The Group takes all risk that it faces on a daily basis in the course of its business very seriously. Risk control is undertaken through management mechanisms and methods tailored to the nature of each category of risk.

## Risk of Macro Economic Change

The Group is engaged in wide-ranging global businesses, including the trading of goods, business investment, and the provision of services in and outside Japan. As such, economic deceleration in Japan, the United States, China, Europe, emerging nations in Asia, or in the global economy as a whole could cause demand to stagnate, leading to decreases in sales and significant drops in market prices. Such developments could negatively affect the Group's operating results and financial position.

## Market Risk

Many of the risks related to fluctuations in currency exchange rates, interest rates, and the product prices attendant to the Group's business transactions are hedged against in the terms of transactions agreed upon with its business partners. In addition, individual internal units and Group companies set position limits and loss limits based on risk level and revenue for foreign currency exchange, interest rates on fund procurement, inventories, and their derivative products so that if these limits are exceeded, the Group can promptly reduce its position. Furthermore, the Group utilizes derivatives as hedging instruments to reduce the risk of fluctuation in the prices of such positions. The status of these positions is regularly reported to the Management Committee. When a position limit is exceeded, it is promptly analyzed before the position in question is reduced.

## Foreign Currency Risk

Incidental to its export and import trading, the Group is engaged in foreign currency transactions in a number of currencies and under a variety of terms. The Group participates in derivatives transactions such as forward contracts to reduce the risk of currency fluctuations.

The Group also includes local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing for the purposes of preparing consolidated financial statements. Total equity attributable to owners of the Parent may thus change as a result of translation adjustments related to overseas operations due to exchange rate fluctuations. This could affect the Group's operating results and financial standing.

## Interest Rate Risk

The Group raises the majority of funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Such borrowings and fund management are exposed to interest rate risk, as interest paid by the Group may increase due to a rise in interest rates.

In its asset-liability management, the Group regards the portion of its short-term investments, long-term assets, and other non-interest-sensitive assets that are procured at variable interest rates as constituting its position subject to interest rate risk. The Group uses interest rate swaps to avoid interest rate risk related to borrowings, thereby reducing the interest rate risk pertaining to a portion of this position. However, the impact of interest rate fluctuations cannot be avoided completely and may affect the Group's operating performance and financial standing.

## Risk Related to Supply and Demand and Prices of Goods

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains, meat products, petroleum products and other products that are readily influenced by market conditions. Although the Group uses commodity futures trading to reduce the risk of price fluctuations of certain goods, when its positions vis-à-vis such commodities increase, such factors as rapid movements in commodities prices or declines in demand may lead to unexpected losses and impact the Group's operating performance.

## Price Fluctuation Risk of Marketable Securities, etc.

The Group may hold shares in trade partners as a means of strengthening its relationship with them. There is a risk of price fluctuation

inherent in these shares, which could have an effect on the financial position of the Group due to changes in financial assets measured at fair value through other comprehensive income.

## Credit Risk

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans, and guarantees, as part of diverse business transactions with its trading partners in Japan and abroad. For this reason, deterioration in the financial standing of its trading partners or other such circumstances may result in late repayment or default. In the course of forming and carrying out commodity supply agreements, subcontract agreements, or other agreements, the Group could also be forced to honor obligations and thereby incur a monetary loss if a trade partner were to default on its obligation or contract. Although the Group has set aside an allowance for such losses in its accounting using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance. This could negatively impact the Group's operating performance.

For the purposes of extending credit to trading partners in Japan and abroad, the Group regularly rates its trading partners based on their financial data and other information. It sets credit limits based on these ratings and the type of credit in question and insures credit where necessary. The Group ensures that total credit extended stays within these credit limits. Such credit includes transactional credit arising from normal business transactions as well as that related to financing, guarantees, and other activities. The Group periodically monitors credit collection and delinquency status and takes steps to protect its interests as needed. However, these control efforts are not a guarantee that credit risk will be entirely avoided. Furthermore, if a business partner's credit worsens, the Group will reduce its dealings with said partner or take steps to protect its receivables. Moreover, the Group establishes resolution policies for use if such a partner were to go bankrupt. In these ways, the Group strives to collect receivables. However, if receivables or other forms of credit become unrecoverable, the Group's operating performance may be negatively affected.

## Country Risk

The Group engages in transactions, loans, and investments in other countries. The collection of receivables may be delayed or rendered impossible as a result of political or economic developments in these countries. To minimize losses that could arise should a country risk be realized, the Group regularly sets limits based on ratings given to each country and region according to the scale of their respective country risk and avoids overexposure to any particular country or region. The Group takes such steps as enrolling in trade insurance programs as warranted by ratings and project details in an attempt to minimize recovery risks. However, continuing relevant businesses and transactions may be difficult if such risks actualize in certain countries and regions, potentially affecting the business results of the Group.

## Business Investment Risk

Under the *future 135* medium-term vision, the Group aims for sustainable growth in business fields where it has stable earnings structures while securing scale expansion and added value through effective and appropriate business investment in areas of strength.

The Group establishes investment criteria for these business investments, with a focus mainly on investing in areas of strength. Based on their objectives, content, business profitability estimated on a cash flow basis, and evaluations and analyses of risk factors, these investments are deliberated by the corporate areas. Major projects over a certain size are deliberated by the Project Deliberation Committee. Investments are made after establishing criteria for business withdrawal, following which the Project Deliberation Committee regularly reevaluates and reviews their business potential and investment value to minimize any loss. However, the value of business investments may fluctuate

according to the financial condition of the investment targets and the success or failure of the business.

Local laws and relationships with partners may prevent the Group from executing its policy for operating or withdrawing from a business, leading to the loss of part or all of the investment, or to a need to provide additional funding. This may negatively affect the Group's operating performance.

### Risk of Impairment on Long-Term Assets

The Group's property, plant and equipment, goodwill, and intangible assets are exposed to impairment risk. As necessary, if the value of such an asset decreases, the Group records said decline as impairment, which may affect its operating performance. In particular, under the *future 135* medium-term vision, the Group seeks growth through business investment and, accordingly, its goodwill and identifiable intangible assets may increase as a result of corporate mergers going forward.

### Fundraising Risk

The Group procures business capital via borrowings from financial institutions in and outside Japan, corporate bonds, and other means. The Group strives to maintain good business relationships with financial institutions and effective asset-liability management as well as to minimize liquidity risk by fundraising as warranted by its asset holdings. However, disorder in financial markets, a major downgrading of the Company's credit ratings from a ratings institution, or other such developments could constrain the Group's fundraising ability or increase fundraising costs.

### Legal Risk Related to Changes in Laws

The business activities undertaken by the Group are subject to a wide range of legal regulations in Japan and other countries. The Group takes the utmost care to abide by these regulations and may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including punitive tariffs introduced unilaterally following changes in the international political environment, and changes in regulations, such as requirements for permits and licenses related to the sale and handling of products. In addition, lawsuits or orders issued by the relevant authorities in relation to such developments may result in unexpected expenses for the Group. This risk also includes the risk of changes in tax rates or tax arrangements imposed by the relevant authorities or between countries under international taxation arrangements. Changes in legal systems could thus influence the operating results and financial position of the Group.

### Legal Risk Related to Lawsuits and Disputes

The Group's business operations and associated assets and liabilities may become subject in various ways to legal proceedings, including lawsuits, or other disputes in the course of business activities undertaken in Japan and overseas. Such lawsuits and other disputes are generally unpredictable, and resolving them is often very time-consuming. Furthermore, any prediction of their results involves uncertainty. If such lawsuits or disputes arise and lead to unexpected outcomes, the Group's operating results and financial position may be affected.

### Compliance and Improper Conduct Risk

The Group operates businesses to buy, sell, and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to security export control and other aspects of exporting and importing, that are established and enforced for these products and services both domestically and abroad.

To ensure comprehensive monitoring of relevant laws and compliance, the Company has established the Internal Control and Compliance Committee, which implements regular reviews of compliance maintenance and responds to sudden issues.

However, it is difficult to ensure the completely consistent execution of related procedures across the Group's wide range of trading operations, which often involve multiple parties. Although the Group has in place a number of measures to prevent violations, there is a risk that these may fail to prevent a legal violation

or instance of improper conduct. If such violation or conduct is material, the operating results and financial position of the Group could be affected.

### Information Security Risk

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules and takes thoroughgoing steps to realize effective crisis control response to ensure the safety of its information system operations. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of sensitive business information or personal information as a result of unauthorized access, computer viruses, or other threats, nor to inoperability due to such factors as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line problems. Such issues may reduce the efficiency of operations that depend on information systems and, depending on the scale of damage, seriously affect the business results and financial position of the Group.

### Disaster Risk

In the event of an earthquake, major storm, flood, or other natural disaster or extreme weather event, outbreak of influenza, novel coronavirus, or other infectious disease, a major accident, an act of terrorism, a riot, or other unforeseen circumstance, the Group's employees and assets, such as systems, facilities and equipment, including offices, warehouses, and manufacturing plants in Japan and overseas, may be impacted, impairing business or production activities. The Group also owns cargo being stored or transported in and outside Japan for business transactions. Such assets may be damaged or deteriorate as a result of natural disasters, accidents, or other developments, and the businesses of the Group may be suspended due to such developments as earthquakes, fires, floods, and riots. The Group takes steps to mitigate such risk, including the adoption of employee safety confirmation systems, formulation of disaster manuals and business continuity plans (BCPs), measures to protect buildings, facilities, and systems from earthquake damage (including data backup), disaster readiness training, preparation of stocks of necessary supplies, and coordination and information sharing with business locations and affiliates in and outside Japan. Nevertheless, depending on the extent of the damage, such incidents may affect the operating results and financial position of the Group.

In response to the global novel coronavirus pandemic, the Group is implementing a variety of measures to minimize infection among the Group and its stakeholders as well as business continuity risk. These include staggered commuting and telecommuting, restrictions on domestic and international business travel and transfers, spreading awareness of infection prevention measures, and monitoring developments in various regions through its domestic and international network. In particular, the Group's policy is to have all employees work remotely, in principle, when a relevant government body issues stay-at-home orders or declares a state of emergency. The Group will continue working to prevent the spread of infection based on the policies, action plans, and requests of government authorities.

### Risk of Climate Change and Social and Environmental Problems

The Kanematsu Group is engaged in business activities across a wide range of fields in and outside Japan, and its ability to continue such activities may be limited by the impact of climate change or worsening social, environmental, or other such problems. Furthermore, environmental pollution, labor problems, or other such issues arising from the Group's businesses may lead to the suspension of business, costs for removing pollution or the payment of damages, or a decline in the Group's social standing.

The Group has designated and promotes awareness of key issues to address in its corporate activities (responding to changes in market characteristics, mutual development with local communities, consideration of the global environment, enhancing governance, and promoting respect for human rights, human resource development, and diversity). The Group has also established a Sustainability Management Committee as a part of a system for proactively solving issues. Nevertheless, unforeseen circumstances or developments may affect the operating results and financial position of the Group.

# Major Group Companies

(As of April 1, 2021)

\* Companies with shares listed on a stock exchange

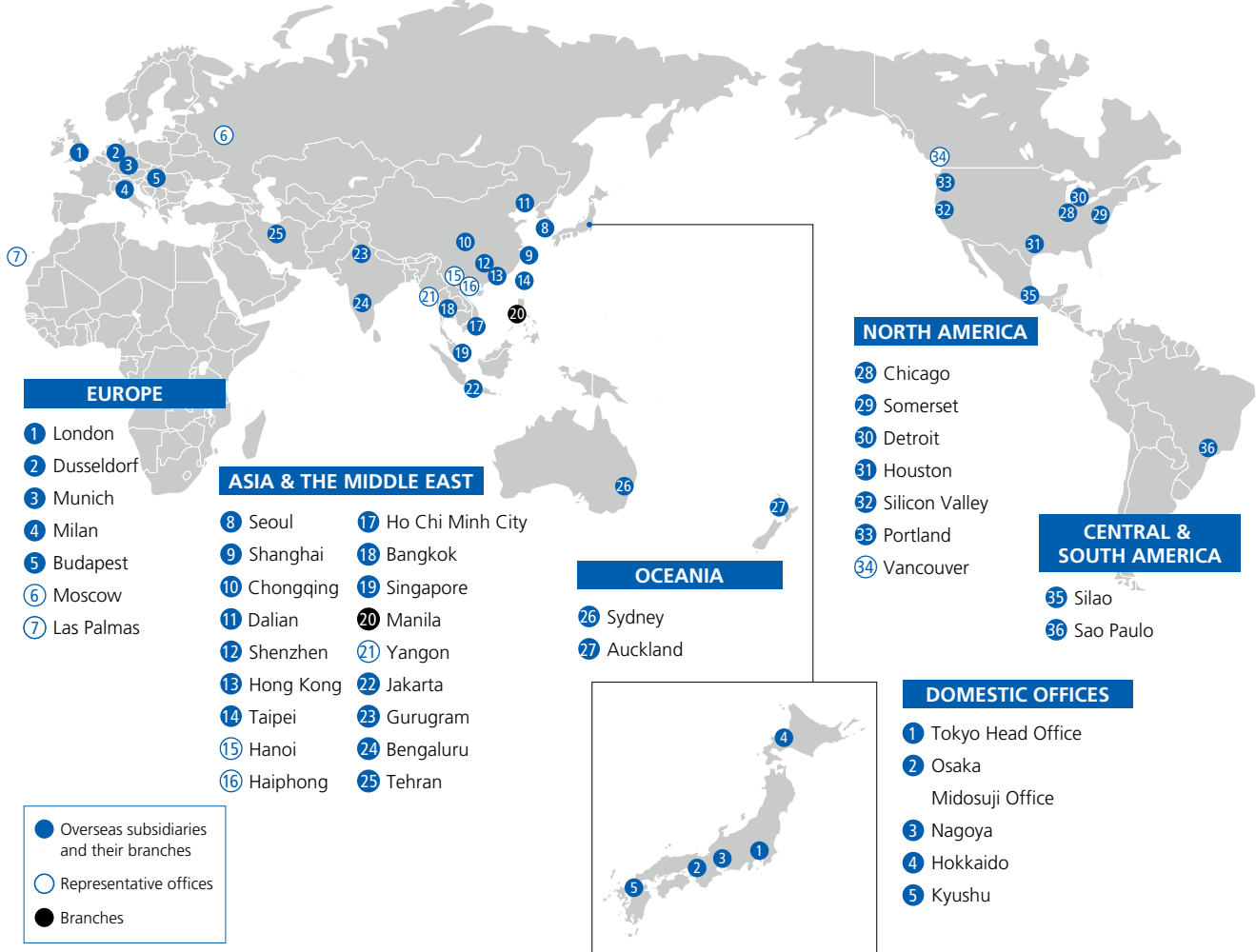
<b>Electronics &amp; Devices</b>	<b>Japan</b>	
	Kanematsu Electronics Ltd.*	System integration of ICT and communications equipment
	Nippon Office Systems Ltd.	Development, sales, and maintenance of software for computers and computer peripherals, etc.
	Kanematsu Sustech Corporation*	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Installation and sales of security cameras
	Kanematsu Communications Ltd.	Sales of mobile communications devices; Mobile internet systems and services
	Kanematsu Granks, Corp.	Website planning, building, and operation; Content planning, production, and sales
	Kanematsu Futuretech Solutions Corporation	Import, export, processing, development, design, manufacture, sales of semiconductors, electronic components, and module products; EMS business
	Kanematsu Advanced Materials Corp.	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices
	Kanematsu PWS LTD.	Design, development, and sales of semiconductor production equipment, testing equipment and related components; Technical services
	NS Technologies Inc.	Design, development, and manufacture of IC test handlers
	Lumonics K. K.	Sales of and maintenance services for wafer marking systems
	G-Printec, Inc.	Design, development, manufacture, sales and maintenance services (OEM) for card printers and related equipment
	Japan Data Exchange Inc.	Data utilization consulting and data exchange support
	<b>China</b>	
	Kanekoh Electronics (Shanghai) Co., Ltd.	Design, development, manufacture, and sales of control modules for lithium ion batteries
<b>Foods, Meat &amp; Grain</b>	<b>Japan</b>	
	Kanematsu Foods Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of soybeans, pulses & peas, and grain; Development and marketing of tofu and other ingredients for processed foods
	GPC Holdings Co., Ltd.	Sales of pet food and other products
	Ks' Meat Solution Co., Ltd.	Primary processing of meat in Japan
	<b>China</b>	
	Dalian Tiantianli Food Co., Ltd.	Manufacture of dim sum and delicatessens
	Shangdong Lufeng Foods Co., Ltd.	Production of processed vegetables and fruits
	Iwase-Esta Kanematsu Co., Ltd.	Wholesale of confectionery and baking ingredients
	Dalian Matsutomo Foods Co., Ltd.	Primary processing of beef in China
	Dalian Runsong Biological Feed Co., Ltd.	Manufacture and sales of feedstuff (puffed soybeans, soybean meal)
	<b>Thailand</b>	
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of aloe vera
	<b>Indonesia</b>	
	PT. Kanemory Food Service	Manufacture of processed foods; Management of central kitchen
	<b>U.S.A.</b>	
	KAI Enterprises, Inc.	Sales of hay and roughage
	Sage Hill Northwest, Inc.	Production of hay
	KG Agri Products, Inc.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans
<b>Steel, Materials &amp; Plant</b>	<b>Japan</b>	
	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet; Sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium, and high-alloy steels
	Kenkosya Co., Ltd.	Construction, design, manufacture, installation, and sales of steel joinery
	Kanematsu Petroleum Corp.	Sales of petroleum products and LPG
	Kanematsu Yuso Co., Ltd.	Delivery and storage of petroleum products
	Kanematsu Chemicals Corp.	Sales of petrochemicals, automobile-related chemicals, health food ingredients, and pharmaceuticals
	Kanematsu Wellness Corp.	Sales of health foods and provision of medical information
	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools; Sales of paper-manufacturing machinery
	Watachukikai Corp.	Wholesale of cutting tools and peripheral and auxiliary tools
	Aioi Sekkei Co., Ltd.	Design, manufacture, and installation of plant equipment
	<b>China</b>	
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
	<b>Thailand</b>	
	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
	<b>Vietnam</b>	
	ATAD Steel Structure Corp.	Design, manufacture, transportation and install various steel structures
	<b>U.S.A.</b>	
	Steel Service Oilfield Tubular, Inc.	Sales of steel materials for oil excavation
	Benoit Premium Threading, LLC	Steel tubing fabrication; Manufacture and sales of oil well-related parts
	KGK International Corp.	Sales of machine tools
<b>Motor Vehicles &amp; Aerospace</b>	<b>Japan</b>	
	Kanematsu Aerospace Corp.	Sales of aircraft, defense, and aerospace-related products
	Kaneyo Co., Ltd.	Sales of bedding, fiber raw materials for industrial materials, and synthetic fiber raw materials
	Datatec Co., Ltd.	Development and sales of network services for vehicle operation management, driving safety analysis, etc.; Development and sales of vehicle measuring instruments
	<b>Ireland</b>	
	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft rotatable components; Leasing; Sales
	<b>Poland</b>	
	Aries Motor Ltd.	Sales and maintenance of automobiles
	Aries Power Equipment Ltd.	Sales of engines, generators, lawnmowers, and other general-purpose machinery
	<b>U.S.A.</b>	
	Kanematsu Ventures Inc.	Investment in VC funds; Seeking out advanced technologies; Growth support for startups
<b>Other</b>	<b>Japan</b>	
	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
	Shintoa Corp.	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines
	Kanematsu Logistics & Insurance Ltd.	Insurance agency and forwarding business; Consigned freight forwarding business
	Japan Logistics Co., Ltd.	Warehouse and self-storage operation
<b>Indonesia</b>		
	PT. Dunia Express Transindo	Total logistics services



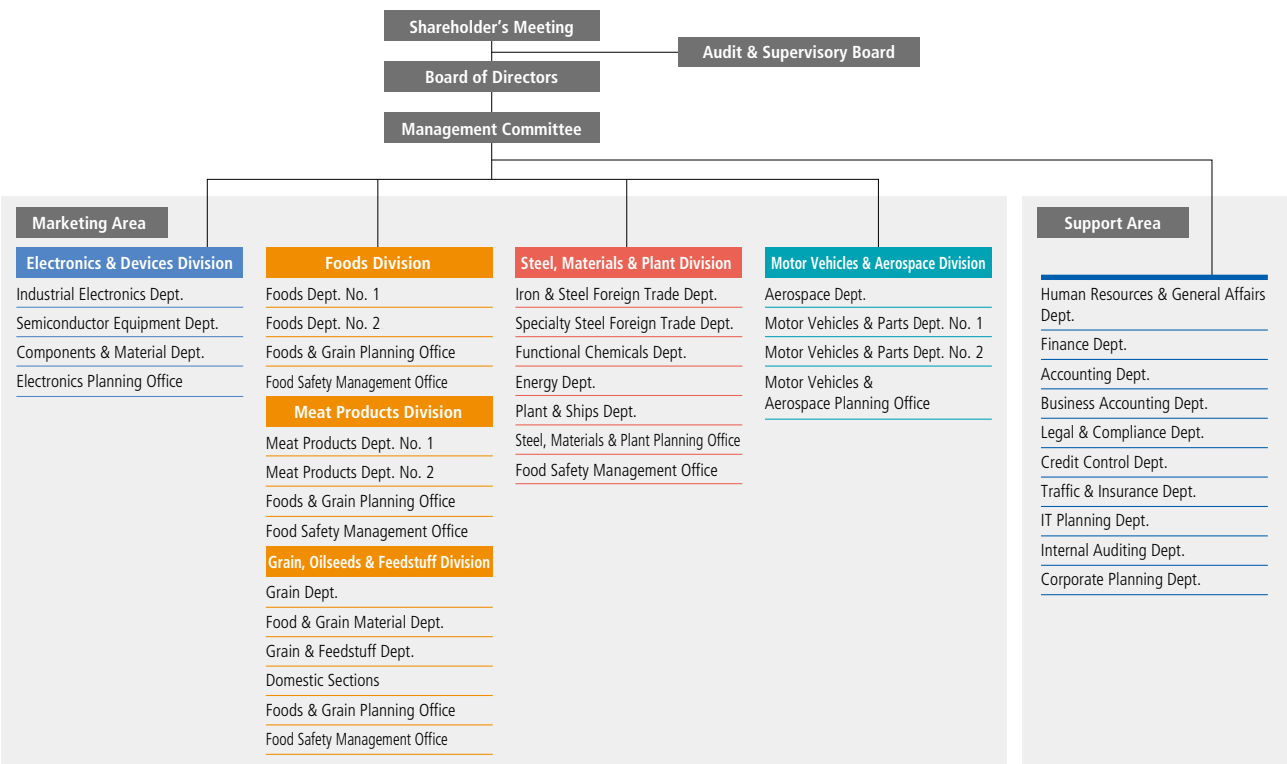
# Global Network

(As of March 31, 2021)

Kanematsu supplies products and services through its large network of business bases in Japan and overseas. In addition to the Company, the Kanematsu Group comprises 126 companies (97 consolidated subsidiaries and 29 equity-method affiliates) operating global businesses around the world.



## Organization Chart (As of April 1, 2021)



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## Overseas

### ASIA & THE MIDDLE EAST

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#### THAILAND

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##### Kanematsu Corporation

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## OCEANIA

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## U.S.A.

### Kanematsu USA Inc.

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#### Somerset Branch

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FAX: 1-248-347-3219

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FAX: 1-713-975-7966

## Silicon Valley Branch

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U.S.A.  
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## Portland Branch

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FAX: 1-503-228-5067

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TEL: 52-472-748-9187, 9327, 9329  
FAX: 52-472-748-9221

## BRAZIL

### Kanematsu America do Sul Importacao e Exportacao Ltda.

#### São Paulo

Alameda Santos, 122 - CJ. 501 e 502 - Paraíso,  
São Paulo - SP, CEP 01418-000, Brazil  
TEL: 55-11-3266-3967

## Segment Information:

### Number of employees and number of Group companies (As of March 31, 2021)

	Number of Employees (consolidated basis)	Number of Affiliated Companies
Electronics & Devices	4,253	24 (Japan:16, Overseas:8)
Foods, Meat & Grain	788	29 (Japan:14, Overseas:15)
Steel, Materials & Plant	1,205	29 (Japan:14, Overseas:15)
Motor Vehicles & Aerospace	375	12 (Japan:4, Overseas:8)
Others	224	14 (Japan:12, Overseas:2)
Companywide (common)	451	
Overseas subsidiaries		18
<b>Total</b>	<b>7,296</b>	<b>126</b>

#### Notes:

1. Number of employees on a non-consolidated basis is 795.
2. Of affiliated companies, 97 are consolidated subsidiaries and 29 are equity-method affiliates.

# Corporate Profile

## Corporate Profile

Company Name	KANEMATSU CORPORATION	Paid-in Capital*	¥27,781 million
Established	August 15, 1889	Fiscal Year	April 1 to March 31
Foundation	March 18, 1918	General Meeting of Shareholders	June
President	Yoshiya Miyabe	Number of Offices*	Domestic: Tokyo Head Office, Kobe Head Office and branches 5 Overseas: 36
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan	Number of Employees*	795 (Consolidated: 7,296)

\* As of March 31, 2021

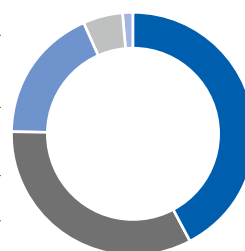
## Investor Information

(As of March 31, 2021)

Stock Exchange Listings	Tokyo
Stock Code	8020
Transfer Agent	
for Common Stock	Sumitomo Mitsui Trust Bank, Limited
Shares Authorized	200,000,000
Shares Outstanding	84,500,202 (including 260,758 treasury shares)
Minimum Trading Unit	100
Number of Shareholders	20,288

### Composition of Shareholders

Financial institutions	42.38%
Foreign institutions and individuals	32.93%
Individuals and others (including treasury shares)	18.16%
Other corporations	5.27%
Securities firms	1.26%

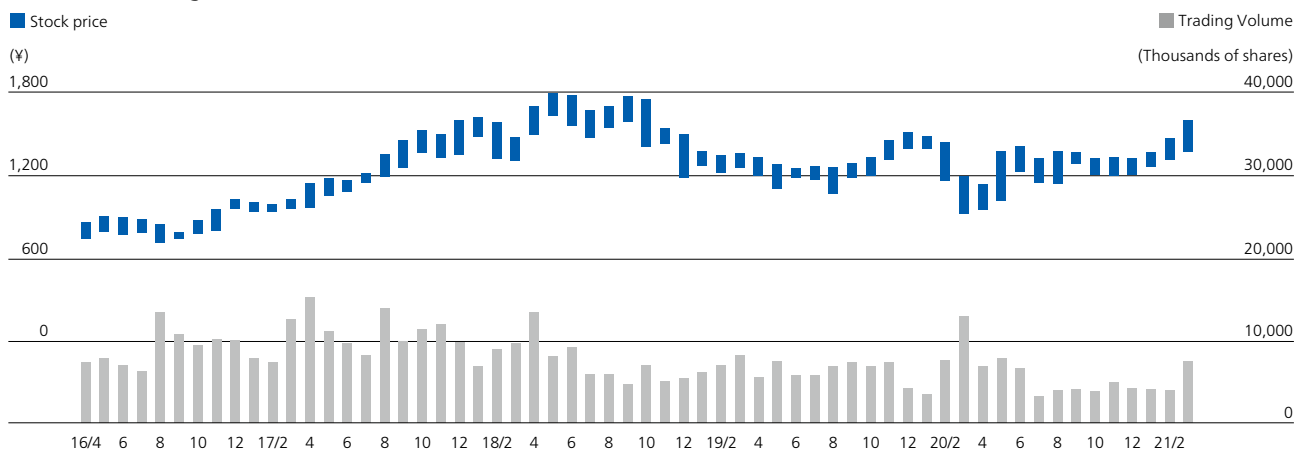


### Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
Custody Bank of Japan, Ltd. (trust account)	10,709	12.71
The Master Trust Bank of Japan, Ltd. (trust account)	6,460	7.66
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,322	2.75
MSIP CLIENT SECURITIES	2,235	2.65
SSBTC CLIENT OMNIBUS ACCOUNT	1,972	2.34
Custody Bank of Japan, Ltd. (trust account 9)	1,681	1.99
MUFG Bank, Ltd.	1,417	1.68
GOVERNMENT OF NORWAY	1,369	1.62
The Norinchukin Bank	1,249	1.48
The Bank of New York Mellon Corporation 140042	1,224	1.45

Note: Calculated after deduction of treasury shares (260,758 shares)

### Stock Price/Trading Volume

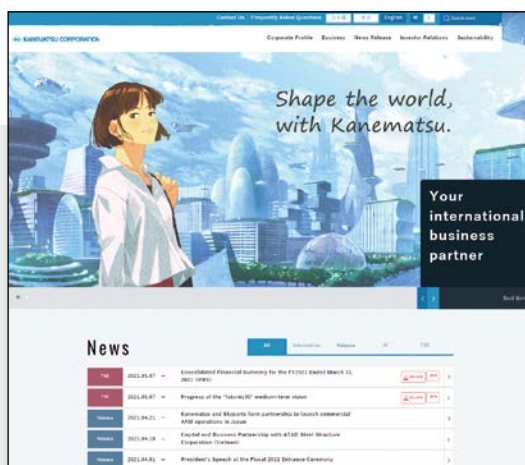


Note: Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. All figures in the above graph for September 2017 and earlier are calculated based on the assumption that said consolidation had already occurred.





Kanematsu stock has been selected for inclusion in the JPX-Nikkei Index 400 and the JPX-Nikkei Mid and Small Cap Index for, respectively, the last eight and five consecutive years.



## Our Website

Detailed additional information about the Kanematsu Group is available on our website in English, Japanese and Chinese.

Content includes information about the Company and its businesses, press releases, investor relations materials, and details on its sustainability activities and other topics.

English: <https://www.kanematsu.co.jp/en/>



For more information on this *Integrated Report*, or to obtain additional copies, please contact:

**Public & Investor Relations Section, Finance Department,  
Kanematsu Corporation**

2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan

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