Sustained Growth through Value Creation

INTEGRATED REPORT 2022

Since 1889

KANEMATS

Fusajiro Kanematsu
1845–1913

"Creating Shared Value"

The aspiration of founder Fusajiro Kanematsu lives on today as the core heritage of Kanematsu.

In 1889, Fusajiro Kanematsu founded Kanematsu. Over the 133 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.

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 Gosho 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.

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.

Statement of founding purpose, written by Fusajiro Kanematsu

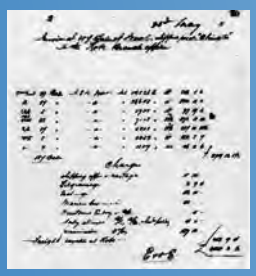
Belief in the Value of Work

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.

Kobe Head Office shortly after founding

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.



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

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.

Sydney Branch in 1891

Editorial Policy, Contents

On the Publication of the *Kanematsu Integrated Report 2022*

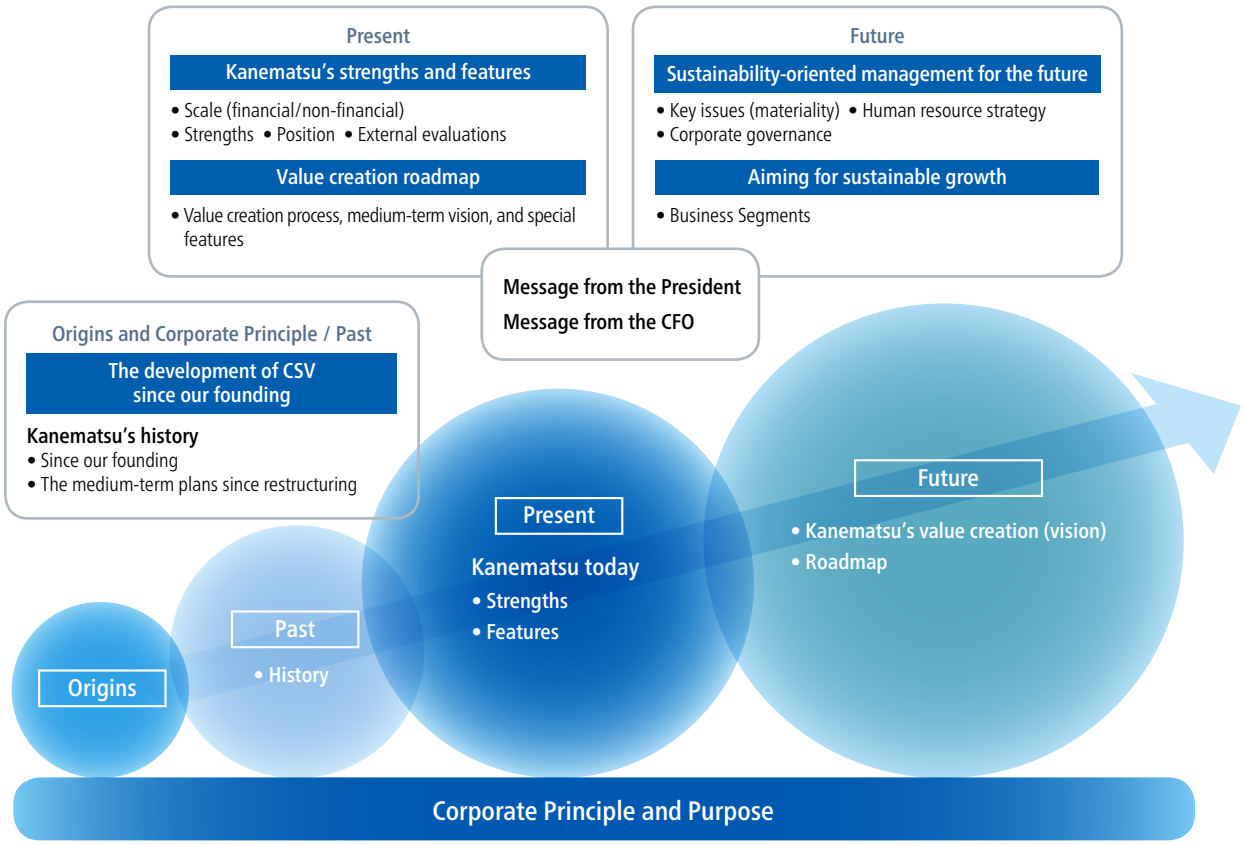
In this integrated report for fiscal 2022, we lay out our enterprise value enhancement story, beginning with the spirit of creating shared value (CSV) handed down since our founding, to illustrate the strengths and features of the Kanematsu Group today and draw a concrete roadmap toward our vision for the future.

In terms of looking toward the future, the report mainly focuses on the near future, particularly progress under our *future 135* medium-term vision, which will end in March 2024, laying out our specific growth strategies and the challenges we face in both financial and non-financial areas over the medium to long term.

In preparing this report, we referenced the IFRS Foundation's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation, with departments across the Company cooperating to ensure a proper editing process and the appropriateness of the report's content.

The Kanematsu Group will continue to use its *Integrated Report* as a tool for dialogue with shareholders, investors, and other stakeholders, working to enhance disclosure and increase enterprise value.

Shuji Masutani
Director, Executive Officer,
Chief Officer, Finance (PR & IR),
Accounting, Business Accounting



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 IFRS Foundation, 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.

Environment Social Governance
Guidance for Collaborative Value Creation

Forward-Looking Statements

This integrated 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.

Scope of Report

Published:	August 2022
Period covered:	April 1, 2021 to March 31, 2022 (fiscal 2022) (Includes some information about events outside the period covered)
Scope of coverage:	Kanematsu Corporation and the Kanematsu Group
Accounting standards:	JGAAP for the year ended March 2014 and earlier and IRFS for the year ended March 2015 and after, unless otherwise noted

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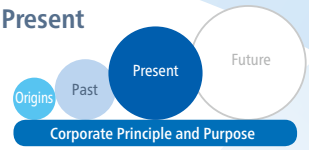
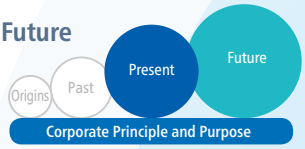
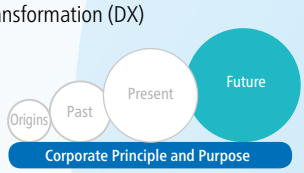
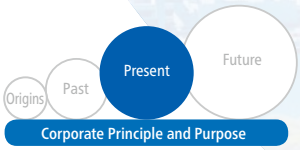
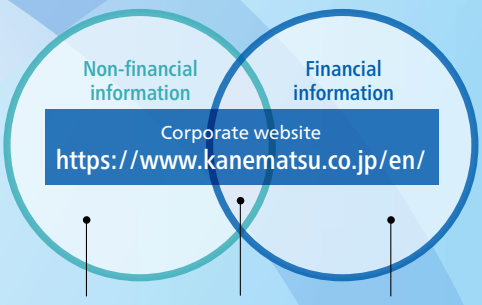








Kanematsu's Disclosure



- Environmental Report
- Corporate Governance Report (Japanese only)
- Integrated Report
- Corporate Profile
- Shareholder Newsletter (Japanese only)
- Financial Statements / Quarterly Reports
- Financial Summary
- Financial Highlights/ Supplementary Materials
- Financial Overview (briefing presentation materials)

IR Disclosure

The Kanematsu Group strives to ensure transparency and foster dialogue through prompt, accurate, and fair disclosure to all stakeholders.

- General Meeting of Shareholders (once a year)
- Financial Results Briefing (twice a year)
- Meetings of institutional investors and analysts with the president and/or CFO

The Kanematsu Group's History

In the 2000s, we focused on shrinking interest-bearing debt and improving our financial position to achieve stability. Having done so, under the *future 135* medium-term vision established 2018, we have aimed at becoming a unique trading company, pushing toward new heights.

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.

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

1960s–1980s Development into a general trading company

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

1967
Merged with the Gosho Company to form Kanematsu-Gosho, 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 Agritec Co., Ltd.)

1977
Kaneshoku Corporation established (now Kanematsu Foods Corp.)

Steel, Materials & Plant

1959
Kanematsu Yuso Co., Ltd. established

1960
Kanematsu Sekiyu Gasu Corp. established (now Kanematsu Petroleum Corp.)

1967
Acquired a controlling interest in Fine Kuroda Services Corp., renaming it Kanematsu Gosho 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.)

1985
Began trading with Steel Service Oilfield Tubular, Inc.

Motor Vehicles & Aerospace

1985 Kanematsu Aerospace Corp. established

1990s–2000s Restructuring

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.

1991
Kanematsu Electronics Ltd. listed on the first section of the Tokyo Stock Exchange

1993
Kanematsu Computer Systems Ltd. began mobile phone sales (now Kanematsu Communications Ltd.)

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)

Major examples of social contribution and management oriented around creating shared value

1919 Donation and endowment to what has grown into the Kobe University Research Institute for Economics and Business Administration (Kanematsu Memorial Hall)

1927 Construction and endowment of the Hitotsubashi University Kanematsu Auditorium

1929 Endowment of construction funds for the Sydney Hospital Kanematsu Memorial Institute of Pathology

2013–
Aggressive management

Shift toward aggressive management through M&A in highly specialized fields and business expansion

April 2013–March 2016
—Jump to next stage leading to the future—

- Took a positive stance to enable rapid progress and to establish a solid growth track in preparation for the 125th anniversary.
- Development of VISION-130 coinciding with the resumption of dividends

April 2014 – March 2019
"VISION-130"

- 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 objective was to "expand the 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 new businesses.
- We achieved the goals of the five-year plan in four years and moved on to *future 135*.

April 2018–March 2024
– future 135 –

Expansion of Scale
Acquisition of Added Value
Quality Improvement

- 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

2013
Resumed dividend payments

2014
- Expanded the executive officer system
- Established business investment standards
- Acquired a majority stake in Kanematsu-NNK Corp. (now Kanematsu Sustech Corporation)

2015
Completed disposal of commercial real estate holdings

2016
- Carried out an absorption-type merger with Diamondtelecom, Inc., aimed at expanding the mobile business
- Issued first series of straight corporate bonds (return to the straight bond market)

2017
- Took over JVCKENWOOD Corporation's cartridge printer business (now G-Printec, Inc.)

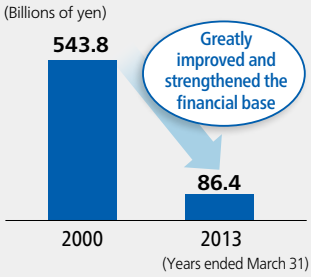
2018
- Formed the Technologies and Business Collaboration Team to advance innovation investment
- Established Kanematsu Ventures Inc.

2019
- 130th anniversary of the Company's founding
- Formed strategic partnership with France-based Dawex Systems, entering the data business

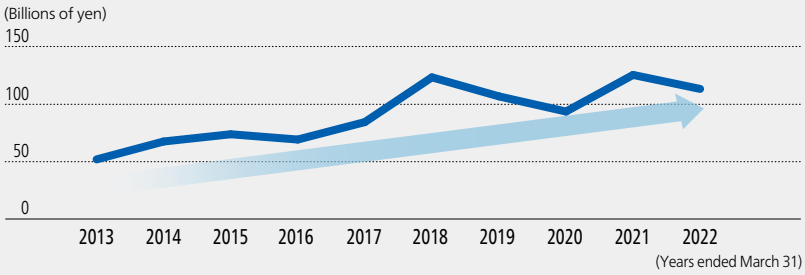
2021
- Revised and determined five issues of high materiality
- Took over Seiko Epson Corporation's IC test handler business (now NS Technologies Inc.)
- Received A- rating from Japan Credit Rating Agency, Ltd. (JCR)

Positive Effects of Restructuring

Net Interest-Bearing Debt Reduction



Total Market Valuation



The Strengths We Have Built

Four Strengths p7

Strength 1 Robust customer base and know-how cultivated through business

Strength 2 Stable financial base and revenue structure

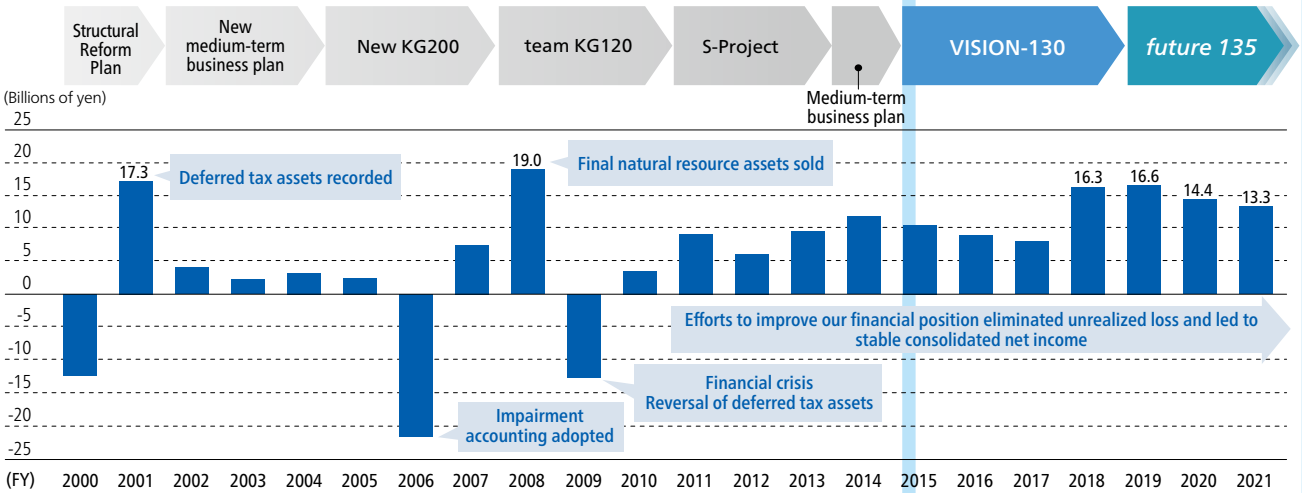
Strength 3 Management prioritizing capital efficiency

Strength 4 Human resources and investment system to advance business creation

Review of the Medium-Term Visions

In 1999, a few years after the collapse of the Japanese economic bubble, the Kanematsu Group 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. Since then, we have increased our equity by building up consolidated net income and shrunk interest-bearing debt to construct a solid financial base. Aiming for further growth, we achieved the goals of the VISION-130 medium-term vision and are now implementing *future 135*, aimed at the 135th anniversary of the Kanematsu's Group's founding.

Consolidated Net Income (Loss)



Results and Progress under Medium-Term Visions since the Resumption of Dividend Payments in Fiscal 2014

"VISION-130"

April 2014 – March 2019

Approaching the 130th anniversary of the founding of Kanematsu, we designated as management objectives "Maintain a healthy financial position," as well as "Expand our earnings base" through cooperation and mutual development with our business partners, the very foundation of our trading business.

Our aim was to increase our enterprise value by furthering business in our areas of expertise and investing in new business creation. Due in part to growth in ICT businesses, the effects of mobile business acquisition and integration, recovery from the crude oil market crash in the steel tubing business, and the completion of commercial real estate disposal, we reached the targets of the five-year plan a year early and moved on to the next vision.

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

* Profit for the year attributable to owners of the Parent

– First Three Years of *future 135* –

April 2018–March 2021

Expansion of scale
Acquisition of added value
Quality improvement

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 were 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 through the reorganization of the printer and semiconductor businesses and expansion in food markets in Asia.

Quantitative Targets	Revised target (Final year: the fiscal year ending March 2024)	Fiscal 2021
Consolidated net income*	¥20 billion	¥13.3 billion
ROE	10—12%	9.7%
Total return ratio	30—35%	37.6%

Pursuing Business Opportunities and Addressing Risks Leveraging Four Strengths

External Environment

- Economic growth in emerging economies
- Paris Agreement SDGs
- GX
- DX
- Global population boom
- Low birth rate and graying in Japan
- Pandemic

Main Business Opportunities

Expanding opportunities for business investment and M&A due to market structure changes

Electronics & Devices	Market expansion due to 5G
Foods, Meat & Grain	Asian market expansion, consumer taste diversification
Steel, Materials & Plant	Changes in energy markets
Motor Vehicles & Aerospace	Next-generation mobility market expansion

Main Business Risks

Slowing growth in trade businesses due to peaking of domestic markets

Electronics & Devices	Shortage of digital talent
Foods, Meat & Grain	Growing risks to stable procurement, growing demand for human rights protection in the supply chain
Steel, Materials & Plant	Tightening regulations due to decarbonization
Motor Vehicles & Aerospace	Rapid industrial structure changes, logistics disruption

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Sources of Strength

- Longstanding networks with customers, suppliers, and business partners
- Insight and business opportunities provided by the robust customer base
- Stable financial base: Low net D/E ratio
- Stable earnings structure: Earnings base and business portfolio that are resistant to changes in commodities and financial markets
- Core heritage of Kanematsu passed down from our founder: Acting based on the founder's aspirations and guidance against thinking that any kind of business practice is acceptable as long as it is profitable
- Risk management and investment management expertise supporting solid and stable business

The Strengths We Have Built

- **Strength 1** Robust customer base and know-how cultivated through business
- **Strength 2** Stable financial base and revenue structure
- **Strength 3** Management prioritizing capital efficiency
- **Strength 4** Human resources and investment system to advance business creation

Priority Initiatives of *future 135*

- Sustainable growth in fundamental businesses and expansion of the revenue base through business investment
- Response to technical innovation
  - Promote and expand new businesses with advanced technology (IoT, AI, etc.)
- Establishment of management infrastructure for achieving sustainable growth
  - Build a framework for global strategy
  - Cultivate management-level human resources
  - Improve employee satisfaction (ES)

Digital

- Establishment of the Digital Transformation Committee
- Considering DX in each business, setting up common Group-wide IT environments, etc.

Special Feature 2 p26–27

Sustainability

- 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 Key Issues and Our Activities p32–33

Value Creation Process

future 135 Medium-Term Vision Basic Policy

The Kanematsu Group will help realize the pursuit of expansion of scale, acquisition of its traditional businesses and the creation of new

Capital

Human Capital

People who take on business creation

- Consolidated employees: 7,446
- Annual average training: Approx. 41 hours/person[1]
- Total annual training: Approx. 14,500 hours

Intellectual Capital

- Deep and broad product and industry expertise
- New business creation know-how
- Risk management

Financial Capital

Invested capital and growth investment

- Shareholders' equity: ¥142.9 billion
- Interest-bearing debt: ¥51.2 billion
- Growth investment: Approx. ¥33.0 billion[2]

Manufactured Capital

Offices

- Domestic: 5; Overseas: 36

Social and Relationship Capital

Partnerships

- Robust customer base (business partners of several decades, etc.)

Business Segments p64-77

- Relationships with diverse stakeholders

Natural Capital

- Contribution to the environment and environmental development in all communities involved in our businesses
- Contribution to a low-carbon society

Business

Strength 1 Robust customer base and know-how cultivated through business

×

Strength 4 Human resources and investment system to advance business creation

Trade

Business investment

Virtuous cycle

Digital transformation (DX)

Green transformation (GX)

Four Segments with Unique Strengths

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

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

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

Motor Vehicles & Aerospace
Motor Vehicles and Parts and Aerospace

Management

Strength 2 Stable financial base and revenue structure

Governance, risk management,

Heritage handed down

1. Average hours of training for Kanematsu University participants

Human Resource Development p43

2. Cumulative new investment in the first four years of *future 135*

sustainable global economic growth and solve social issues through added value, and quality improvement and through the evolution of businesses, aiming to advance into the next stage of growth.

Model

Creating new businesses

Functions

Added value

Investment in innovation (seeds)

Stable earnings base

Expansion of scale

Customers • Markets • Share

Evolving traditional businesses

Monitoring/ management

Non-financial

Management by Objectives (MBO)

Employee satisfaction surveys

GHG emissions

Financial

Free cash flow

ROIC

D/E ratio

Value produced

Society

Customers and suppliers

Products and services useful to society

Stable, ongoing procurement

Shareholders and investors

Maximizing shareholder value

Employees

Employee-friendly corporate culture

Local communities and governments

Regional revitalization

Environment

Contribution to a carbon-neutral society

Base

Strength 3 Management prioritizing capital efficiency

compliance

since our founding

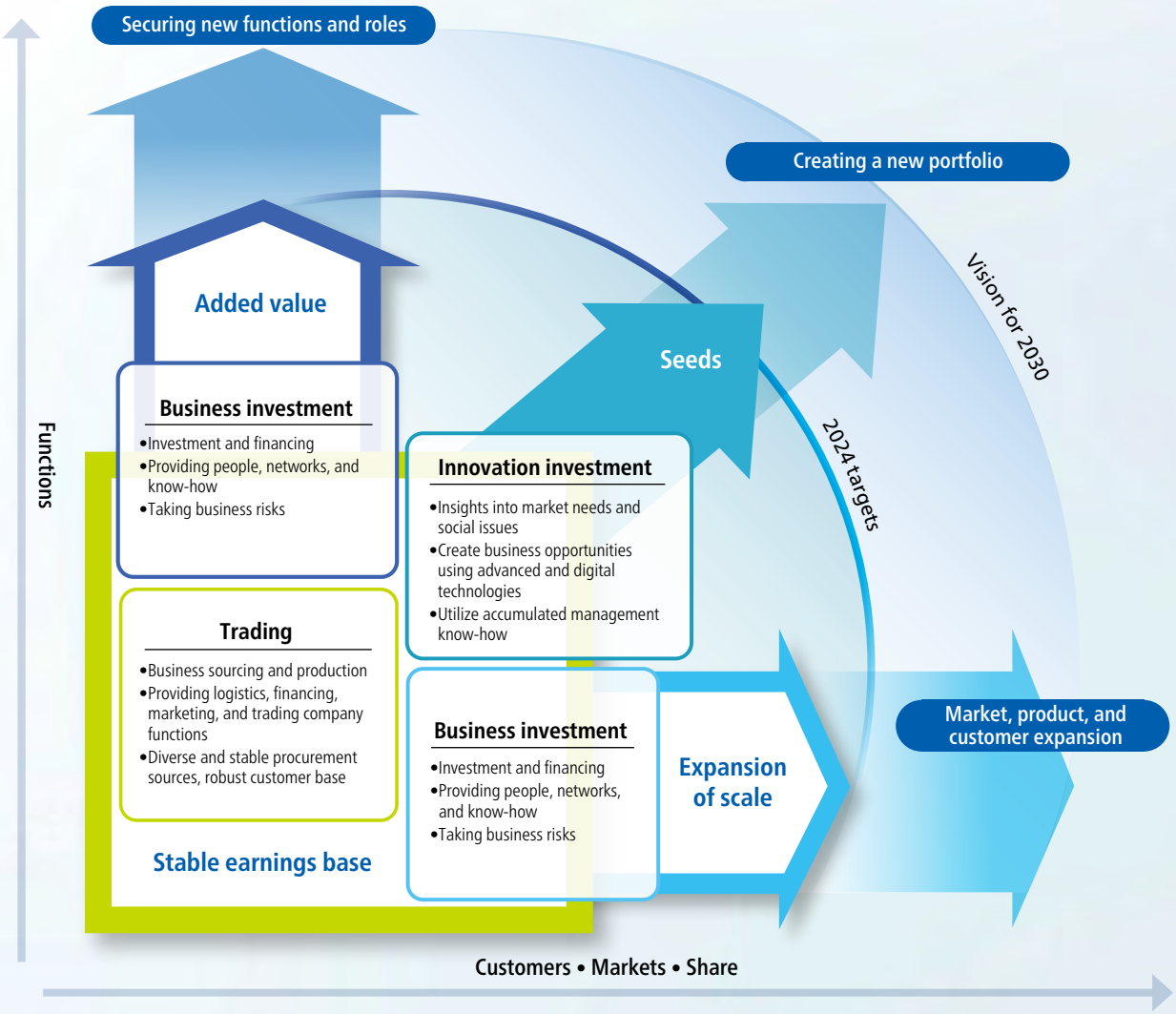
Kanematsu Group

- Profit for the year attributable to owners of the Parent
- ROE
- Total return ratio

Business Model and Business Development

Building on the trading businesses it has nurtured over the decades, the Kanematsu Group is advancing business investment aimed at generating added value and scale expansion. At the same time, we are pursuing innovation investment aimed at establishing a future business portfolio. Through these efforts, we are working to increase enterprise value.

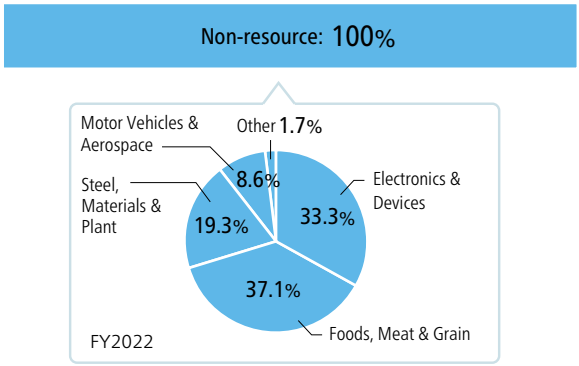
Business Model and Vision for the Future



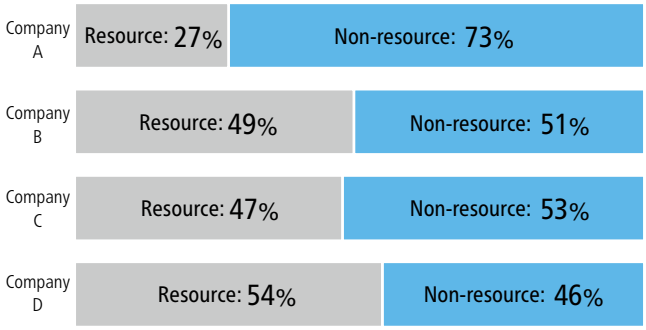
Business Composition (Compared with Other Trading Companies)

The Kanematsu Group's businesses are mainly in the Group's areas of strength, where it possesses insight and know-how. We do not invest in businesses that are easily swayed by commodity or financial markets, such as fossil fuels, real estate, or financial businesses, and our stable revenue structure sets us apart from other general trading companies.

Kanematsu's Revenue Structure



Other Trading Companies' Revenue Structures



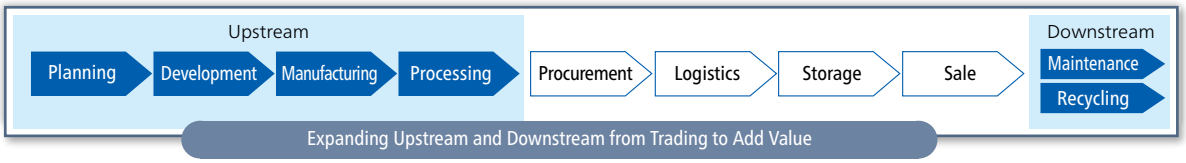
Note: Data according to Kanematsu's research

Trading: Stable Revenue Base Backed by Longstanding Networks and Know-How

These are core businesses developed by leveraging our robust customer base and know-how cultivated in traditional agency and trading businesses since our founding while managing businesses directly and indirectly in line with the changing times.

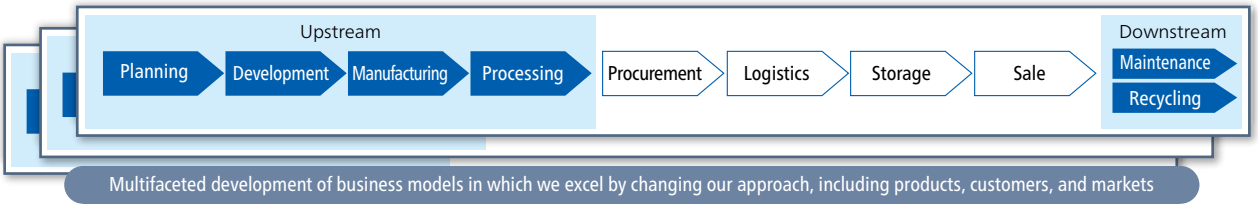
Business Investment to Secure Added Value: Performing Roles Beyond Traditional Trading Company Functions

We will secure new functions and roles in our fields of strength. Going beyond traditional trading company functions, we will expand into upstream areas of the value chain, such as planning, development, manufacturing, and processing, as well as downstream areas, such as maintenance and recycling. By doing so, we will provide added value unique to the Kanematsu Group.



Scale Expansion Business Investment: Investing Resources in Areas of Insight and Strength

We will leverage our accumulated insight and know-how to expand our business scale and trading area. We will apply business models in which we excel to different products, customers, and markets, adjusting our approach to expand our market share.



Innovation Investment: Creating Next-Generation Businesses Centered on Advanced Technologies

We will create next-generation core businesses through investment in business models and startups with long-term growth potential centered on advanced technologies in which the Kanematsu Group has strength.

Special Feature 1: Dialogue on Realizing Innovation Investment p22-25

Business Investment Process

Business Investment Process p60-61

Decision-making process

Application → Support divisions → Project Deliberation Committee → Decision

Considerations

Definition of investment purpose and growth strategy	Examination of the business plan	Alignment with investment criteria	Risk analysis	Examination of internal controls	Establishing exit criteria
Consider alignment with *future 135* (including sustainability)	Thoroughly examine the soundness of the business plan (including responsiveness)	Examine investment efficiency based on IRR and recovery period using the investee's free cash flow	• Risk analysis leveraging the expertise of support divisions • ESG risk assessment	Examine the internal controls of investees	Establish practicable exit criteria upon investment

Investment

Monitoring and Asset Replacement

- Review investees at support division monthly information sharing meetings
- Annually evaluate investments both qualitatively (the objective of holding each investment) and quantitatively (related revenue, dividends received, other returns, etc.) to determine if they are worth the cost of capital to Kanematsu
- The support divisions provide sophisticated expertise during PMI after investment, supporting management divisions
- Replace low-efficiency assets and businesses when they meet exit criteria or their strategic purpose in the portfolio has diminished

Message from the President

In these uncertain times, Kanematsu will be a driver of change

President

Yoshiya Miyabe

Lessons of My First Year as President

In the year since I took office as President, I have had the opportunity to meet with many stakeholders. Doing so has made clear to me that the strong bonds we have with business partners across supply chains in diverse domains constitute the Kanematsu Group's greatest asset. The events of the past year have brought home to me the importance of building trust by engaging in our work with fairness, humility, and sincerity and of building mutually beneficial relationships that will expand our business opportunities in order to maintain and deepen these bonds.

Management Constantly Underpinned by Our Founding Purpose

The world today faces many challenges, from geopolitical risks to the adoption of digital technologies across all industries and other changes to social structures as well as the push for climate change-related disclosure being spearheaded by the Task Force on Climate-Related Financial Disclosures (TCFD). Companies are being called upon to lead the way in solving these challenges. In this context, when we ask what the Kanematsu Group's purpose is, the answer comes back to the universally applicable values of our founding purpose, which are aligned with the concept of creating shared value (CSV) for society by solving social issues through corporate business activities undertaken with an entrepreneurial spirit, imagination, and ingenuity. Putting our founding spirit in contemporary terms, I think it comes down to two elements: commitment to people and commitment to the Earth.

The Kanematsu Group boasts a wealth of non-financial capital. In particular, we take pride in our corporate culture of prioritizing our social mission. For example, the Kanematsu Auditorium at Hitotsubashi University was endowed by Kanematsu in 1927 with the vision of helping commercial science take root as an academic discipline in Japan. In addition, the Company continues to hold an annual memorial service for all the current or former Group members who passed away in the previous year. As this shows, Kanematsu's culture and traditions of valuing society and people, passed down from our forebears, are alive and well today. Leveraging our non-financial capital, including this culture and our people, I believe we can achieve even greater success for Kanematsu in the future.

Four Strengths of the Kanematsu Group

The strengths of the Kanematsu Group, which demonstrate its purpose in society, are summarized below. By further enhancing these strengths, we will not only achieve the goals of our current medium-term vision, *future 135*, but fulfill our very founding purpose.

Leveraging Four Strengths p7

Strength 1

Robust customer base and know-how cultivated through business

Adapting to the changing roles required of trading companies over time, for more than 130 years, the Kanematsu Group has met the needs of its customers and society in cooperation with numerous partner companies. The customer base, insight and know-how built up through this history is the Kanematsu Group's foremost strength.

Strength 2

Stable financial base and revenue structure

The Kanematsu Group does not invest in fossil fuels, real estate, or financial businesses, and has a revenue structure that is not easily swayed by changes in commodities markets, financial markets, or world events. Since implementing business selection and concentration in the early 2000s, we have increased our equity, reduced interest-bearing debt, and concentrated management resources, aiming to realize lean management. Through these efforts, we have built a stable financial base. Recently, the business outlook has been unclear, complicated by the pandemic and geopolitical factors, but, even amid this uncertainty, our financial performance has little downward volatility. Going forward, we will continue to keep an eye on free cash flow and maintain a sound financial balance as we pursue efficient business investment.

Business Model p10

Strength 3

Management prioritizing capital efficiency

Under *future 135*, we are targeting ROE of 10%–12%. Although we fell temporarily short of this range due to the COVID-19 pandemic, in fiscal 2022, the year ended March 2022, ROE recovered to 10.5%. We will continue to enhance the role that the Company plays through value creation to further improve ROE. In addition, to control ROE, we will advance management with an awareness of both return on invested capital (ROIC) and the cost of capital.

Message from the CFO p18–19

Strength 4

Human resources and investment system to advance business creation

Seeking to leverage the innovation that comes from diversity to gain a competitive edge, the Kanematsu Group regards human resource strategy as one of the most important elements of management. In 2022, more than half of our new graduate hires were women, and the portion of these hires that are non-Japanese nationals is also rising. Furthermore, in addition to local hiring at overseas branches and Group companies, we are now

utilizing mid-career hiring and diversity hiring, enabling us to better leverage the talent of the global Group as a whole.

In terms of investment, we are pursuing three forms of growth-focused investment, as announced in *future 135*. These are business investment aimed at providing added value by taking on roles beyond that of a traditional trading company; business investment aimed at achieving scale expansion by concentrating on fields where we have insight and strength; and innovation investment aimed at creating next-generation businesses that center on advanced technologies. Through these three types of investment, we will realize Groupwide synergies and seek long-term growth far beyond our current targets.

Business model p10–11
Special Feature 1 p22–25
Diversity and Inclusion p45–46

Progress of *future 135*: Reflecting on the First Year of the Latter Half

Fiscal 2022, the first year of the latter half of *future 135*, saw year-on-year increases in both revenue and profit. Despite logistics disruptions and the impacts of the weakening yen and rising prices in the fourth quarter, profit for the year attributable to owners of the Parent increased 20.1% year on year. While I think we can count this as a modest success, I must acknowledge that we have not progressed at the speed initially targeted in the plan. For the final year of the plan, fiscal 2024, we are targeting consolidated net income of ¥20 billion. Our forecast of ¥18 billion in fiscal 2023 is backed by specific forecasts for our businesses, but the effects of the three types of investment above, including innovation investment, will be key to bridging the remaining ¥2 billion gap for fiscal 2024. Over the final two years of the plan, we will focus even greater efforts on investment and accelerating the realization of returns.

Progress of *future 135*: Investment Aimed at Realizing a Conglomerate Premium

Historically, our various divisions have been independent in their pursuit of business investment and M&A. Last year, however, the chief officers of each division and representatives from key Group companies began regularly exchanging information and discussing ways to enhance existing businesses and increase profit by leveraging the resources of other divisions. At first, there were some concerns about how willing the participants would be to work for the profit of other divisions, but these concerns proved unfounded. The proactive stance they have adopted to taking action to benefit not just their own divisions but the Group as a whole shows the true worth of the Kanematsu Group. Our business partners often praise the character of Kanematsu Group employees. Seeing the way our people cooperate, I am surer than ever that by bringing this strength to bear, we can achieve great successes. At first, these efforts were oriented toward solving division-specific issues, but I am confident that we will see the emergence of new businesses that surpass divisional boundaries in the near future. Combining multiple businesses to form new businesses is the traditional model of a trading company. In addition, the Kanematsu Group's businesses are not focused on consulting, but actual hands-on business operations; the networks and expertise we have built up through such operations are a strength that enables us to effectively function as a hub for businesses.

Turning to innovation investment, from the beginning of *future 135*, we have sought to share information and networks not just within individual divisions, but at the Groupwide level. To this end, we formed the Technologies and Business Collaboration Team, which includes Group companies, to discuss issues in this area. In October 2021, we established a new innovation investment system with an investment budget of ¥4 billion by March 2024. This system provides a framework for discovering companies and businesses that have innovative technologies and business models that are on the way to commercialization. Rather than simply injecting capital, we apply our networks and know-how as a trading company to reinforce investees' business models. Moving forward, we will proactively increase our contact with advanced technologies and new businesses through open innovation and other means, drawing on our strong internal and external relationships to drive the cultivation of fledgling sources of future growth.

Uncertain Times Reveal a Trading Company's True Strength

One of the core strengths a trading company needs is the ability to detect and adapt to changes before anyone else so that it can blaze the trail forward. In that light, for a trading company, the current moment of rapid change represents a major business opportunity. For example, global supply chains that have been interrupted by antagonism between the United States and China, war, and the COVID-19 pandemic must be rebuilt. At the same time, digital transformation (DX) is upending industry structures. Situations like these, in which frameworks must be built from the ground up, are where the true capabilities of a trading company shine. In this time of uncertainty, I believe the way that Kanematsu Group can serve society is by helping to secure economic stability.

To that end, the ability to detect market changes and gather information ahead of the market and to sniff out new business opportunities is essential. For this, we must secure and develop proactive professionals with the skills needed to keep a constant eye on developments at our business partners in order to generate new ideas and put them into action. My personal credo is to first just take action. I strongly hope to see our executives and employees take greater action more rapidly, unafraid to take risks. Those who are not accustomed to thinking on their feet while taking action will not make it in today's business climate. In addition to steadily implementing PDCA cycles, we must now be able to quickly react to changes in the market environment and industrial structures with agile management.

I think that in the period after *future 135*, we will be focused on bringing together the wisdom of the entire Group, with emphasis on DX, green transformation (GX), and innovation, in order to achieve dramatic growth as a trading company.

Leveraging Diversity to Develop Talent and Improve Engagement

In 2019, we launched the Kanematsu University training system. This unique system teaches employees the basics of management early in their careers while offering a cultural curriculum centered on character development as a trading company professional. In addition, we are currently updating our personnel systems to improve work environments in order to realize diversity and inclusion and increase employee engagement.

I think the most important factor in increasing employee engagement is ensuring that employees are able to do work that they are passionate about. For example, younger employees may be hesitant to try to create new businesses because of the inherent risk. It is therefore important for the company to provide frameworks that allow employees to take on such challenges without fear of failure. I think that the experience of creating businesses in collaboration with other companies, as we have through our tie-up with the venture capital firm WERU INVESTMENT Co., Ltd., provides excellent opportunities to boost employee motivation and engagement.

Human Resource Strategy p41–47
Special Feature 1 p22–25

Advancing DX

In 2021, we launched the Digital Transformation Committee, headed by the Chief Officer of the Electronics & Devices Division, which includes the ICT solutions business, to promote Groupwide DX. In addition, we set up sectional meetings to address individual themes and address issues at the operational level. In this way, we are advancing Groupwide policy in concert with applied strategy.

We have made considerable progress in terms of digitizing operations. With the move to the new head office in November 2022, we will take major steps forward in this area, including the use of activity-based working (ABW).* In terms of utilizing digital technologies to transform business models, we have launched a system for pooling business data from across the Group. We are still in the stage of gathering and organizing data from our diverse business areas, but this system will form the base of our information assets going forward.

* A work style in which employees are free to choose when and where they work based on the content and objectives of their work.

Special Feature 2 p26–27

Promoting GX and TCFD-Compliant Disclosure

In 2022, we launched the Green Transformation Committee, led by the Chief Officer of the Steel, Materials & Plant Division, which boasts a wealth of expertise in environmental protection. We also announced our support for the TCFD recommendations in 2021, beginning disclosure based on climate scenarios. As a trading company with no resource development businesses, Kanematsu's greenhouse gas emissions are low to begin with, and we were quick to participate forest conservation projects and carbon credit trading, which helps reduce emissions. Thanks to such efforts, we expect to achieve net zero greenhouse gas emissions (carbon neutrality) in 2025. We have further announced that we aim to be carbon negative—realizing reduction effects in excess of emissions—by 2030.

Special Feature 3 p28–29
TCFD p38–39

Continuing to Reinforce 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. In July 2022, we increased the proportion of outside directors on the Board and appointed a director with corporate management experience, which had previously been an issue. We will continue to reinforce corporate governance going forward.

Roundtable Discussion p48–51

To Our Stakeholders

While factors remain that may slow the global economy, in fiscal 2023 we are planning for consolidated revenue of ¥850.0 billion, up 10.7% year on year, operating profit of ¥31.5 billion, up 7.3%, and profit for the year attributable to owners of the Parent of ¥18.0 billion, up 12.6%. The Kanematsu Group considers providing returns to shareholders to be one of its most important tasks and will continue to provide stable returns. For fiscal 2023, we plan to pay an annual dividend per share of ¥70 (for a payout ratio of 32.5%).

In this time of uncertainty, more than ever, each and every one of us at the Kanematsu Group will constantly seek out value that only Kanematsu can provide. Unafraid of change or failure, we will hone our ability to quickly and accurately sniff out the needs of customers and society and raise our quality as professionals by developing our own insight and expertise. In this way, we will continue working to increase the enterprise value of the Kanematsu Group.

Message from the CFO

Shuji Masutani
Director, Executive Officer, CFO

Review of the First Half of *future 135*

Fiscal 2022, the year ended March 2022, was the fourth year of the *future 135* medium-term vision (covering fiscal 2019 to fiscal 2024). This year saw the emergence of number of negative factors affecting business, such as new variants of COVID-19 and global supply chain disruptions. Nevertheless, the Kanematsu Group recorded profit growth in the ICT solutions business, reflecting strong performance in areas related to network security and storage, and in the meat products business, which benefitted from rising meat prices. As a result, operating profit came to ¥29.3 billion, up ¥5.7 billion year on year, and profit for the year attributable to owners of the Parent (consolidated net income) came to ¥16.0 billion, up ¥2.7 billion, marking a return to the pre-pandemic profit level of fiscal 2019.

Looking ahead, we forecast consolidated net income of ¥18.0 billion for fiscal 2023, on track to achieve our target of ¥20.0 billion in consolidated net income in fiscal 2024, the final year of *future 135*.

ROE fell to 9.7% due to the decrease in consolidated net income in fiscal 2021, but recovered to 10.5% in fiscal 2022. Although this is already within the range of 10% to 12% targeted under *future 135*, we will continue working to further raise ROE. ROIC, which we use as an internal indicator of capital efficiency, improved from 4.9% in the previous fiscal year to 5.6%. The weighted average cost of capital (WACC) was around 3.5%, but we secured an excess return (EVA spread) of about 2%. We will continue working to optimally allocate management resources with an eye to both bolstering revenue and maintaining efficiency (Figure 1).

Investments Aimed at Business Expansion

Under the *future 135* medium-term vision, we aim for the expansion of scale and acquisition of added value through business investment. Because we had forgo a number of potential investments due to changes brought about by the COVID-19 pandemic, we have not made as much progress in investing as planned. Nevertheless, business investment over the four years ended March 2022 totaled approximately ¥33.0 billion. We already have our eyes on further investment opportunities and will maintain financial discipline while continuing to proactively pursue new investment.

Promoting Investment in Future Growth—The Innovation Investment System

We have created a new innovation investment system, separate from investment aimed at growing or building on existing businesses, to promote global business expansion in growth fields.

Aiming to promote and expand new businesses focused on advanced technologies, under the new system, we will invest in businesses and companies that are developing, manufacturing, and selling new products and services unlike anything currently on the market. As a general rule, individual investments are capped at ¥500 million, and we have designated a total investment budget of ¥4 billion for the period of the medium-term vision.

We have already made investments using the innovation investment system.

Stable Financial Structure

We continue to maintain a stable financial base to support investment.

In terms of cash generation, rapid increases in the prices of petroleum products, agricultural products, and other commodities near the end of fiscal 2022 led to an increase in working capital, and core operating cash flows, excluding the increase in working capital, came to an inflow of ¥26.6 billion. Cash used in investing activities came to ¥10.5 billion, for a net cash inflow of ¥16.1 billion.

In terms of fundraising, our credit rating from Japan Credit

Figure 1. ROE/ROIC/WACC

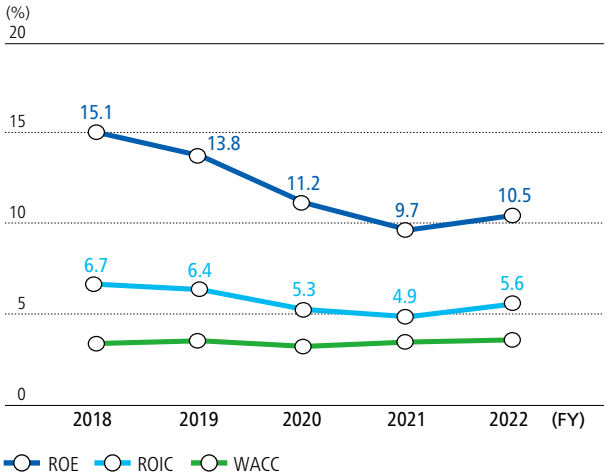
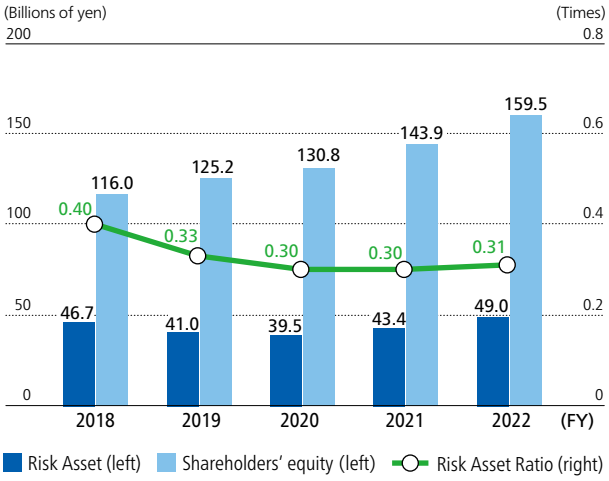


Figure 2. Risk Asset Ratio



Rating Agency, Ltd. (JCR) was upgraded from BBB+ to A-. As this shows, we are well positioned to stably procure funding from outside sources. In March 2022, we issued a total of ¥10.0 billion in straight corporate bonds, our first such issuance in almost four years.

The increase in working capital driven by rising commodities prices is, in turn, pushing up interest-bearing debt, but we have maintained a low net D/E ratio of 0.3 and so have ample room for additional fundraising, even for large investments.

Risk Asset Measurement

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.

As of March 31, 2022, risk assets stood at ¥49.0 billion and shareholders' equity at ¥159.5 billion, for a risk asset ratio of 0.31, approximately the same as at the previous fiscal year-end (Figure 2).

We will continue working to ensure a sound balance of risk assets and risk buffer (shareholders' equity) and maintain a sound financial position while increasing enterprise value through business creation and revenue expansion.

Shareholder Returns

For fiscal 2022, in light of business performance and the operating environment, we raised the annual per-share dividend ¥5 to ¥65 (an interim dividend of ¥30 and a year-end dividend of ¥35). This resulted in a consolidated dividend payout ratio of 34.0% and a total return ratio of 34.0%.

In fiscal 2023, we forecast consolidated net income of ¥18.0 billion and plan to increase the annual dividend per share another ¥5 to ¥70 (an interim dividend of ¥35 and a year-end dividend of ¥35). As a result, the consolidated dividend payout ratio is forecast at 32.5% (Figure 3).

Kanematsu regards the appropriate distribution of profits to shareholders as an important management priority. We will continue to pay stable, ongoing dividends based on considerations of business performance, financial position, and the levels of internal reserves necessary for future growth.

Our Share Price and Enterprise Value

Kanematsu's five-year total shareholder return at March 31, 2022, was 163.5%, exceeding the 144.3% of the TOPIX Total Return Index (Figure 4). However, as of March 31, 2022, the price-to-book ratio stood below 1.0, at approximately 0.7. We take this market evaluation seriously and are striving to increase enterprise value.

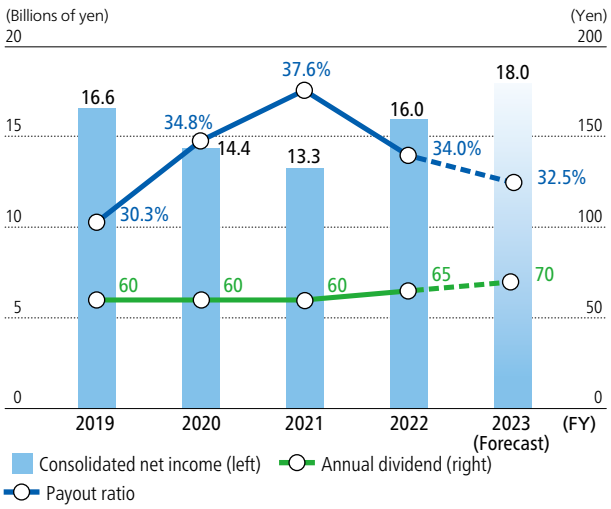
"Let us sow and nurture the seeds of global prosperity," part of Kanematsu's founding purpose statement in 1889, has guided the Group's business activities for 133 years as its Corporate Principle. It expresses the aim of taking action to build businesses in order to enrich the lives and well-being of people around the world. I believe that solving social issues through business and developing alongside society is the Kanematsu Group's purpose.

To ensure that we can continue to offer the value sought by people around the world, we are going back to our Corporate Principle and striving to put it into practice.

Dialogue with Capital Markets

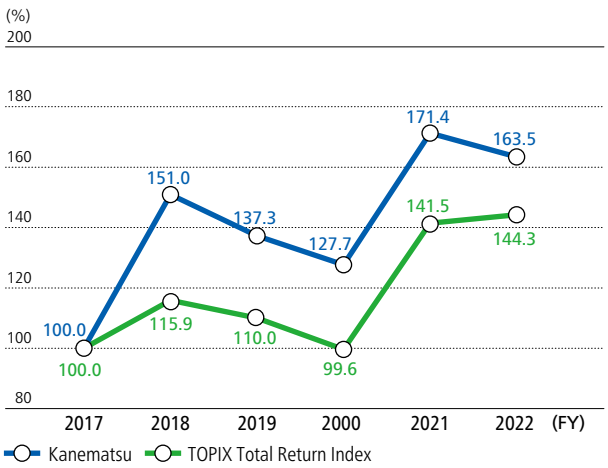
Dialogue with capital markets is crucial to earning the confidence of shareholders. Maintaining ongoing, constructive dialogue and appropriately reflecting the advice and criticism we receive in management is essential to increasing enterprise value. I will continue to do my utmost to help our shareholders and other stakeholders gain a deeper understanding of the Kanematsu Group.

Figure 3. Consolidated Net Income*/Payout Ratio



* Profit for the year attributable to owners of the Parent

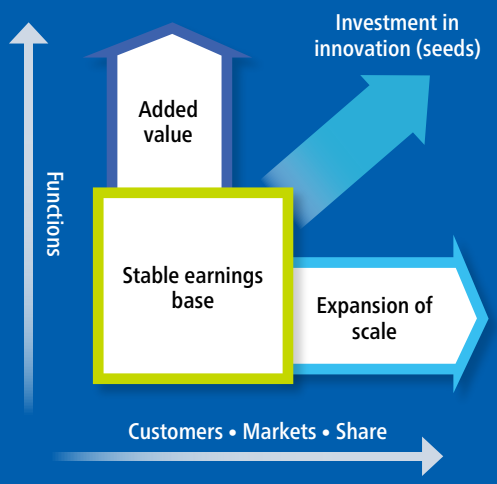
Figure 4. Total Shareholder Returns



Note: The values above show fiscal year-end total shareholder returns relative to the values at March 31, 2017, which have been set at 100

future 135

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.

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.
- 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%.

*Profit for the year attributable to owners of the Parent

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

Message from the CFO p18-19

New investments so far

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)

Special Feature 2 p26-27

Special Feature 1 p22-25

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

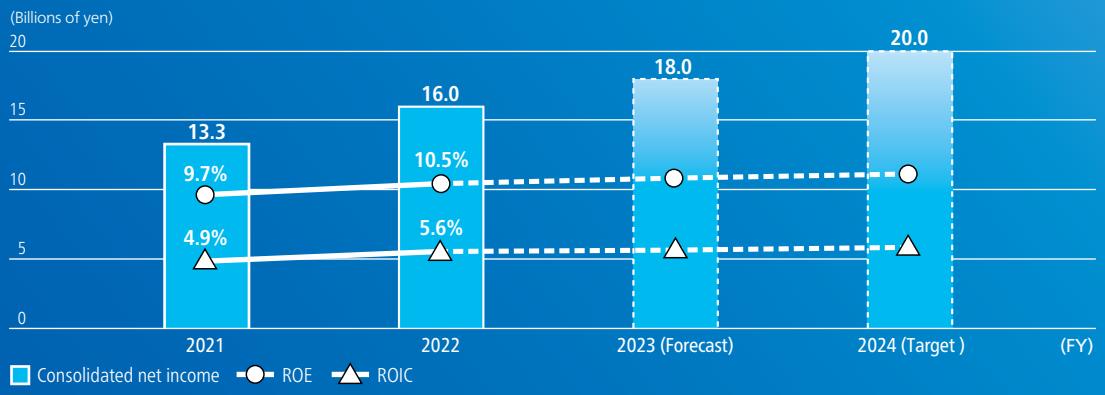
Human Resource Strategy p41-47

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	Fiscal 2022 results	Fiscal 2023 forecast
Consolidated net income (Profit for the year attributable to owners of the Parent)	¥20 billion	¥25 billion	¥16 billion	¥18 billion
ROE	10% – 12%	13% – 15%	10.5%	10.9%
Total return ratio	30% – 35%	25% – 30%	34.0%	32.5%

Consolidated net income*, ROE, and ROIC

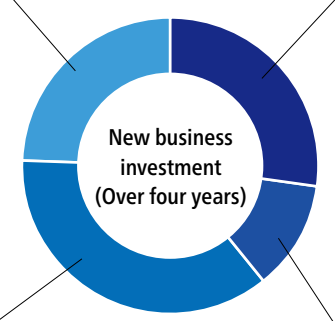


* Profit for the year attributable to owners of the Parent

Approximately ¥33 Billion in New Investment in Fields Where We Have Strengths and Insight (Four-Year Cumulative Total)

Motor Vehicles & Aerospace: Approx. ¥8 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
(Japan) Commercializing Advanced Air Mobility and drone delivery
(Japan) Invested in a carbon nanotube manufacturer



Electronics & Devices: Approx. ¥9 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
(Japan) Invested in infrastructure-related app developer
(Japan) Acquired industrial material trading company

Steel, Materials & Plant: Approx. ¥12 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

Foods, Meat & Grain: Approx. ¥4 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
(Canada) Invested in chemical-free soybean startup
(Indonesia) Invested in n general food product manufacturer

Special Feature 1: Dialogue on Realizing Innovation Investment

Combining Our Networks and Expertise to Discover the Seeds of New Opportunities

Kanematsu × University-Originated Venture Capital Firm WERU INVESTMENT

Yoshiya Miyabe
President

Kanematsu Corporation and WERU INVESTMENT Co., Ltd. have formed a business alliance for the purpose of connecting Kanematsu's business base with WERU's startup investment knowledge and expertise to bolster the structures of both for finding and developing startups with promising advanced technologies and business models in Japan and overseas.

WERU INVESTMENT Co., Ltd.
WERU INVESTMENT grew out of the Waseda University Entrepreneurial Research Unit (WERU), becoming the first venture capital firm in Japan to originate from university resources. For over 20 years, WERU has worked to help spur innovation across society.

Tadashi Takiguchi, President & CEO.
Tadashi Takiguchi joined Nomura Securities Co., Ltd. in 1986. He worked in venture capital fund and hedge fund management before taking the position of President & CEO of WERU INVESTMENT Co., Ltd., a venture capital firm affiliated with Waseda University, in 2005. He has supported the growth of many startups in and outside Japan and currently serves a director of the Japan Academic Society for Ventures and Entrepreneurs, visiting professor at the Waseda University Faculty of Commerce, and Investment Committee member at RIKEN. He holds an MOT/MBA from the Waseda Business School and Ph.D. in International Management from Waseda University.

Miyabe: To pursue the expansion of the revenue base and the enhancement of added value through effective business investments, as outlined in the *future 135* medium-term vision, in November 2018, we established the Technologies and Business Collaboration Team to coordinate across all segments. In 2019, we formed the business alliance with WERU, which we then reinforced in 2021 by entering into a comprehensive business partnership. Each of these steps has helped to strengthen the foundations underlying our innovation investment. In 2021, we jointly set up KaWäRu Workshop, through which we are working to deepen the organic connections between venture investment and management resources.

Takiguchi: At WERU, we have spent many years connecting innovators with capital markets. However, we had never before worked with a company as deeply rooted in real, established business as Kanematsu, so working together has been a breath of fresh air. As a trading company, you do business with a wide range of partners and have an up-close understanding of the challenges they face. This is a perspective that we in venture capital do not have. Besides simply being interesting, the quality of the information you have is high, and I sense there is a real focus on solving the challenges in those businesses.

Miyabe: Over the two decades or so since 1999, when we underwent a business selection and concentration, we have made strengthening our financial base our top priority and have not been investing in innovation. As a result, going into our partnership, we at Kanematsu knew how to run existing businesses and expand horizontally, but we lacked the know-how to create completely new businesses. The key to future growth is in businesses that can make a leap into the future. Creating these businesses requires innovation. Today, having a superior business model is enough for a business to succeed, so I think that trading companies are ideally positioned to become innovation hubs.

Tadashi Takiguchi
WERU INVESTMENT Co., Ltd.
President & CEO

Takiguchi: I think that what has been called "ambidexterity" is crucial to innovation. This is the ability of a company to effectively exploit its current businesses while simultaneously exploring new business opportunities. Kanematsu is already good at the exploiting side, but it seems like you view exploration as still more of a challenge. There are two important factors that facilitate exploration: a long history and sufficient scale. History and scale enable a company to develop a firmly rooted corporate culture and robust management assets, including intellectual capital, human capital, and social and relationship capital, all of which facilitate innovation. And, underlying all other factors, effective communication is also essential. During our discussions at the joint workshop, the participants from Kanematsu seemed well-grounded and able to focus on what really matters, so communication has been quite easy. I'm sure you'll want to leverage that ability.

Miyabe: Kanematsu has many good natured, honest people. Though this may at times seem to hold us back from a more aggressive approach to making money, we have nevertheless survived for more than 130 years. This is we were able to get help when we needed it. In that sense, I think of our robust customer relationships and business networks as strengths and assets that we should make the most of.

Takiguchi: I think that prioritizing relationships over immediate profit is conducive to innovation. For example, I've heard that you welcome back employees who have left Kanematsu for a time because it enables you to leverage the experience they have gained elsewhere. Mid-career hires are excelling in important roles, too. It seems to me that, because you bring together a range of employees with differing backgrounds, Kanematsu has the diversity needed for innovation.

Miyabe: At the same time, however, trading companies are often described as operating like collections of sole proprietorships, and Kanematsu is no exception. There are walls between individuals and walls that exist due to the vast differences between the domains in which various divisions operate. That said, recently, digitalization and a growing shared, global awareness of certain issues have led to the emergence of a common language in such areas as DX, the SDGs, and GX, which presents new opportunities. For example, we have seen cases where business partners of the Grain, Oilseed & Feedstuff Division wanted to implement DX, but didn't know where to start; leveraging the know-how and customer base of the Electronics & Devices Division, we were able to offer comprehensive solutions and cross-sell.

Takiguchi: Yes, there does seem to be some siloing, but, on the other hand, the joint workshop brings together people interested in innovation from across all divisions. Considering their respective business partners and products as an incorporated whole, they lay out their financial, human, social, and intellectual capital in order to formulate growth trajectories and investment hypotheses. Their determination to bring the comprehensive strengths of the Company to bear in creating new core businesses for the future is evident and, little by little, the way forward is coming into focus.

Miyabe: In October 2021, we set up the innovation investment system, establishing a funding pool for investments aimed not at short-term returns, but major growth over spans of five or ten years. As of June 2022, we have invested in two projects through the system. Thanks in part to the joint workshop, we have made progress in creating the right conditions for innovation investment; I think that we are seeing a change in the mindsets of not just employees who propose new businesses, but also the executives who have to approve them.

Investments so far p24

Takiguchi: Yes, the conditions have been created, and I hope they will allow even more active discussion going forward. Kanematsu's employees, being indeed good

natured, sometimes seem a little hesitant to assert themselves, but I hope they will not let fear of failure or embarrassment prevent them from actively speaking up and taking on new challenges. As Kanematsu's president and leader, you just have to keep encouraging that kind of change. It will be valuable for employees from a wide range of divisions to actively take part in KaWäRu Workshop, to expose them to different ways of thinking. I think that doing so will spark greater innovation. I hope that we can nurture the flexibility and adaptability needed to continue growing in these uncertain times.

Miyabe: I am constantly saying that the key of PDCA is not the initial P, but D—the "do." We have to keep taking action. Building businesses from scratch, as we do in trading companies, is interesting, engaging work. I am always encouraging people to push forward and take action. As a trading company, we don't have our own products or technologies—we cannot do anything by ourselves. For that reason, the relationships and connections we build are truly invaluable assets. Going forward, I hope we can engage in even more active discussion with WERU to find the seeds of potential businesses together and spur one another toward greater growth.

Innovation Business Investments to Date

Investment and Business Alliance with UK Startup Skyports to Explore Advanced Air Mobility Infrastructure Development and Operation and Drone Delivery

Kanematsu has entered into an investment and business alliance with UK-based startup Skyports Limited. Skyports is exploring the development and operation of advanced air mobility (AAM) landing and takeoff infrastructure known as Vertiports and is a world leader in the drone delivery field. This alliance includes a basic agreement to establish a joint venture company by 2024 to manage joint business development and operations inside Japan.

Kanematsu and Skyports will act as exclusive partners inside Japan to accelerate initiatives aimed at building, operating, and creating networks with Vertiports, as well as commercializing drone delivery businesses.

Development of AAM is advancing around the world. Flying vehicles are being hailed as a new form of mobility that is promising in terms of the electrification of the aviation industry and decarbonization, and the AAM market is estimated to reach US$1 trillion by 2040.

As the industry is still in the technological development and system design stages, Kanematsu invested using the innovation investment system.

Kanematsu will promote joint business development through its alliance with Skyports to accelerate initiatives for AAM and drones while contributing to innovation in the aviation industry, accessible air travel, logistics development, lifestyle quality and local development, and environmental measures for mobility.

A Skyports Vertiport (concept art)

Investment in Emerging Carbon Nanotube Manufacturer CARBON FLY

In April 2022, Kanematsu invested in CARBON FLY, Inc., a manufacturer of carbon nanotubes (CNTs).

CNTs offer a number of physical and chemical properties that are far superior to conventional materials. Although these properties have raised hopes for applied development, the technological challenge of ensuring appropriate dispersion has long stood in the way of their application in industrial products. CARBON FLY's proprietary technological development has enabled stable, high-quality CNT production, garnering praise from experts. Kanematsu's investment in CARBON FLY is aimed at rapidly applying that company's technologies to industrial products and expanding production capacity to bring said products to market and thereby grow sales.

Kanematsu's investment in CARBON FLY was made using the innovation investment system because practical applications of CNT are still being developed and CARBON FLY was in its seed round of fundraising.

Through the capital alliance with CARBON FLY, Kanematsu will continue to strengthen its relationship with the company, working to realize the mass production of nanocarbon materials and develop composite material products.

CNT film

Overview of the Innovation Investment System

One of the priority initiatives under medium-term vision *future 135* is to promote and expand new businesses that boast advanced technology. Accordingly, in order to more actively drive initiatives toward new business development and establish future trading rights, in October 2021, we established the innovation investment system.

Purposes of Creating the System

1. Create new investment criteria suited to innovation investment in new businesses with business plans and investment recovery plans that carry a high degree of uncertainty of success in order to appropriately select, evaluate, and manage investments.

2. Because new businesses development requires upfront investment, including investment in human resources, and takes time to provide revenue, the Technologies and Business Collaboration Team will bear the market research and marketing expenses to build and expand new businesses.

3. Actively promote entry into new business areas with significant potential profit to avoid having to forgo entry into new businesses in which no direct synergies with the businesses of the existing six segments are expected.

Scope

Stages targeted by the system

	Founding	Commercialization	Very early growth	Early growth
Overview	• Business concept is established • Company is established but still in the research and product development stage	• Products are being prototyped or just launched • Acquiring first customers and beginning marketing	• Products are mostly completed, and sales expansion (mass production) efforts begin • Marketing clarifies how products are differentiated from those of competitors	• Business growth gains momentum toward expansion • The business generates sustained cash flows and begins to consider an IPO (exit)

Investment Criteria

Because innovative businesses tend to come with a high degree of uncertainty of success regarding the achievement of business plans and investment recovery plans, instead of setting quantitative criteria, we make investment decisions based on the following three indicators.

Innovativeness
- Is it original?
- Could it create a new market?

Business Viability
- Can it achieve commercialization within five years?

Profitability
- Can Kanematsu obtain significant profit?

Special Feature 2:
Promoting Digital Transformation (DX)

Creating Next-Generation Kanematsu Group Businesses through DX

Under the *future 135* medium-term vision, we have made "Promote Groupwide DX" a part of the priority initiative "Response to technical innovation, " in line with our aim to accelerate business transformation.

The Digital Transformation Committee was launched in July 2021. As Chief Officer of the Electronics & Devices Division, I chair the committee. The DX Project Office of Kanematsu Corporation's IT Planning Department and the DX Promotion Department of Kanematsu Electronics Ltd. are serving as secretariat for the committee, while sectional meetings with specific themes, such as centralized ID management, enhancing data analysis platforms, and integrating IT assets, are advancing Groupwide DX promotion.

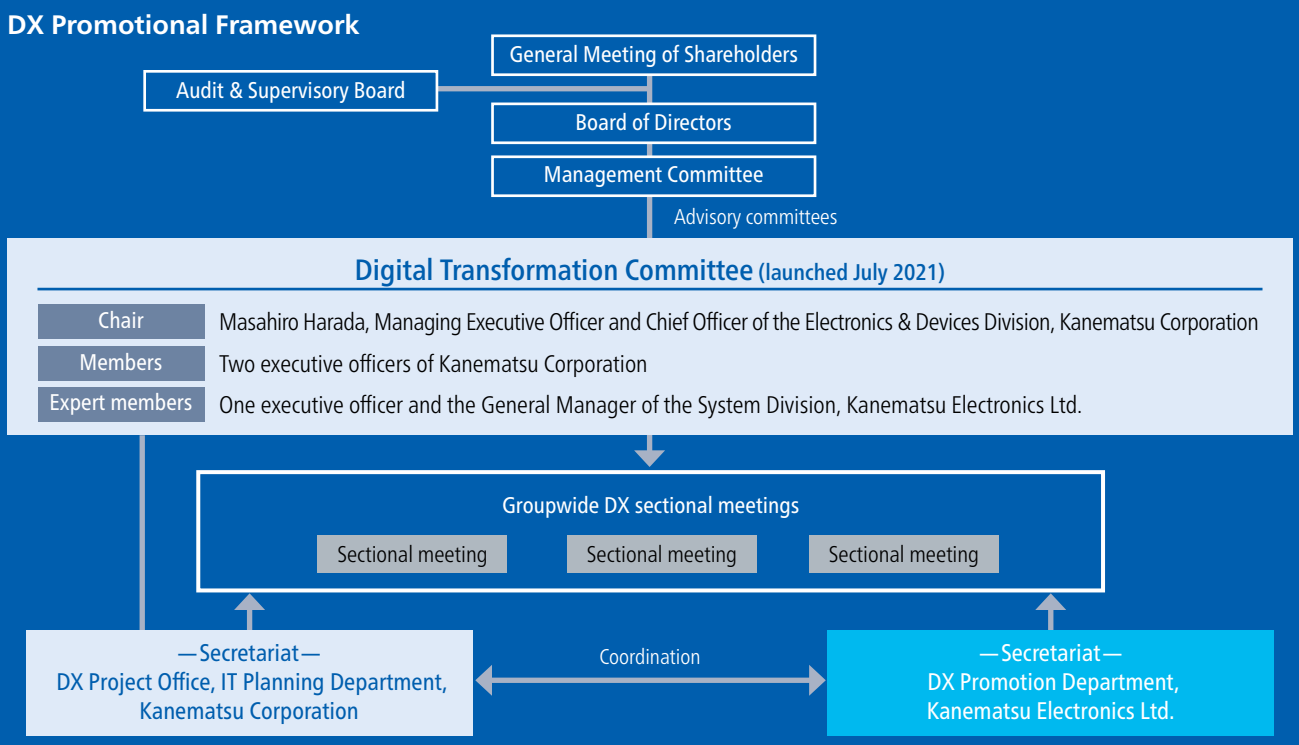
One cross-divisional initiative is the digitization of food and meat product supply chain operations. In this area, we are working to incorporate and utilize digital data, and we plan to expand these efforts to other businesses in the future. At the same time, in response to an increasing number of cyberattacks, we are focusing on enhancing cyber security and providing security education to employees. And, to raise the level of IT literacy across the Group, we are supporting employees working toward public certifications and otherwise seeking to develop human resources.

As for the digitization business, the Group is diversifying its commercial DX products. We have also established the Business Co-Creation Center as a place to interact with SaaS startups. We are building a data marketplace platform and advancing efforts to enter the next-generation data trading market through investment in data management companies.

As a trading company, Kanematsu is highly adaptable to technological innovation. We will continue to work together as a Group to improve internal and external productivity, create next-generation businesses, and strengthen governance.

Masahiro Harada
Digital Transformation Committee Chair

DX Promotional Framework



Initiatives

KEL, PSC, and GSX Collaborate to Launch Total Security Service

Kanematsu Electronics Ltd. (KEL), an Electronics & Devices Division Group company in the ICT business, has launched Security Liaison for Microsoft Security, a total security service, in collaboration with PSC Inc. (PSC), which boasts a track record in the migration to and operation of cloud environments, and GLOBAL SECURITY EXPERTS Inc. (GSX), which operates a specialized cyber security business.

The promotion of DX and reinforcement of security must be addressed in tandem. The three companies will further deepen their collaboration to support customer DX by providing total security services ranging from cyber security assessment to proposing measures, installing components, and providing such operations as incident response.

Joint Demonstration Project for Decarbonization in Indonesia

Kanematsu has launched a joint proof-of-concept project with Pertamina, a major oil company owned by the Indonesian government, that combines decarbonization efforts with DX to reduce CO_2 emissions and improve logistics efficiency. Devices manufactured by Datatec Co., Ltd., a Kanematsu Group subsidiary with strengths in vehicle behavior analysis technology, can be used to monitor vehicle position and condition as well as to identify patterns of dangerous activity in vehicle usage histories and analyze driving safety using a proprietary logic algorithm. The project is being implemented under the Ministry of the Environment's Financing Programme to Demonstrate Decarbonization Technology for Realizing Co-Innovation. Aimed at achieving data-driven DX alongside green transformation (GX), the project promotes decarbonization through the customization and spread of high-quality environmental technologies and products, and it is attracting attention for its potential to contribute to the prevention of traffic accidents and reduction of CO_2 emissions.

datatec データ・テック

Inviting External Partners to Join in Business Co-Creation

The Kanematsu Group has established the Business Co-Creation Center, a platform for business co-creation. The center seeks out external business partners to engage in business co-creation with the Kanematsu Group and sets up expert teams to rapidly turn ideas into new businesses. Many startups in Japan are working to develop and promote the use of new SaaS. Some of these entities possess excellent technological capabilities and astute business insight, but lack the resources for market development and struggle to achieve scale expansion. Through the Business Co-Creation Center, Kanematsu leverages insight gleaned from its businesses across many industries, formats, and customers to select SaaS products with significant commercial potential and provide business development support while introducing them to its customers. Using its network as a trading company, Kanematsu advances projects toward profitability so that SaaS companies can concentrate their resources on technological development. Once a product is commercialized, Kanematsu considers equity participation in the company, either for itself or by its customers, if there is potential for major growth by strengthening the partnership. In this way, we are advancing open innovation leveraging our unique strengths as a trading company.

SaaS partner companies × KG KANEMATSU

Promoting GX toward Carbon-

Eiji Kan
Green Transformation Committee Chair

When did the world first begin to turn its attention to reducing emissions of CO_2 and other greenhouse gases (GHGs)?

As global calls to action, the Kyoto Protocol and Paris Agreement are more famous, but these were actually proceeded by the 1992 Rio de Janeiro Earth Summit, a full 30 years ago. This conference marked the adoption of the United Nations Framework Convention on Climate Change, which forms the foundation for the ways we think about global environmental conservation and sustainable development today. The agreement was, however, highly conceptual and lacked practicability.

In 1997, the Kyoto Protocol became the first legally binding agreement on global warming countermeasures. However, with the exception of China and India, it applied only to developed countries. Only with the signing of the Paris Agreement in 2015 were GHG emission reduction targets for 2030 covering the world's major emitting

Initiatives

Reducing GHG Emissions Using the Joint Crediting Mechanism

Using the Joint Crediting Mechanism (JCM) to promote the use of energy-saving and renewable energy technologies in developing countries, Kanematsu installed an energy-saving cardboard recycling system at a paper plant in Indonesia in 2014 and high-efficiency electrolysis tanks at a chlorine production plant in Saudi Arabia in 2015. Based on these projects, we issue credits. Kanematsu KGK Corp. has also implemented solar power generation projects in Thailand and Vietnam, and commenced a solar power generation and storage project in Thailand's Suphan Buri Province in 2021. To date, the Group has implemented eight JCM projects that are expected to achieve an approximately 90,000 t-CO_2 annual total reduction in GHG emissions. Going forward, we will continue to look for new opportunities to apply the JCM framework and contribute to the achievement of the SDGs.

REDD+ Forest Conservation Initiatives

Since 2011, Kanematsu has been implementing a REDD+* forest conservation project in Gorontalo Province, Indonesia, in partnership with the Gobel Group. This project promotes cacao farming to reduce slash-and-burn corn farming, a major cause of deforestation. By helping conserve the rich tropical rainforests of Indonesia, the project contributes to the reduction in greenhouse gas (GHG) emissions covered by 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 cut GHG emissions, benefitting all parties involved. The project received a 2020 Minister of the Environment Awards for Climate Action (Dissemination/Promotion Division, Mitigation/Adaptation Field) as an outstanding achievement in climate change mitigation and adaptation.

※ Reducing Emissions from Deforestation and Forest Degradation in developing countries

Renewable Energy Business Expansion

Kanematsu has been working to expand the scale of its business in biomass energy for some time. In this area, the volume of palm kernel shells we handle has grown steadily. Going forward, we will expand our lineup of pellets and other products, aiming to replace one third of all the fuel we sell with biomass energy.

In the plant business, we are increasing our opportunities to engage in such renewable energy businesses as solar and wind power generation. Until recently, these efforts have centered on overseas initiatives using the JCM, but we are advancing a wind power generation project in Japan that came online in May 2022.

Going forward, we will continue to draw on our accumulated insight to expand the renewable energy business.

Negative Operations

countries—including developing countries—finally established. Since then, national governments have stepped up efforts to increase corporations' focus on environmental measures and sustainability.

Against this backdrop, new corporate management indices and international targets have emerged, including environmental, social, and governance (ESG) metrics and the Sustainability Development Goals (SDGs). Corporate efforts to develop measures in response have led to the emergence of the term "green transformation" (GX). GX refers to the realization of a sustainable society by solving environmental problems and requires that companies grow alongside society. While this means that companies must shoulder greater responsibility, it also presents enormous opportunities.

Because Kanematsu does not hold interests in such natural resources as coal or oil, its environmental impact is low. In addition, we have long acted with a strong environmental awareness, switching to lower-carbon fuels, mainly in the energy and plant businesses, and steadily advancing initiatives in solar and wind power generation and forest conservation. Looking at forest conservation in particular, in addition to the projects we have been implementing for more than a decade in Indonesia, we have more recently expanded our efforts to Africa.

Now, as we continue to develop these existing projects, we have put together a comprehensive support team, utilizing the insights and diverse connections accumulated through our efforts thus far to build a framework for decarbonization in close cooperation with customers.

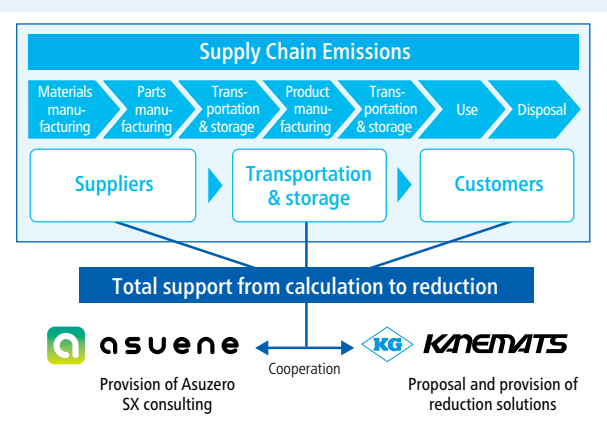
Going forward, we will further develop and accelerate these measures to make the Kanematsu Group carbon negative by 2025 and help our customers quickly achieve carbon neutrality.

Reducing Supply Chain Emissions

As a trading company that links supply chains, Kanematsu aims to promote decarbonization through supply chains.

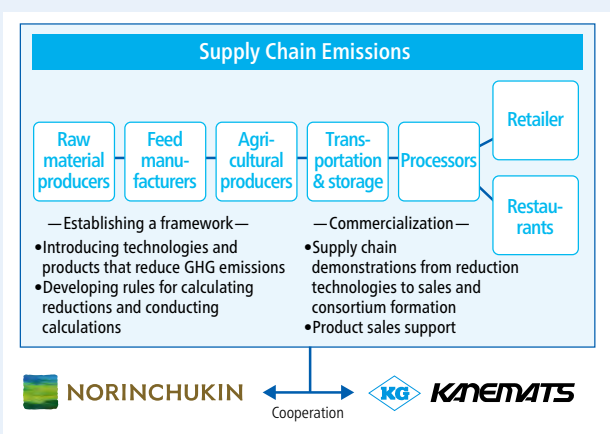
In 2021, Kanematsu formed a Groupwide GX Accelerator team of about 20 people to identify products and services that contribute to decarbonization across all of Kanematsu's business units and Group companies. By doing so, we have developed a framework for offering wide-ranging solutions on a one-stop basis, from renewable energy to burp-reducing animal feed, bio- and recycled materials, and transportation efficiency improvements, helping to reduce emissions not only in Scope 1 and Scope 2, but also Scope 3. By drawing on these solutions and Group expertise, we are working with our business partners toward supply chain decarbonization.

To promote these initiatives, we are collaborating with outside companies.



Business Alliance with Asuene Inc.

Asuene Inc. provides the Asuzero cloud service for visualizing and reducing CO_2 emissions throughout the supply chain, across Scopes 1, 2, and 3, and offers sustainability transformation (SX) consulting to companies and municipalities. Kanematsu has formed a business alliance with Asuene, creating a framework to provide comprehensive support for corporate carbon neutrality initiatives, from CO_2 emissions calculation to reduction.



Alliance with the Norinchukin Bank

The Norinchukin Bank's vision is to be "the leading bank that supports the agricultural, fishery and forestry industries, food production and consumption, and the daily lives of local communities." The bank not only provides sustainable finance to the enterprises it finances, but, beginning in 2022, is coordinating with a GHG measuring service company to help its clients understand their GHG emissions. Kanematsu is working with said company to facilitate each step of the process—from the establishment of a framework for implementing CO_2 reduction solutions to commercialization and market development—in an integrated manner, promoting the reduction of GHG emissions in the agriculture and food industries.

Message from the Chair of the Sustainability Management Committee

Tetsuro Tsutano
Chair of the Sustainability Management Committee

Contributing to Society as a Corporation

Commemorating the Kanematsu Memorial Institute of Pathology, the Kanematsu family crest of our founder holds pride of place on a wall at Sydney Hospital, located just east of the Consulate-General of Japan in Sydney, Australia. Completed in 1933, the Institute was founded to advance cutting-edge research aimed at addressing the proliferation of ophthalmological diseases among immigrants, a serious social issue in Australia at that time. During World War II, Australia named Japanese the language of the enemy and banned its use, but, thanks to forceful advocates on its behalf, an exception was made for the Institution. The family crest and name of Kanematsu are still displayed there today. The year that the funding for the institute was provided, 1929, marked the start of the Great Depression and difficult times for the Company's businesses. It is a point of pride for us that, amid such conditions, Kanematsu took concrete steps to contribute to society as a corporation, and its usefulness and purpose in society were appreciated overseas.

The Kanematsu Memorial Institute of Pathology, Sydney Hospital

Group founder Fusajiro Kanematsu traveled to Australia eight times over the course of his life, leading through innovation by importing wool through a Japanese company that eventually came to handle more than 60% of all wool imported to Japan. Looking at his life's work, we can see not only how he created economic value as a pioneer of trade between Japan and Australia, but that he possessed a spirit of shared value creation in working to meet society's needs.

The Purpose of the Kanematsu Group

One of the targets that the Kanematsu Group has set under the metrics and targets disclosed in line with the Task Force on Climate-related Financial Disclosures (TCFD) guidance is to be carbon negative, with net negative emissions of 1 million t-CO_2 (scopes 1 and 2) in 2050. Japan's total emissions in 2020 were 1,027 million t-CO_2, meaning that we are aiming to contribute to society through a net negative amount equivalent to around 0.1% of current national emissions. On top of that, Japan represents only 3.2% of total global emissions. To achieve carbon neutrality globally, we must therefore expand reduction

initiatives to encompass the emissions of our business partners (Scope 3).

In 2021, we launched the innovation investment system, through which we are investing in innovative businesses with the potential to change society. Around 80% of the proposals that come through this system are related to decarbonization and mainly focus on helping our suppliers and customers reduce their CO_2 emissions. Climate change is the greatest challenge today's society faces. Solving it will require changes in society itself through innovative business models unlike anything that has come before.

Our founding purpose is " Let us sow and nurture the seeds of global prosperity." To achieve this aim, we have built a framework for active discussion by establishing the Sustainability Management Committee, which comprises executive officers directly involved in business operations.

Going forward, we will create business models that change society though innovation and strive to the greatest extent of our abilities to solve social issues, just as our forebears did. By doing so, we will endeavor to assert and further our purpose as a Group in the modern world and achieve sustainable growth alongside society.

Sustainability Promotion Framework

Board of Directors

Sustainability Management Committee

Chair

Senior 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

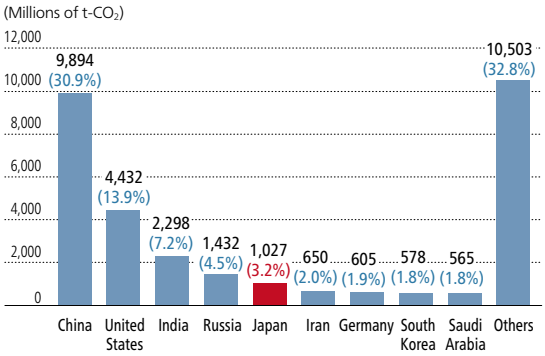
- Electronics Planning Office
- Foods & Grain Planning Office
- Steel, Materials & Plant Planning Office
- Motor Vehicles & Aerospace Planning Office

General Manager, Finance Department
(Public & Investor Relations)

Secretariat
(Sustainability Management Section, Public & Investor Relations Section, General Affairs Section)

(As of June 24, 2022)

CO_2 Emissions by Country (2020)



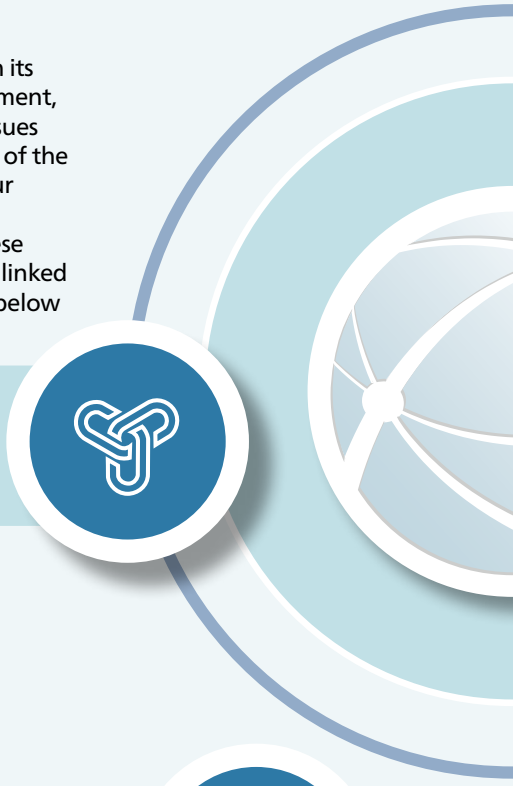
Source: Global Note "Global CO_2 Emissions Ranking by Country (Based on BP Statistical Review of World Energy)"

The Sustainability Management Committee

For more details, please visit our website.
https://www.kanematsu.co.jp/en/sustainability/

The Key Issues and Our Activities

In 2018, we sought to determine which issues the Kanematsu Group should focus on in its corporate activities based on Kanematsu's Corporate Principle, importance to management, and stakeholder expectations. These efforts resulted in the establishment of 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. The three issues linked by the circle at right are issues to be address through business activities, while the two below are key to the management base supporting said business activities.



Building a Sustainable Supply Chain

Major Initiatives

- 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 p27
- Cloud-based farm management systems for chicken farming
- Acquisition of Carbon Credits via the Joint Crediting Mechanism p28

- Business selling Miracle Meat plant-based meat made from sprouted soybeans
- Aircraft rotable parts business and part-out business
- Renewable energy power plant construction business
- 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 p28
- Lumber preservation treatment technology helping reduce global warming
- Business promoting the switch to LP gas fuel
- Securing Traceability in Marine Products

Enhancement of Governance and Compliance

The Process of Identifying Key Issues

STEP 1

Create a list of issues

Based on the SDGs, the UN Global Compact, ISO 26000, and other international guidelines, we identified issues in all of Kanematsu's businesses and compared them with the goals of each division to create a list of issues that must be addressed for the sustainable growth of society and Kanematsu.

STEP 2

Evaluate the importance of each issue to the company and to society

Considering Kanematsu's Corporate Principle, individual divisions' strengths, and the needs and expectations of society, we plotted the issues identified in step 1 on a materiality matrix,* with importance to external stakeholders on the vertical axis and importance to the Kanematsu Group on the horizontal axis.

* The materiality matrix is disclosed on Kanematsu's website.

Decarbonization Initiatives

- Sustainable coffee plantation-related initiatives

- Forest conservation initiatives (REDD+) p28
- Environmentally friendly ground improvement using wooden piles

- Establishment of a company to manage the *TradeWaltz* trade data sharing platform

- Solar panel and converter supply business

Mutual Development with Local Communities

- Offering services closely tailored to local needs at mobile phone shops
- Kanematsu Foundation for the Research of Foreign Trade
- Volunteering
- e-Net Caravan p40
- Member of SEMA p40

Creating an Environment That Enables Diverse Work Styles

p41-47

- Promoting work style reforms
- Human resource development initiatives
- Activities to support the independence of persons with disabilities

p48-63

- Enhancing the corporate governance system
- Enhancing internal control and risk management systems

STEP 3 Discussion among internal and external stakeholders

In addition to discussions by the Sustainability Management Committee, which comprises mainly officers from business divisions and the chief officer of corporate planning, we held discussions with the outside directors and other stakeholders to confirm the appropriateness of the identification process and the issues under consideration.

STEP 4 Identify key issues

In May 2021, the key issues were approved by the Sustainability Management Committee and finalized by resolution of the Board of Directors.

SUSTAINABLE DEVELOPMENT GOALS

Periodic review in light of changes in the external environment

Progress on Key Issues

Materiality		Related SDGs	Risks
Building a Sustainable Supply Chain	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.	1, 2, 3, 6, 7, 8, 9, 11, 12, 13, 14, 15, 17	• Business continuity risk in existing business models due to inadequate response • Decreased competitiveness and trust due to delay in addressing human rights issues in the supply chain • Unbalanced food supply and demand due to global population increase
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.	7, 12, 13	• Decrease in sales of related products alongside decrease in demand for fossil fuels • Increased burden of carbon pricing and carbon border taxes • Factory damage and supply chain disruption due to increasingly severe extreme weather events • Changes in food-producing regions due to average temperature increases
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.	3, 4, 9, 10, 11, 12, 17	• Regulatory changes and business continuity risk due to legal or political changes • Decline in relationships of trust due to defects in infrastructure or services provided • Business continuity risk due to human rights issues in business regions
Creating an Environment That Enables Diverse Work Styles	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.	5, 8, 10	• Declines in efficiency and productivity due to delays in creating suitable work environments • Loss of talent and business opportunities due to inadequate initiatives to create suitable work environments
Enhancement of Governance and Compliance	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.	5, 10, 16	• Business continuity risk due to internal control dysfunction • Decrease in enterprise value due to legal violations

Opportunities	Notable Initiatives (Fiscal 2022)
• Growing demand for sustainable and environmentally friendly products, creation of new markets and services • Gaining customer trust and create new businesses based on approach to addressing sustainability and human rights issues • Food demand expansion and diversification due to population rise	• Increased sustainable coffee trading volume (up 1.8% year on year) • Kanematsu Sustech Corporation's Eco Wood Pile used in 5,051 buildings (cumulative total: 38,216 buildings), with annual timber volume of 24,518 m^3 (cumulative total: 191,870 m^3) • Established strategic investment company TW Link Corporation to promote the adoption of trade data sharing platform *TradeWaltz* • Joined Space Port Japan Association to further contribute to the space industry
• Introduction of new products and services alongside development and popularization of new and low-carbon technologies • Increase in new climate change-conscious applications and products • Creation of new commercial channels alongside the development of food-producing regions	• Joint Crediting Mechanism projects: 1 new project, 7 projects in operation • Began small scale wind power generation project (total capacity: 96 kW) • Launched steel tubing business for new applications and demand, including EOR and other CCUS • Partnership to promote Advanced Air Mobility and drone delivery business development (U.K.-based Skyports Limited) • Launched joint demonstration project with Indonesian state-owned oil company Pertamina to reduce CO_2 emissions and improve logistics efficiency with an eye to decarbonization • Distributed DAIZ Inc.'s Miracle Meat plant-based meat made from sprouted soybeans (annual sales: 5,700 kg; cumulative total: 7,300 kg) • Launched GX accelerator activities (Groupwide decarbonization project team) • Kanematsu Petroleum Corporation joined the Japan Climate Leaders' Partnership (JCLP), aiming to realize society-wide sustainability and decarbonization
• New business creation based on initiatives to solve social issues • Building relationships of trust and stabilizing businesses through operations aligned with the needs of local communities	• Held a naming and launch ceremony for hospital boat for the Marshall Islands • Selected by JICA to implement Management of International Overloaded Freight Trucks by the Establishment of ICT Platform Systems for Sharing Information Project in Laos • Began pilot test of a self-driving shuttle bus at Hiroshima University • Joined Social Emergency Management Alliance (SEMA), which helps provide vital supplies to disaster-affected areas
• Reinforcing competitiveness and establishing a foundation for stable growth through diversity-oriented management • Creation of new value and innovation	• Launched D&I promotion project team (2021) • Held D&I web training (four times, with 33 participants each) • Kanematsu University Basic course (26 classes; 123 participants) Advanced course (22 classes; 85 participants) Professional course (23 classes; 38 participants) • Business plan training (September 2021–March 2022; 76 participants) • Executive management training (August 2021–March 2022; 63 participants) • Innovated work environments and work styles in preparation for the head office relocation (J-Project)
• Clarification of decision-making processes through the creation of a robust governance system • Increase in enterprise value through highly transparent disclosure • Strengthening relationships with stakeholders	• Increased independent outside directors from 2 of 6 directors (33%) to 3 of 7 (43%) • Held compliance-related e-learning • Implemented management DX, fully digitized and improved transparency of meeting operations

Addressing the Five Key Issues

Building a Sustainable Supply Chain

The Kanematsu Group's Supply Chain Management

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. As we provide all kinds of goods, functions, and services in our wide-ranging businesses and build diverse supply chains, we recognize that protecting the global environment and human rights is an urgent issue. With an eye toward cooperation and mutual development with our customers and business partners, we will continue to leverage the insight and know-how accumulated 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.

Business Highlights

Electronics & Devices

Generating Added Value through Business Co-Creation

Easy-to-use inventory management service

Kanematsu has established the Business Co-Creation Center as a platform for broadly seeking partnerships with startups and other companies that develop SaaS, web services, and apps to co-create businesses that will solve customer challenges with new ideas, technologies, and services. As a trading company, Kanematsu receives many inquiries about a wide variety of issues faced by customers. The new platform is aimed at meeting wide-ranging customer needs through cross-divisional efforts to create businesses. One project in this area is a cloud-based inventory management service provided in partnership with ZAICO Inc. This service has been well received for how easy it is to use via mobile devices and how simple it is to implement. It has been adopted for the inventory management of maintenance parts at a Group company that sells semiconductor equipment. We will continue to expand partnerships to solve issues faced by all kinds of customers and contribute to the realization of a sustainable and prosperous society.

Foods

Saving Labor, Improving Accuracy, and Creating New Businesses with AI and Robotics

In the beverage and liquor business, we began the overseas manufacture and import of instant coffee for major coffee chain brands in 2019, working to meet demand growth related to increased time spent at home. Products manufactured overseas are susceptible to cosmetic defects, such as label misprints and peeling, as well as bottle cracking during sea shipping. As such, until recently, all products have been manually inspected prior to shipment.

However, faced with the challenge of not being able to secure enough sorting personnel during the fall and winter, when demand is highest, we developed an AI/robot-based visual inspection system in collaboration with the Electronics and Devices Division to establish a sustainable sorting system that does not depend on human labor. This system entered operation in October 2021 and has both saved labor and improved sorting accuracy.

Kanematsu will continue working to save labor, improve accuracy, and create new businesses through the adoption of digital technologies in the food industry.

Meat Products

Diversifying Sourcing with Canadian Beef

Kanematsu is strengthening its efforts to procure Canadian beef as part of its efforts to diversify its beef production areas in order to ensure a stable supply of safe and reliable beef. With export volumes on par with New Zealand, Canada exports beef on a scale surpassed only by such major exporters as the United States and Australia.

Canada, known for its vast wild landscapes and cool climate, raises beef cattle, that yield a product characterized by reliable quality and tenderness. Seeking to ensure stable procurement while bringing high-quality beef to consumers, Kanematsu is promoting the Alberta Beef brand, named for the country's greatest beef-producing province. We are implementing sales promotion activities that emphasize the product's greatest feature: high quality, lean meat.

The beef, which fully realizes the value promised by these activities, has been well received by customers, and the number of stores handling the product is steadily increasing.

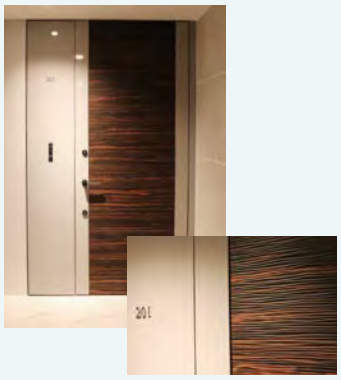
Grain, Oilseeds & Feedstuff

Acquiring Animal Feed Safety Certifications

Group company Heisei Feed Manufacturing Co. significantly reformed its manufacturing processes in 2005 in line with the implementation of guidelines based on the BSE Special Measures Act. Previously a manufacturer of both feed classified as specialized for ruminants (cattle) and other feed, the company was relaunched as an exclusive manufacturer of cattle feed. Working to ensure the safety of its feed as an upper link in the food chain, the company continues to move forward. In 2017, the company acquired certification of compliance with Ministry of Agriculture, Forestry and Fisheries' Guidelines of Good Manufacturing Practice for Feed regarding antimicrobial feed additives, and in 2020 acquired ISO 22000 certification for its food safety management systems.

In 2021, Heisei Feed Manufacturing completely separated its production lines and processes for feed with antimicrobial feed additives and those for feed without, executing capital expenditure of approximately ¥700 million for the lines and peripheral equipment. In 2022, the company aims to obtain certification of compliance with the Guidelines of Good Manufacturing Practice for Feed for the prevention of contamination of feed with harmful microorganisms, contamination of feed with toxic substances or foreign matter, contamination of cattle feed with animal-derived protein, and inappropriate use of antimicrobial additives in feed. Through these efforts, Heisei Feed Manufacturing continues striving to enhance animal feed safety.

Steel, Materials & Plant



Interior and Exterior Construction Work Using People- and Environment-Friendly Printed Decorative Steel Sheets

Kanematsu Trading Corp. has long been engaged in wholesaling of steel, primarily building materials. In 2019, the company launched the Smart Design Department, aiming to make a new leap forward based on this area of expertise. The new department has begun contracting for interior and exterior construction work on condominiums, hotels, and office buildings using printed decorative steel sheets in various patterns and designs. This work has been very well received by customers.

The printed decorative steel sheets uses advanced printing technology to reproduce not only the appearance but also the texture of the materials it is made to resemble. Compared to sheet manufacturing methods using pasting or papering, the production of this sheet is also much friendlier to both construction workers and the environment, producing minimal dioxin emissions in the case of a building fire and helping to counter sick house syndrome. These features make it a fitting product for Kanematsu's SDGs strategy, which the Group regards as a priority initiative. We will continue to aim for business expansion with a focus on the Smart Design Department.

Motor Vehicles & Aerospace

Working toward Decarbonization by Reducing CO_2 Emissions and Improving Logistics Efficiency

Kanematsu and Group company Datatec Co., Ltd. are refining their vehicle behavior analysis technology with the aim of realizing a safe and accident-free mobility society. These efforts promote careful driving without sudden steering or braking, which reduces vehicle emissions and improves fuel efficiency.

Kanematsu and Datatec have previously conducted a joint demonstration project in Indonesia under the framework of the Ministry of the Environment's Financing Programme to Demonstrate Decarbonization Technology for Realizing Co-Innovation. Recently, we launched a joint demonstration project in collaboration with Indonesian state-owned oil company Pertamina under the same framework to improve the fuel efficiency of Pertamina's trucks with the aim of reducing carbon emissions and improving logistics efficiency. Datatec's vehicle behavior analysis technology has a track record of reducing road accidents by up to 50% and improving fuel efficiency by up to 10% in Japan. While traffic and road conditions are different in Indonesia, we aim to make a similar or even greater contribution there. Leveraging Datatec's technologies, which contribute to safety and environmental friendliness, we are working globally toward the realization of a sustainable yet comfortable world.

Decarbonization Initiatives

Endorsement of the TCFD Recommendations and Scenario Analysis

Kanematsu endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2021. We strive to disclose information in accordance with the TCFD's framework to make it easier for stakeholders to learn about and understand the climate change-related risks and opportunities associated with our business. A summary of this disclosure is provided below, with more details available on a dedicated page on our website.

Please visit our website for details.
https://www.kanematsu.co.jp/en/sustainability/tcfd/

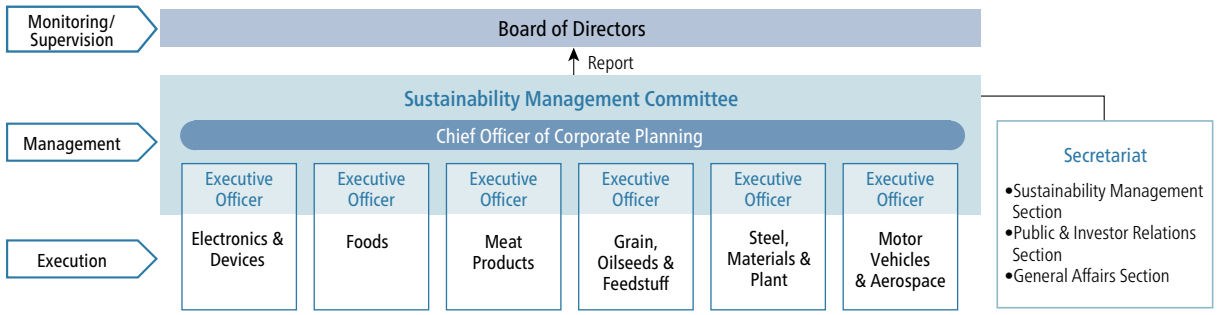
Kanematsu Is Constantly Working to Reduce Greenhouse Gas (GHG) Emissions

- We have not been involved in high-environmental-impact businesses since implementing business selection and concentration in the 2000s, nor do we plan to be in the future
- Our annual Scope 1 and 2 emissions are currently around 30,000 t-CO_2, and we plan to be carbon neutral by 2025 and work toward being carbon negative thereafter
- We are engaged in REDD+ forest conservation projects, contributing to GHG reduction (carbon offset)
- We endorsed the TCFD recommendations in June 2021 and are working to provide disclosure in accordance with the TCFD framework

Governance and Risk Management

TCFD recommended disclosures	Our initiatives (summary)	
Describe the board's oversight of climate-related risks and opportunities.	Monitoring organization	Board of Directors
Describe management's role in assessing and managing climate-related risks and opportunities.	Role of management	Discussion and reporting in the Sustainability Management Committee meetings, which are attended mainly by the Chief Officer of Corporate Planning and chief officers from business divisions (executive officers)

Governance System



Risk Management

TCFD recommended disclosures	Our initiatives (summary)	
Describe the organization's processes for identifying and assessing climate-related risks	Identification and assessment	Business divisions
Describe the organization's processes for managing climate-related risks	Management	Sustainability Management Committee
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Integration (reporting, monitoring and supervision)	Business divisions → Sustainability Management Committee → Board of Directors

Strategy

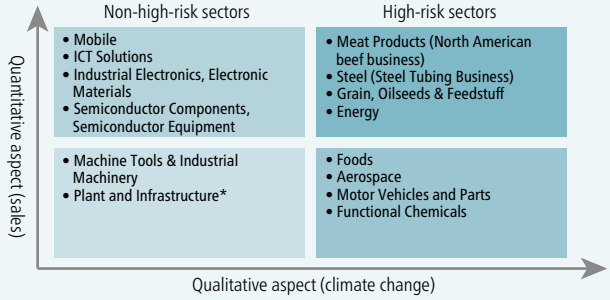
The promotion of investment in environment-related business areas is one of the priority initiatives under our medium-term vision, *future135*, and we consider addressing climate change to be a business opportunity.

We have conducted a scenario analysis on the Group businesses selected as subject to significant impact from climate change. As a result of the analysis, we believe that even though both risks and opportunities exist in all the scenarios, the impact from opportunities surpasses that from risks.

TCFD recommended disclosures	Our initiatives (summary)
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	**Risks and opportunities**: Selected the North American beef business and steel tubing business for the scenario analysis on the basis of climate-related impacts (qualitative aspect) and sales/profit (quantitative aspect). The top priority areas in each of these businesses are as follows. **North American beef business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** **Risks**: Rise in feedstuff and forage prices due to higher average temperature (physical risk) **Opportunity**: New opportunities associated with the development/adoption of new technologies (plant-based meat) **Steel tubing business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** **Risks**: Decline in fossil fuel demand (transition risk) **Opportunity**: New opportunities associated with the development/adoption of new technologies (EOR, CCUS)
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	**Impacts**: Categorize into large/medium/small
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	**Analysis results**: • Potential risks and opportunities exist for both the North American beef business and steel tubing business in both scenarios • On the basis of the analysis, we are formulating business strategy that focuses on climate change-related opportunities • We will promote investment in environment-related business areas as a priority initiative under our medium-term vision, *future135*

Selection of Businesses for Scenario Analysis

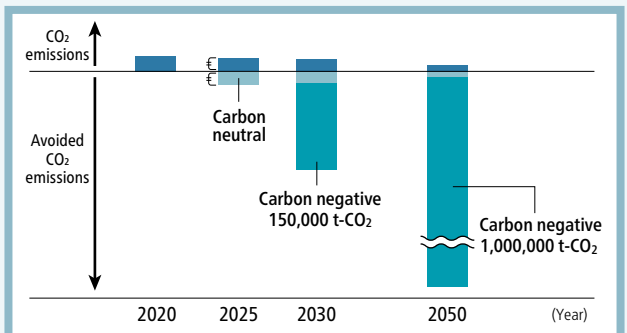
To evaluate the qualitative impact of climate change on the Group's businesses, we first classified them into high-risk sectors and non-high-risk sectors as per the TCFD recommendations. Next, we categorized the impact on the Group from the quantitative perspective of sales. Of the four businesses that showed a large qualitative impact and quantitative impact, we selected the North American beef business and steel tubing business, which account for a relatively large portion of our sales on a consolidated basis (IFRS revenue), for scenario analysis.



* The Kanematsu Group's plant and infrastructure business mainly comprises Official Development Assistance and Joint Crediting Mechanism projects

Metrics and Targets

Our first target going forward is to achieve carbon neutrality by 2025. We will reduce CO_2 emissions by shifting to renewable energy. Any remaining emissions that cannot be reduced in this way will be offset with the credits generated from our businesses—converting our contribution to GHG emissions reduction via REDD+ projects into credits—to achieve carbon neutrality. From there, we will continue expanding our clean fuel and renewable energy businesses, REDD+ projects, and Joint Crediting Mechanism projects to increase avoided emissions, aiming to become carbon negative with negative net emissions of 150,000 t-CO_2 and 1,000,000 t-CO_2 by 2030 and 2050, respectively, and thereby contribute to the decarbonization of society.



* Note: The above targets are for Scopes 1 and 2. Targets for Scope 3 will be established separately.

TCFD recommended disclosures	Our initiatives (summary)
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	**Metric**: CO_2 emissions
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and the related risks	**GHG emissions**: Fiscal 2021: 27,800 t-CO_2 (Kanematsu and 94 Group companies) (Estimated breakdown: Scope 1: 9,200 t-CO_2 / Scope 2: 18,600 t-CO_2) ➤Visit our website for assured fiscal 2022 figures
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	**Targets and results**: 2025 Carbon neutral[1] 2030 Carbon negative[2]: -150,000 t-CO_2 2050 Carbon negative: -1,000,000 t-CO_2 1. Carbon neutral is a state in which the Group's CO_2 emissions (Scopes 1 and 2) are balanced with the credits generated by the Group through forest conservation projects and Joint Crediting Mechanism projects and avoided emissions. 2. Carbon negative is a state in which the credits generated by the Group through forest conservation projects and Joint Crediting Mechanism projects and avoided emissions exceed the Group's CO_2 emissions (Scopes 1 and 2).

Mutual Development with Local Communities

Social Contribution through Our Operations

Every employee of the Kanematsu Group, as a good citizen, acts with an awareness of the importance of their social responsibilities, proactively working to solve social issues through business and social contribution activities with the aim of realizing a sustainable society. At the same time, through volunteering, employees broaden their horizons, learn new values and gain new insights, helping to create richer and more vibrant communities.

Kanematsu Joins SEMA

Kanematsu has joined the Social Emergency Management Alliance (SEMA). SEMA links private-sector companies and civil society organizations (CSOs) to provide support to areas in Japan affected by disasters. Information about the products and services that member companies can provide is aggregated in a database that can be used to rapidly provide goods and services where they are needed when a major natural disaster strikes. Kanematsu provides supplies that those affected need for daily life, primarily alkaline batteries for use in LED flashlights and radios as well as for charging smartphones—especially important in disasters as a means of communication and gathering information. Through SEMA, Kanematsu will support disaster-stricken communities by swiftly providing the batteries and disaster-readiness products that it handles in its businesses.

Products supplied by Kanematsu

How SEMA works

Symposium on Safe ICT Use for Kids and Teens (Kanematsu Communications Ltd.)

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. In fiscal 2022, the program reached 34,727 participants at 162 schools.

In November 2021, the Foundation for MultiMedia Communications, which organizes e-Net Caravan, held a symposium on the safe use of ICT by minors and related support for families and communities. As a representative of industry, Kanematsu Communications Ltd. engaged in panel discussions with government officials and educators (participants: 124).

Through such activities, the Kanematsu Group is working to promote safe ICT use for minors and improve the internet of the adults around them.

Hitotsubashi University Clock Tower Renovation

In commemoration of its 145th anniversary, Hitotsubashi University renovated and repaired its East Main Building. The building's clock tower was renovated using funds donated by Kanematsu. The connection between the university and Kanematsu goes back to the construction and endowment of the Kanematsu Auditorium in 1927 as one of several commemorative projects undertaken to honor the wishes of Fusajiro Kanematsu, the late founder of Kanematsu. Having been selected for registration as a national cultural heritage site, the Kanematsu Auditorium is an important piece of Japan's history. The extensive restoration of the auditorium from 2003 to 2004 was funded largely by donations from the university's alumni, with additional funding from Kanematsu.

The recent renovation of the East Main Building, on the same campus as the Kanematsu Auditorium, included the restoration of the building's clock tower. The impressive clock displays the time for all to see, including faculty, students, and other passersby on the public road running through the campus.

Creating an Environment That Enables Diverse Work Styles

Message from the Chief Officer of Human Resources

Kazuo Tanaka
Senior Executive Officer,
Chief Officer,
Human Resources, General Affairs, and
Logistics and Insurance

Human resources are the Kanematsu Group's most valuable assets. As expressed in our founding purpose, "Let us sow and nurture the seeds of global prosperity," the core of our corporate activities has always been contributing to the public interest, society, the international community, and humanity.

To solve the issues our business partners face and build strong relationships of trust, the Kanematsu Group will contribute through innovation to realize sustainable growth. The foundation of sustainable growth is human capital. To maximize the value of our human capital, we have been cultivating management-level human resources, improving employee satisfaction, and realizing diverse work styles as themes of the *future 135* medium-term vision and actively discussing them at the Board of Directors and Management Committee.

To cultivate management-level human resources, we have expanded Kanematsu University—our training program that systematically guides employees through the steps to becoming next-generation management professionals (global leaders)—to cover all employees. This ensures that employees are able to gain the basic knowledge they will need as next-generation management professionals within their first ten years at Kanematsu. So that they can move on to the next step, we have set up the university's "graduate school," which gives employees the opportunity to amass more advanced management knowledge.

In terms of enhancing employee satisfaction, the employee engagement survey we implemented in August 2021 found improvements in every category in comparison with the previous survey in 2018. In particular, many employees responded positively regarding education and training, respect for individuals, and authority and discretion, and it seems that having access to free, high-level recurrent education through Kanematsu University has bolstered employee satisfaction. In addition, we continue to implement initiatives that prioritize respect for individuals, encouraging all employees, including management, to utilize e-learning on diversity, harassment, unconscious bias, and LGBT issues. Internal viewership of this content, calculated on the basis of total views, has reached 100%.

In addition, our corporate culture allows young employees to take the initiative in their work, and we are expanding opportunities for them to be more involved by, for example, selecting them for teams related to DX, GX, and new business initiatives. Employee feedback has helped us identify areas to reinforce going forward, including leadership, strategy and direction, cooperative frameworks, business processes and organizational structure, and performance management. To address these, management will take the initiative in making changes, setting a positive example while further reinforcing dialogue with employees. Ideas and resources will be shared Companywide to promote business creation. In addition, we are beginning to revise our evaluation and compensation system to ensure that it is appropriately flexible.

Turning to diverse work styles, we are steadily advancing measures to create environments in which diverse employees can exercise their abilities. In recognition of these efforts, Kanematsu received "Platinum Kurumin" certification in December 2020 and was selected as a Certified Health & Productivity Management Outstanding Organization for the second consecutive year in March 2022. In our diversity and inclusion efforts, launched in 2019, we have assembled the D&I Team, consisting of members from across various divisions that are working to roll out activities on a Companywide basis. In 2022, we set up a project under the direct control of the president, launching initiatives centered on innovation and inclusion that provide employees with the opportunity for direct dialogue with the president. We will continue to advance work style reforms, aiming to increase employee engagement and contribute to the achievement of the SDGs.

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. We will work to further enhance human resource systems so that every employee can act with pride to build strong relationships with business partners, thereby supporting the development of the Kanematsu Group.

Human Resource Development

Human resource development is a vital priority for the Kanematsu Group. In our personnel evaluations, we have introduced the Review & Challenge (R&C) system for setting specific personal targets based on organizational goals set via management by objectives (MBO), as well as on each individual's characteristics and future growth. In this way, we cultivate human resources who ambitiously take on challenges. We also focus efforts on training programs, providing one-year on-the-job training for each employee newly assigned to a workplace, as well as a selective program extending to Group company employees (executive management training) and diverse e-learning content aimed at developing more autonomous professionals. We continue to update training based on evolving needs and program effectiveness.

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 15 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. Through Kanematsu University, we are developing the next generation of management-level human resources.

KANEMATSU UNIVERSITY 兼松ユニバーシティ

Overall Approach to Human Resource Development

Undergraduate Program Goal for Human Resources

Concept Gain comprehensive basic knowledge needed for management

Goal

- ■ Has the discernment of a business creator and manager as a next-generation management professional (global leader); can be entrusted with actual business management in a management role
- ● Knowledge: Overall management knowledge, including management strategy, finance, and accounting
- ● Experience: Experience in a project management office and in organizational management

Graduate School Program Goal for Human Resources

Concept Learn advanced management expertise

Goal

- ■ Has specialized management knowledge
- ■ Has progressed from theoretical understanding of management to practical ability
- ● Specific knowledge of management strategy and M&A in multiple businesses
- ● Knowledge of corporate governance and risk management
- ● Practical skills in setting goals, operational management, team building, and human resource development
- ● Practical skills in mission formulation, developing medium- and long-term division strategy, and organizational design

Human Resource Development Programs and Participants (Fiscal 2022)

Category		Concept	Key programs and results	
Graduate School Years 11–15		Learn advanced management expertise	**Executive Management Training** • Strategy formulation skills • Human resource management skills • Management knowledge **e-learning, group training, etc.**	**Implemented:** August 2021–March 2022 **Participants:** 63 (including 14 from Group companies)
Undergraduate	Professional course Years 8–10	Learn basic knowledge needed as a next-generation management professional (global leader)	**M&A and business investment training** **e-learning, group training, etc.**	**Implemented:** March 2022 **Participants:** 14
Undergraduate	Advanced course Years 4–7	Learn knowledge needed as an organizational/ project leader	**Business plan training** • Critical thinking • Management strategy and business planning • Accounting and finance **e-learning, group training, etc.**	**Implemented:** September 2021–March 2022 **Participants:** 76 (including 15 from Group companies)
Undergraduate	Basic course Years 1–3	Learn knowledge needed to be a fully competent professional Learn knowledge needed to live as a fully-fledged adult	**e-learning, group training, etc.** **Training for new graduate hires**	

Message from the Organizer of Kanematsu University

Toshinari Mori
Manager, Human Resources Development Section, Human Resources Department

Kanematsu University, launched in July 2019, is Kanematsu's first training program formally organized into courses. Previously, most training was carried out by internal instructors, but this led to such issues as bias in the knowledge accumulated within the Group and limited growth opportunities for employees. We felt that, left as it was, this approach would produce few personnel with the knowledge needed to create new businesses and manage operations into the future. We therefore established Kanematsu University, aiming to nurture talented personnel with excellent leadership abilities, able to create new businesses and handle management. Kanematsu University is still a young program, but we will continue to encourage employees toward self-development by providing broad-ranging content in order to grow the Kanematsu Group's business.

Program Participant Perspectives

Graduate School

P.T. Kanematsu Trading Indonesia
Tatsuya Nakano

I gained a greater understanding of messaging from the standpoint of management and systematically learned about approaches to management duties. I had the chance to engage in discussion and work with people from Group companies and other departments outside of my normal scope of contact, which helped me make connections that I think will be useful in future collaborations. Gaining the new viewpoint of a manager has helped me broaden my perspective and deepen the way I engage with business.

Professional Course

Meat Products Department No. 2
Motoki Morohoshi

The M&A and business investment training included lectures from highly experienced outside instructors on corporate analysis and business valuation. The lectures covered industries and fields other than those I have worked in, and I think that learning about the strategies and distinctive aspects of other companies has helped me think in new ways and broaden my perspective. The course also provided the opportunity to learn about the entire process of a business investment project from proposal to execution. I found it to be a valuable program that imparts knowledge and skills that every employee needs to embody Kanematsu's founding purpose.

Advanced Course

Kanematsu (China) Co., Ltd.
Fumikazu Shikuma

Before the introduction of Kanematsu University, I was too busy with sales to do much else, so the opportunity it provided to return to studying was very valuable. Learning about critical thinking, for example, helped me to systematically put into words and examine the rules of thumb I was using in my ordinary work, which was very fruitful. I also got to learn about using discounted cash flow and internal rate of return as tools for making investment decisions, which I had never had the chance to formally study before. This provided a good opportunity for me to think about business investment in my current business.

Monetary and Time Investment in Human Resource Development (Non-Consolidated)

Monetary investment	¥103 million; ¥130,000 per full-time employee[1] (Cost of Kanematsu University: ¥72 million; ¥290,000 per participant)	1. Number of employees calculated based on full-time equivalent (FTE); does not include employees on leave, re-hired retirees, or temporary employees
Training hours	Total training hours[2]: 14,500; 19 hours per full-time employee (Kanematsu University training hours: 10,100; 41 hours per participant)	2. Total for Kanematsu University and executive management training

Notes 1. Figures are for the 2021 training year (July 1, 2020–June 30, 2021), as the 2022 training year is still in progress.
2. Training time is the total for the three undergraduate courses, as the Graduate School course commenced in February 2021.
3. Figures by course are as follows. Basic course: 123 participants averaging 67 hours; Advanced course: 85 participants averaging 11 hours; Professional course: 38 participants averaging 21 hours.

Internal Recruiting System

To put the right people in the right places, invigorate our human resources, and increase employee motivation, we have in place an internal recruiting system. Mainly when launching new businesses or new Company-wide initiatives, the divisions involved recruit team members from within the Group by posting about the kind of people they need on the Group intranet. This allows interested employees to step up to take on new opportunities. In fiscal 2022, five employees were transferred through this system.

Internal Recruitment in Fiscal 2022

Division	Work description	Employees transferred
Steel, Materials & Plant Planning Office	Building a new business aimed at countering climate change	1
Motor Vehicles and Parts Department No. 1	Building a new business using advanced carbon nanotube materials	1
Electronics Planning Office	Building, promoting, and sales support for a new SaaS business	2
Public & Investor Relations Section	Communicating the Kanematsu Group's appeal through PR and IR	1

Diverse Work Styles

Kanematsu is proactively committed to ensuring a good work-life balance and restricts 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.

Flextime System

In fiscal 2022, we implemented a full flextime system to promote flexible work styles. 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.

Remote Work System

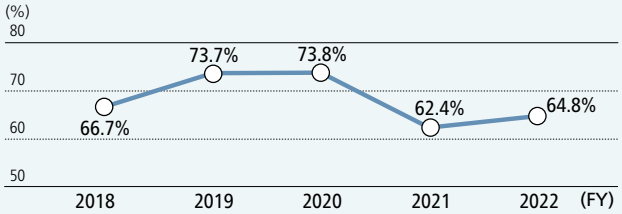
We have officially adopted a remote work system for the work styles of a new era. When working remotely, employees are limited to no more than two hours of overtime in principle, and we provide an environment that enables employees to be efficient.

Systems for Using Paid Vacation/Leave

Bronze Week Plus

Kanematsu has established the Bronze Week Plus System for encouraging the planned 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. Any day can be selected for taking paid vacation, and employees are required to take at least five days through the system, as we aim for a rate of annual vacation days used of at least 70%. This rate reached 73.8% in fiscal 2020. We will continue working to create even more employee-friendly workplaces and aim to help employees maintain a healthy balance between their work and private lives.

Annual Vacation Usage Rate (All Kanematsu Corporation Employees)



Bronze Week Plus System Outline

Definition: The Bronze Week Plus system makes it easier to take off a bridge day between two ordinary days off, the day before or after a three-day weekend, or two days before or after a normal weekend, effectively extending the number of consecutive days off for the individual to four or more.

Purpose: This system is aimed at helping employees have special experiences that are difficult to realize with shorter breaks so that they will feel refreshed and have new ideas that they can then put to use in their work.

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

The "My Weekend" system encourages 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.

Annual Paid Vacation Granted in Hour Units

Employees can use their paid vacation in one-hour units, giving them greater flexibility than that provided by taking a half day of paid time off to take care of personal errands.

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, a system of shortened work hours and flextime after returning from leave, and a system of providing discounts on babysitting services. After returning from leave, employees are eligible for reduced work hours up to the end of the child's third year of elementary school and may work reduced hours with no reduction in pay until the child's third birthday.

Many employees 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.

Family Care Support

In addition to the conventional family care leave system, Kanematsu provides special paid holidays for family care ("special family care holidays").

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.

仕事と介護の両立支援

Employees Using Leave and Special Holidays for Childcare or Family Care

(FY*)		2018	2019	2020	2021	2022
Users of childcare leave	Women	18	18	20	24	31
	Men	0	2	0	4	6
Users of special childbirth leave for men		12	12	14	7	10
Users of leave to care for sick children	Women	19	26	29	26	31
	Men	18	23	20	18	21
Users of family care leave		0	1	1	0	0
Users of special family care holidays	Women	11	11	13	11	12
	Men	13	10	10	7	8

* Years ended March 31

Diversity and Inclusion

Companywide Initiatives

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 hold diversity lectures presented by outside speakers active in a wide range of fields, provide Companywide e-learning, and implement communications activities focusing on the use of childcare leave by male employees as well as diverse values. Since fiscal 2022, we have been implementing D&I promotion activities through the Companywide project team. These activities have led to the creation of guidelines for the use of names other than employees' legal names (such as pre-marriage surnames) and a system for providing discounts on babysitting services.

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 the Greater Professional Participation and Advancement of Diverse Employees

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 2019) 2. Increase the percentage of women among new graduate hires to 42% (from 34% in fiscal 2019).
Initiatives	Increasing the percentage of women among new graduate hires and creating systems to promote female employee retention

FY[1]	2018	2019	2020	2021	2022
Female career-track employees[2] at fiscal year-end	54	52	54	64	66
Female employees at manager level or above at fiscal year-end	2	3	4	5	7
Female responsibility band employees at fiscal year-end	22	27	28	31	31
Women among new graduate hires	34.4%	34.0%	39.0%	51.0%	63.6%

1. Figures for Kanematsu Corporation (non-consolidated)
2. 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.

Perspective of a Female Employee Working Overseas

Eriko Kikura
Manager, Kanematsu GmbH

In April 2021, I was assigned to Dusseldorf, Germany, as manager of the local Foods & Grain Division. My mission here is to find foods produced in Europe for the Japanese market and to sell food products in Europe. To find new food products, from a sustainability standpoint, I am constantly gathering information about environmentally friendly European products that we could bring to the Japanese market. At the same time, I am focused on sales of foods within Europe. Navigating the rules of various European countries, with their different languages, cultures, and dietary habits, is difficult, but with the help of our very capable staff, I have found it rewarding to challenge myself this way. Leveraging the knowledge and experience built up by the employees stationed here before me, I am working to build sales frameworks in Europe.

General Employer Action Plan (Raising the Next Generation)

Under our General Employer Action Plan, 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.

In 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 particularly 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.

D&I Measures

Systems to Support Flexible Work Styles

- System that allows non-career-track employees to take manager or assistant manager positions
- System for rehiring employees who left the Company to accompany a spouse who was transferred to another location
- Childcare support and family care support

Systems for Using Paid Vacation/Leave p44

Diversity Hiring

With an eye to recruiting students with diverse backgrounds from around the world, we are hiring international students graduating from Japanese universities and Japanese students graduating from overseas universities.

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

(Year of entry)	2017	2018	2019	2020	2021	2022
Graduates with non-Japanese citizenship	0%	3%	0%	3%	26%	20%
Graduates of overseas universities	0%	0%	3%	6%	16%	33%

Hiring of People with Disabilities

Kanematsu has enshrined respect for human rights in its Code of Conduct and strives to create workplaces where diverse human resources can work and thrive together. As part of these efforts, we proactively hire people with disabilities. Taking into consideration the skills and experience of the individuals with disabilities currently working at Kanematsu, we are creating environments that allow each individual to exercise their abilities to the fullest.

The portion of employees with disabilities is 2.39% (as of June 2022).

Advanced Career System

We introduced the Advanced Career System from fiscal 2023 to support the careers and professional participation of employees in their 40s and above. We hold career design and life planning training for employees at ages 45, 50, and 52, encouraging proactive career development in light of increasingly long average life spans.

Improving Employee Satisfaction

Kanematsu has made improving employee satisfaction a priority initiative under *future 135*. As part of efforts in this area, we carry out employee engagement surveys of all Kanematsu employees to understand where we stand and the issues we face, verifying the effects of measures implemented as we work to enhance employee satisfaction.

We carried out the first employee engagement survey in 2018, using the results to understand the issues we faced. We then developed and executed measures to solve these issues.

Issues identified through the first employee engagement survey		Main measures to solve issues
Improving strategy and policy understanding, awareness, and support		J-Project (head office relocation plan), illustrated explanations of *future 135*, video streaming of monthly meetings
Work process improvement		Facilitating information sharing through Group use of cloud storage services, making internal approval processes fully paperless, using the cloud for recording expenses, defining workflows for personnel evaluations and implementing other procedures to improve operations
Promoting the growth of individuals and organizations		Creating a dynamic corporate culture through Kanematsu University and D&I promotion
Other	Work style reforms	Trial use of satellite offices, remote work system, Bronze Week Plus, My Weekend, individual-level flextime, full flextime system
	Work-life balance	Support for balancing childcare and family care with work, Platinum Kurumin certification, external family care concierge service
	Workplace environment improvement	Launched the Health Promotion Section within the Human Resources Department, certified as a Health & Productivity Management Outstanding Organization

In fiscal 2022, the halfway point of *future 135*, we carried out our second employee engagement survey. The objective of the second survey was to measure employee satisfaction midway through *future 135* and to evaluate the results of the measures we have implemented by comparing results with those of the previous survey. The results showed improvement from the first survey (Figures 1, 2). We believe these findings reflect the effects of the measures we have implemented, including the launch of Kanematsu University, workflow reform through systems and other infrastructure improvement, and the promotion of D&I and health and productivity management.

However, the survey also showed that our employee engagement is still below the global average, and multiple hurdles to increasing employee satisfaction remain. By examining ways of dealing with these hurdles and putting measures into action, we will work to further increase employee satisfaction.

We plan to implement a third employee engagement survey before the end of *future 135* to verify the effects of the measures currently being implemented or considered.

Figure 1. Survey Results on Employee Engagement[1]

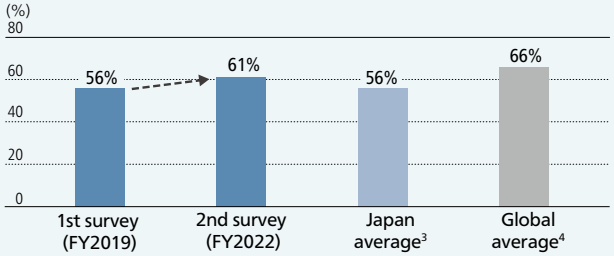
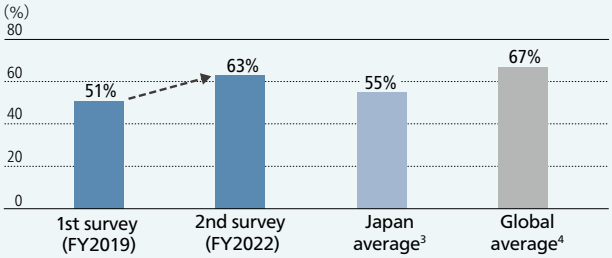


Figure 2. Survey Results on Effective Employee Utilization[2]



1. Employee engagement: An indicator of employees' commitment to the Company and motivation to proactively engage with their work
2. Effective employee utilization: An indicator of how appropriately human resources are allocated and whether work environments are employee-friendly in a way that helps them utilize their abilities to the fullest
3. Japan average calculated across approximately 90 companies with approximately 800,000 employees
4. Global average calculated across approximately 700 companies with approximately 7,000,000 employees (average score of the top 10% of global companies by financial performance in their respective industries)

Issues Identified through the Second Employee Engagement Survey and Measures Being Implemented or Considered

Issue title	Issue summary	Measures being implemented or considered
Leadership	Some felt that the management vision was not sufficiently shared, and there is a gap in awareness between employees and management, so spurring more two-way communication is an issue.	• Creating frameworks for two-way communication with management through the office relocation and by introducing activity-based work (ABW; including a free address system) • GX- and DX-related additions to Company policies; Company communications; and organizational changes (launch of the DX Project Office and GX accelerator, i.e., decarbonization consulting, etc.) • Proactive communications though internal newsletters and videos • Dialogues between employees and the president about inclusion and innovation
Strategy and direction	Employees feel that response to changes in the broader world is too slow.	
Cooperative frameworks	Many felt that there is not enough cross-organizational sharing of ideas and resources, and the siloed organizational structure is an issue.	• Revamp of the Technologies and Business Collaboration Team and start of projects involving all employees • Established the innovation investment system
Business processes and organizational management	Issues were found with the speed of organizational decision making and organization structures backing up ambitious new initiatives. Burdensome procedures and red tape were raised as issues, pointing to an overemphasis on procedure and form.	• Considering initiatives in line with the office relocation and introduction of ABW • Enhance productivity and autonomy with the introduction of ABW
Performance management	There is a need to create a climate in which each employees can set challenging goals for themselves and work to raise the level of the entire organization as well as a need to create systems that reward their efforts and achievements.	• Revising personnel systems

Initiatives for Health & Productivity Management

On March 9, 2022, Kanematsu was recognized as a 2022 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. This follows our recognition under the program in 2021.

Kanematsu's people are its greatest asset. We believe that health and productivity management is essential to enabling employees to expand their abilities and potential while working with vigor and enthusiasm. Our main health and productivity management initiatives are as follows.

2022 健康経営優良法人 Health and productivity

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 (Health Promotion Section) Department, industrial physicians, the Medical Center, the Occupational Health Committee, and the health insurance society, with the Chief Officer of Human Resources 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.

Health & Productivity Promotion System

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 and provide an environment where employees can work with confidence by such means as providing an internal consultation hotline and increasing the rate of employees who undergo stress checks.

Roundtable Discussion with the Chairman and Outside Directors

Chairman Kaoru Tanigawa, who is also the presiding officer of the Board of Directors, and outside directors Yuko Tahara and Kazuhiro Tanaka, who were appointed in July 2022 as chairs of the Compensation Committee and Nominating Committee, respectively, sat down for a roundtable discussion about Kanematsu's governance system, the effectiveness of the Board of Directors, and challenges going forward.

Impressions of Kanematsu's Culture as an Outside Director

Tahara In the three years that I have been a director at Kanematsu, I think that, under *future 135*, efforts to reinforce governance and implement DX strategy, which is at the core of business and internal control, have advanced extremely quickly. Looking at human capital, my area of expertise, Kanematsu has made numerous major steps forward in terms of improving systems and changing mindsets, including the launch of a diversity & inclusion (D&I) project team and the Kanematsu University internal business school. I have great expectations for continued proactive management going forward.

Tanaka In my two years as outside director, whenever I have raised concerns or offered suggestions, they have been taken seriously, giving me an impression of a corporate culture of honesty. This makes me only more aware of the weight of my responsibility as an outside director. In 2022, the number of outside directors increased by one, to three of seven total directors. Within the Nominating Committee, which carries out director candidate selection, Chairman Tanigawa expressed the conviction that the Board of Directors should comprise a majority of outside directors. However, as an outside director, I felt that securing a certain portion of standing directors was important in terms of effectiveness at Kanematsu as it is now, and we settled on a ratio of four standing to three outside directors.

Why the Current Governance System Works

Tanigawa I believe that the Board of Directors' main role in the Kanematsu Group is to provide management oversight, while the Management Committee handles business execution. The Management Committee is chaired by the president and comprises certain executive officers. To enable rapid and flexible management, the Board delegates a great deal of authority to the Committee. The Management Committee duly reports to the Board of Directors, and the directors who are also executive officers ensure that information is shared quickly, which has improved the speed and precision of our decision making.

Tanaka The key to Kanematsu's separation of oversight and execution is, as you say, the Management Committee. The Board of Directors is led by the chairman, and the Management Committee by the president. I think that having a chairman leading oversight who also has experience as president helps enhance management decision-making effectiveness and speed. Of course, I am keenly aware of my responsibility as an outside director to always be on the lookout to make sure these systems aren't settling into hollow formalities or dysfunction.

Kaoru Tanigawa
Chairman

Tanigawa Important decisions and issues raised by the Board of Directors are fed back to the executives, that is, the Management Committee, which digests them and puts them into action that the Board of Directors, in turn, oversees. While oversight and execution are separated, they are also, of course, connected through this cycle. I think that the chairman and president play key roles in maintaining that connection. I was president until just last year, so I have a vivid understanding of the concerns the president faces as representative of the executives. I believe that being able to draw on that visceral understanding while providing advice and monitoring as the head of the oversight side is a major strength.

Tanaka Oversight of the president by the chairman is perhaps the most effective kind. Also, because the presiding officer of the Board of Directors, who leads supervision, is a director from within the Company, the outside directors must provide a restraining function. It is important to oversee the overseers, if you will, and to promote accountability by not hesitating to seek answers about things that may seem normal or obvious internally, but raise questions when viewed from outside. To meet the demands of investors and society, I think that, in addition to making improvements to systems and functions, to make sure they do not devolve into complacent formalities, it is vital to constantly confirm that the current governance system and selection of executives are the best they can be.

Tanigawa In addition, the outside Audit & Supervisory Board members, in particular, work to provide careful oversight of directors. In that sense, I think that governance is strengthened by the double and even triple overlapping of function. There are times when an incisive question from an outside director or outside Audit & Supervisory Board member catches me off balance. I think it is particularly important to properly address questions that set me back, and I take great care in answering them. Moreover, I am always aware that the outside directors and Audit & Supervisory Board members are monitoring me in my own supervisory role along with the entire Board of Directors.

A New Step Forward for the Nominating Committee

Tanigawa Since July 2022, the Nominating Committee and Compensation Committee are both chaired by outside directors. The Nominating Committee has begun a major review of its processes from a human resource management perspective,

Yuko Tahara
Outside Director (Chair of the Compensation Committee)
President and CEO, Basic Inc.
Professor, School of Professional Education, the Graduate School of Social Design

Kazuhiro Tanaka
Outside Director (Chair of the Nominating Committee)
Professor, Graduate School of Business Administration, Hitotsubashi University

and the Compensation Committee has begun initiatives aimed at the formulation of the next medium-term vision from a new perspective.

Tanaka The Nominating Committee is changing considerably. One of the committee's key roles is to provide recommendations for director selection, but the other is to cultivate management-level human resources. For the former, we are working to enhance the existing system for making recommendations, referring to a skill matrix when selecting candidates based on conventional considerations of character, skills, and experience. To cultivate management-level human resources, given that Kanematsu is working to step up its business investment, I think that we need to reinforce Kanematsu University with an eye toward strategic successor development. The Board of Directors has no business executives, so it's relatively insulated from bias toward any specific business division, but it is still important to ensure that the process prioritizes transparency so candidates are selected based on solid rationale. I feel that this is my greatest role as chair of the Nominating Committee.

Tanigawa Kanematsu University was created as a training system to cultivate management-level human resources within Kanematsu's businesses. However, we are working on concrete plans to introduce practical training as soon as possible to produce management candidates.

Tahara As a Nominating Committee member, I also feel that we must discuss the competencies and capabilities Kanematsu's management requires, as we will need to reflect these in succession planning. Rather than deciding such things based on implicit understanding, they should be made explicit so that investors and society can readily understand the succession plan's trajectory. I think it is also important to clearly lay out and weigh the achievements and experiences, such as challenges overcome, of each potential candidate.

Tanigawa Yes, as with competency assessments, for succession planning and other aspects of human resource management, I think we need to improve our infrastructure using digital technologies while also looking at specific individuals. Going forward, we will need to dramatically increase the flexibility of human resource allocation. The Kanematsu Group already has the foundations needed to assign people based on their achievements and character, regardless of background or organization. For example, mid-career hires have gone on to become executive officers. This culture is a strength. We have also made great progress in improving the internal environment and rules to enable the professional advancement of women, and I think the real remaining challenge will be to change mindsets, including those of women themselves, encouraging them to pursue advancement and growth.

Tahara Rather than trying to change them abruptly, raising women's awareness has to happen naturally—you must allow them to understand for themselves that there are opportunities for them to excel that are natural extensions of their efforts to develop their abilities and pursue the goals before them. And, just like climbing a mountain, where one's perspective on the landscape changes with each step up, it will be important for the Company to support them in having new experiences and shifting their perspectives as they progress. These days, people are living and working longer than ever, which means that more people should have the chance to develop careers. We need women to feel that reaching one's goals is not just for a select few, but rather that everyone can cultivate their potential. Women pass through different life events than men, so it will be necessary to continue to create systems that balance work and private life, such as the system already in use that allows employees to become managers without the usual need to relocate. Recently, we held an open talk session with employees, led by myself, Kanematsu's female executive officer Kaori Kusuda, and Hideki Murakami, manager of the Human Resources Department. The session generated a tremendous response. I have received a wide range of messages about how participants related to things I said, the new insights they gained, and questions they had. The Human Resources Department is implementing initiatives with a personal touch like this while also assiduously reforming systems, and I think we can expect to see major, tangible results in the near future.

Tanaka Each of those initiatives helps to build true diversity and inclusion. Also, in terms of recent efforts to enhance governance, we have secured an outside director with corporate management experience, which we had been lacking. We welcomed Hiroyuki Sasa, who previously served as president of Olympus Corporation.

Tanigawa I'm sure that, with his wealth of experience, Mr. Sasa will bring new dimension to discussions of many topics. When the Kanematsu Group implemented business selection and concentration in the early 2000s, we created very strict internal controls and restrictions on investment decisions in

response to requests from financial institutions. At the time, this helped to stabilize our operations, but I think that in the long run we inadvertently ended up with a shortage of experience. Going forward, as Kanematsu pursues more aggressive management, including business investment, I hope we can draw greatly on the expertise of our outside directors to invigorate Board of Directors discussions and discuss management issues that have been areas of weakness from new angles. We see particular value in Mr. Sasa's character. At Kanematsu, we can't have directors who live in an ivory tower, far removed from the Company's day-to-day reality. I think that understanding the perspectives of employees is an important part of being a business manager. When rebuilding Olympus's management, Mr. Sasa placed emphasis on dialogue with employees, and he is committed to such dialogue—this was a major draw for us.

The Role of the Compensation Committee and Issues It Faces

Tahara As the chair of the Compensation Committee, I believe the role expected of me is to increase the objectivity and transparency of the process for deciding director compensation. The current compensation system has evolved gradually in step with the formulation of medium-term visions and, through the consideration of wide-ranging standards, has emerged in a form that fits the current needs of Company. In terms of compensation system design, however, in conjunction with the formulation of the next medium-term vision, we must examine whether the system provides appropriate incentives to realize the management strategies, whether it creates shared interests with shareholders, and whether there are appropriate risk management mechanisms in place. We must also carefully consider the need to revise the system itself. Furthermore, I think that in the near future we will have to consider such issues as the ratio of fixed to variable compensation, individual evaluations of executive officers, and reflecting non-financial performance in compensation. These have been issues in need of discussion for some time.

Thoughts as Directors about Achieving Sustained Growth

Tahara From a human resource management perspective, I believe that practical experience is the most important asset when carrying out the work of a trading company. Kanematsu's employees create businesses from nothing and amid unfamiliar terrain almost like breathing. Identifying and utilizing the passion and expertise of each individual—Kanematsu's true human capital—and linking these with HR tech will create, I think, a great hope for the future of Kanematsu.

Tanaka I think that continuing to do business with a conscience, as expressed in Fusajiro Kanematsu's founding purpose, is the path to growth that best suits Kanematsu. By applying this approach in its global businesses, Kanematsu has earned its greatest asset, trust. I believe that this emphasis on working with properly ordered systems, minds and hearts is not just empty rhetoric, but a practicable way of operating as a company.

Tanigawa Key to considerations of how governance should work is to never be complacent. To realize ongoing growth, governance must continually change to meet evolving needs. Rather than simply being satisfied with the status quo, we will constantly work to improve the effectiveness of governance. To that end, we will continue consciously working to make governance more transparent by enhancing the quality of our human resources and further digitizing our decision-making frameworks and infrastructure.

Message from an Outside Audit & Supervisory Board Member

Yusaku Kurahashi
Audit & Supervisory Board Member (Outside)

Kanematsu's corporate governance is characterized by initiatives to adapt to evolving needs while maintaining a foundation rooted in the Company's history. In Kanematsu's conventional trading company business, the separation of business divisions and support divisions has been effective in providing both support for and checks on front-line businesses. In addition, the key to growth going forward will be discovering high-quality investment opportunities. When deciding whether to invest, the Project Deliberation Committee, Management Committee, and Board of Directors examine such opportunities from many angles, and the support divisions do their utmost to bolster post-merger integration. In terms of the management structure, responsibility is divided between the chairman and the president, who, respectively, head the Board of Directors and Management Committee, with the chairman leading internal auditing, as part of efforts to reinforce oversight of management. This structure is built on the lessons of successes and failures over the course of Kanematsu's history of more than 130 years.

Building on that foundation, in recent years, Kanematsu has been implementing numerous measures to adapt to changing management issues, such as increasing diversity on the Board of Directors, welcoming outside directors who can provide advice and oversight regarding management strategy, and establishing the Sustainability Management Committee. Kanematsu is focusing on real efficacy, not just form, and as an outside Audit & Supervisory Board member, I will do my utmost to contribute to effective corporate governance.

Offering a New Perspective Based on Distinct Experience

Hiroyuki Sasa

Apr. 2012	President and Representative Executive Director, Olympus Corporation
Apr. 2019	Director, Olympus Corporation
Jun. 2020	Outside Director, Kyosan Electric Manufacturing Co., Ltd. (incumbent)
Jun. 2022	Outside Director, Kanematsu Corporation (incumbent)

The rapid changes in the operating environment brought about by such factors as the COVID-19 pandemic and the Russian invasion of Ukraine are profoundly affecting politics, the economy, and culture worldwide. The growing pace, scale, and scope of such changes in recent years have made their impacts unavoidable for businesses everywhere. Amid such change, Kanematsu, having passed the halfway point of its *future 135* medium-term vision, has reaffirmed its commitment to the vision's basic policy, which remains unchanged. This entails squarely facing change with unflinching resolve while remaining firmly rooted in "the pioneering spirit of our predecessors" and "imagination and ingenuity" (as outlined in "Our Beliefs: Kanematsu's Guiding Principles"). I think that this is the essence of Kanematsu's management approach. Kanematsu's policy under *future 135* is to pursue "sustainable growth in fundamental businesses" and "promote business investment in areas of strength to achieve expansion of scale and acquisition of added value." As such, I'd like to share some thoughts on my role at Kanematsu.

I think that I can offer unique experience in three areas. The first is experience at a manufacturer. I hope to use the ways of thinking and seeing things I learned there, which are completely different from those of a trading company, to bring a breath a fresh air to ways of doing things and management. Specifically, I think that my distinct experience could be put to use in investment aimed at securing added value and new businesses. Second is the experience of weathering a crisis that threatened the survival of the company. I took the helm of management at Olympus after all the directors had resigned following a scandal in 2011. The entire company worked together to face the crisis—indeed, squarely, and with unflinching resolve—and came out the other side. Drawing on this experience, I aim to contribute to setting the right speed and scale of response to change. Third is experience with transformation into a truly global company. At Olympus, around 80% of the company's sales were already overseas, but its internal organization and systems had not been updated accordingly, and it was not really a global company in terms of Group management. I resolutely advanced reforms, which are still ongoing today. I similarly hope to help make Kanematsu a truly global company in both form and substance.

I think that these three areas of experience will be particularly relevant to Kanematsu's Guiding Principles and *future 135* in terms of diversity and responding to change. I will do my utmost to contribute to the Company by leveraging this experience to provide precise, timely advice.

Corporate Governance

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

Corporate Governance Structure (as of July 2022)

Role and composition of each body

Body	Board of Directors	Nominating Committee	Compensation Committee	Management Committee
Composition	**7 members** • Presiding officer: Chairman of the Board of Directors • Standing directors: 3 • Outside directors: 3	**4 members** • Committee chair: Outside director • Chairman of the Board of Directors • Outside directors: 2	**4 members** • Committee chair: Outside director • President •Outside directors: 2	**12 members** • Presiding officer: President • Chairman of the Board of Directors • Executive officers: 10
	Three of the seven directors are outside directors in order to promote appropriate decision making and further reinforce the supervision of business execution.	Three of the four members, including the committee chair, are independent outside directors. The committee reinforces the independence, objectivity, and accountability of the Board of Directors.	Three of the four members, including the committee chair, are independent outside directors. The committee reinforces the independence, objectivity, and accountability of the Board of Directors.	The committee has 12 members, comprising the chairman of the Board of Directors and certain executive officers, including the president.
Objective, Authority, and Function	The Board of Directors decides on matters required of it as set out in law and Kanematsu's Articles of Incorporation as well as management policy and other important matters related to business execution. The Board also provides oversight of the business execution of directors and executive officers by taking up important matters referred from the Management Committee and receiving various reports. Decisions regarding the execution of other business operations (mainly matters to be reported as stipulated in the Board of Directors regulations) are delegated to the Management Committee or executive officers in accordance with the rules on administrative authority established by the Board of Directors.	In response to inquiries from the Board of Directors, the Nominating Committee deliberates on 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. Based on these deliberations, the committee provides advice and recommendations to the Board of Directors.	In response to inquiries from the Board of Directors, the Compensation Committee deliberates on such matters as policy regarding the setting of compensation levels and types for individual directors and executive officers, the compensation itself, as well as the necessary policy, rules, and procedures for reaching related resolutions. Based on these deliberations, the committee provides advice and recommendations to the Board of Directors.	The executive officer system has been adopted 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 the Management Committee established as an executive body. The Management Committee establishes basic policies for Companywide general business execution in accordance with policies determined by the Board of Directors and provides instruction and guidance on the execution of business.
Meeting Frequency	Regular meetings: Once a month Extraordinary meetings held as needed	Held as needed	Held as needed	Generally twice a month Extraordinary meetings held as needed
Meetings in Fiscal 2022	19	9	2	26

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.

Standing (Male) / Outside (Female, Male)

	Audit & Supervisory Board	Project Deliberation Committee	Internal Control and Compliance Committee	Sustainability Management Committee
	4 members • Presiding officer: Standing Audit & Supervisory Board member • Standing Audit & Supervisory Board member: 1 • Outside Audit & Supervisory Board members: 2	**3 members** • Presiding officer: Chief Officer of Credit Control • Executive officers: 2 (chief officers of finance and accounting and corporate planning)	**5 members** • Committee chair: Chairman of the Board of Directors • Committee vice-chair: President • Executive officers: 3	**7 members** • Committee chair: Chief Officer of Corporate Planning • Executive officers: 6
	Two (half) of the four Audit & Supervisory Board members are outside members in order to increase the transparency of management and create a more equitable, efficient, and sound company.	The committee comprises the chief officers of credit control, finance and accounting, and corporate planning	The committee has five members, comprising the chairman of the Board of Directors and certain executive officers, including the president.	The committee comprises six officers from business divisions (executive officers) and the chief officer of corporate planning (an executive officer), who chairs the committee.
	Kanematsu uses the audit & supervisory board system. The Audit & Supervisory Board and its members act independently to audit directors' performance of their duties. The Audit & Supervisory Board works with the Board of Directors to provide part of the Company's auditing function and audits the directors' performance of their duties as an independent body acting on behalf of shareholders.	To speed up the decision making, enhance deliberations, and minimize business risks, prior to resolutions on such important matters as major investments and loans, the Project Deliberation Committee examines and deliberates the matters in question from a Company-wide perspective and provides advice to the respective decision-making bodies or individuals.	As a Companywide internal body, the Internal Control and Compliance Committee comprehensively assesses risks facing the Kanematsu Group, seeks to enhance operational effectiveness and efficiency, and strives to ensure the reliability of Group financial reporting.	To help solve increasingly serious social and environmental problems, including climate change, Kanematsu established the Sustainability Management Committee, which deliberates on climate-related risks identified and evaluated by the business divisions. The committee also regularly calculates the Group's CO_2 emissions and discusses changes in emissions and policy for related measures as part of implementing comprehensive risk management.
	Regular meetings: Once a month Extraordinary meetings held as needed	Extraordinary meetings held as needed (About twice a month)	Generally held twice a year, in April and July	Held as needed
	13	18	2	6

The Evolution of Our Corporate Governance System (as of the end of the General Meeting of Shareholders following each fiscal year-end)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
System				Expanded the executive officer system								
Committees						Established the Nominating Committee and Compensation Committee						
Directors		10	10	6	7	7	8	8	6	6	6	7
Standing directors		10	10	5	5	5	5	5	4	4	4	4
Outside director		0	0	1	2	2	3	3	2	2	2	3
Outside director ratio		0%	0%	17%	29%	29%	38%	38%	33%	33%	33%	43%
Audit & Supervisory Board members		4	4	4	4	4	4	4	4	4	4	4
Outside Audit & Supervisory Board members		3	3	2	3	3	3	3	3	2	2	2
Nominating Committee	Committee chair					Standing	Standing	Standing	Standing	Standing	Standing	Outside
	Members					4	4	3	3	3	3	4
	(Outside members)					3	3	2	2	2	2	3
Compensation Committee	Committee chair					Standing	Standing	Standing	Standing	Standing	Standing	Outside
	Members					4	4	3	3	3	3	4
	(Outside members)					3	3	2	2	2	2	3

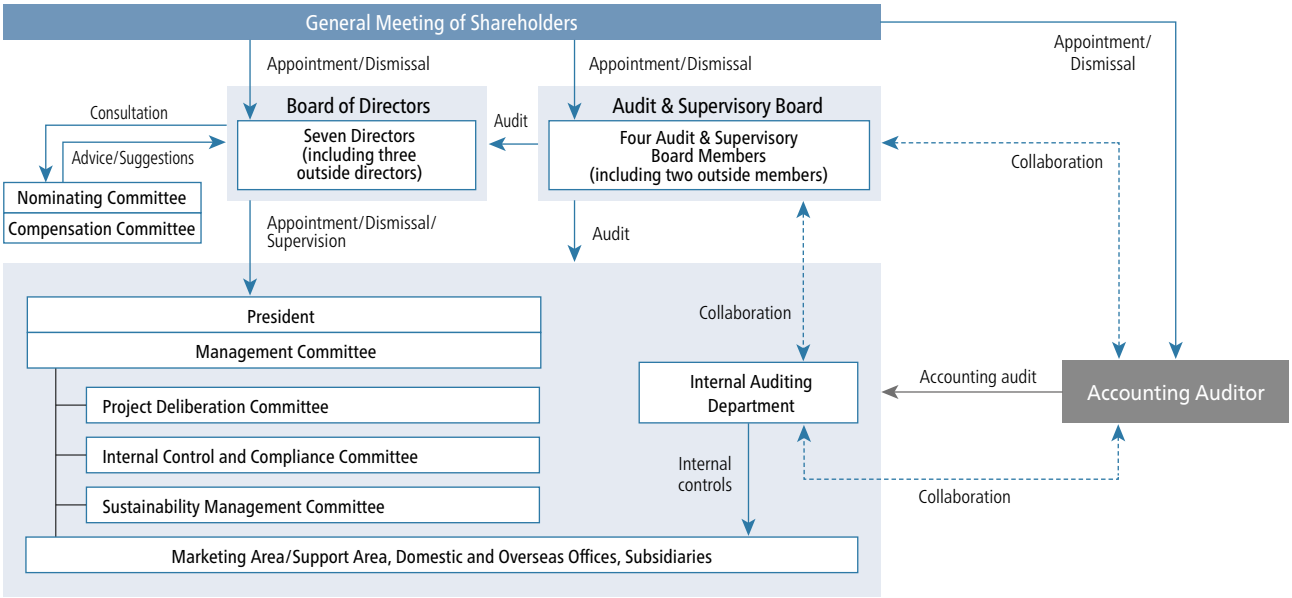
Meeting Attendance (Fiscal 2022), Professional Background, and Skill Matrix

		Professional background		Board of Directors		Nominating Committee	Compensation Committee
		Experience as corporate officer or division chief officer at Kanematsu	Overseas work experience		FY2022 attendance		
Kaoru Tanigawa	Chairman	Chief Officer, Electronics & Devices Division; Chief Officer, Corporate Planning; President; Chairman; Chief Officer, Internal Auditing Dept. (incumbent)	U.S.A. (15 years)	○ Presiding officer	19/19	○	
Yoshiya Miyabe	President	Deputy Chief Officer, Electronics & IT Division; Chief Officer, Motor Vehicles & Aerospace Division; President (incumbent)	U.S.A. (10 years)	○	19/19		○
Tetsuro Tsutano	Director	Chief Officer, Finance, Accounting, Business Accounting; Chief Officer, Corporate Planning and IT Planning (incumbent)	U.S.A. (4 years)	○	19/19		
Shuji Masutani	Director	Chief Officer, Finance, Accounting, Business Accounting (incumbent)	U.K. (2 years) Germany (2 years)	○	–		
Yuko Tahara	Director (outside, independent)	Outside director (incumbent)		○	19/19	○	○ Chair
Kazuhiro Tanaka	Director (outside, independent)	Outside director (incumbent)		○	19/19	○ Chair	○
Hiroyuki Sasa	Director (outside, independent)	Outside director (incumbent)	U.S.A. (5 years)	○	–	○	○
Tetsuro Murao	Audit & Supervisory Board member	Chief Officer, Machinery and Plant Division; Chief Officer, Human Resources & General Affairs, Corporate Planning, and Sales Administration; Audit & Supervisory Board member (incumbent)	Egypt (4 years) Poland (4 years)		19/19		
Motohisa Hirai	Audit & Supervisory Board member	President, an overseas subsidiary (Hong Kong); Audit & Supervisory Board member (incumbent)	Germany (6 years) Hong Kong (3 years)		19/19		
Yusaku Kurahashi	Audit & Supervisory Board member (outside, independent)	Outside Audit & Supervisory Board member (incumbent)			18/19		
Nobuko Inaba	Audit & Supervisory Board member (outside, independent)	Outside Audit & Supervisory Board member (incumbent)			13/14		

Details regarding the professional background of each director and Audit & Supervisory Board member are available in the Notice of the 128th Ordinary General Meeting of Shareholders.

Notice of the 128th Ordinary General Meeting of Shareholders p. 18

Corporate Governance Structure (as of June 24, 2022)



	Management Committee	Audit & Supervisory Board		Skills needed for medium- and long-term management strategy and the Board of Directors								
				Medium- to long-term enhancement of corporate value				Business investment		Sustainability, DX		
			FY2022 attendance	Corporate management	Business strategy planning	Human resource management	Governance	Investment decisions	Finance	SDGs (ESG) management thinking	Technology/ DX	Innovation
	○			◎	◎	○	◎	◎	○	○	◎	○
	○ Presiding officer			◎	◎	○	○	◎	○	○	◎	◎
	○				◎		○	◎	◎	◎		◎
	○						○	◎	◎			
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		○	13/13	○	◎	◎	◎					
		○	13/13				◎					
		○	13/13				◎					
		○	10/10	○			◎					

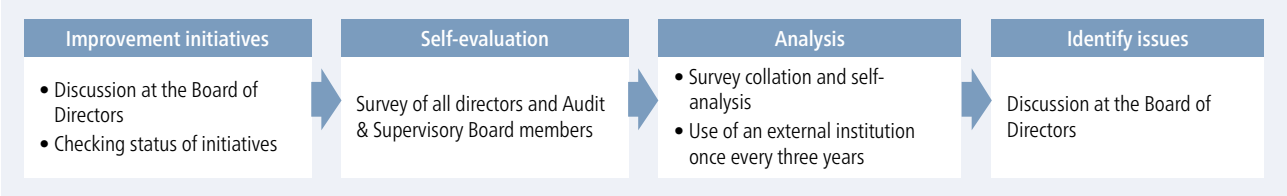
Notes:
1. Areas in which individuals possess expertise and experience are marked with "○," while areas in which they are particularly expected to contribute are marked with "◎."
2. Directors Shuji Masutani and Hiroyuki Sasa were appointed at the June 24, 2022 General Meeting of Shareholders.
3. As Audit & Supervisory Board member Nobuko Inaba was appointed at the June 23, 2021 General Meeting of Shareholders, the numbers of meetings of the Board of Directors and Audit & Supervisory Board that she was eligible to attend differ from those for the other directors and Audit & Supervisory Board members.

https://www.kanematsu.co.jp/en/ir/files/Notice_of_the_128th_ordinary_General_Meeting_of_Shareholders.pdf

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 2021 evaluation, the Board of Directors and its secretariat implemented the measures listed below in fiscal 2022. We will continue working to resolve issues on an ongoing basis.

Board of Directors Effectiveness Evaluation Process



Initiatives to Address Issues Identified in the Previous Year

Issues	Initiatives in Fiscal 2022
Board of Directors composition	• Secured the diversity of members and discussed skills needed in the Board of Directors identified in the skill matrix. Decided to seek an outside director with corporate management experience from the perspective of promoting investment, part of the *future 135* medium-term vision. • Raised the proportion of outside directors from two of six (33%) to three of seven (43%).
Board of Directors discussions and operations	Clarified the spheres and roles of the Board of Directors and Management Committee and narrowed down the proposals that go to the Board of Directors for approval, mainly in areas of rules and personnel. Reduced the overall number of proposals put before the Board by about 25%, enabling the Board to spend more time on discussions of management strategy, corporate governance, and other important matters.
Knowledge and training necessary for Board members	Considered implementing training on topics that many raised in the effectiveness evaluation. Held DX training for executives with an outside expert.
Dialogue with shareholders and investors	Shared transcripts of IR meetings at the Board of Directors and created a feedback system for reflecting requests from investors in our messaging and disclosure.

Survey Items

- Board of Directors composition, operation, and discussions
- The monitoring function of the Board of Directors
- Support system and training for directors and Audit & Supervisory Board members
- Dialogue with shareholders and investors
- Initiatives undertaken by individuals

Issues to Address Going Forward

- Composition of the Board of Directors and Management Committee
- Medium- and long-term growth strategy; approach to financial and non-financial aspects
- Utilizing human capital and personnel system reform
- Support system for outside directors

Director and Audit & Supervisory Board Member Compensation

Total 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)	236	152	40	43	4
Outside Directors	19	19	–	–	2
Audit & Supervisory Board Members (excluding outside members)	56	56	–	–	2
Outside Audit & Supervisory Board Members	19	19	–	–	3
Total	331	247	40	43	11

Basic Policy

Kanematsu's basic policy for director compensation is to adopt a compensation system that is linked to the interests of shareholders in order to ensure that the system sufficiently incentivizes the sustainable enhancement of corporate value, while also ensuring that the compensation of individual directors is set at levels appropriate to their respective responsibilities.

Specifically, compensation for executive directors consists of basic compensation as fixed compensation, performance-linked compensation, and stock compensation. Compensation for Outside Directors, who provide oversight, consists of only basic compensation in light of their duties.

Director and Audit & Supervisory Board Member Compensation System

Executive Directors

Basic Compensation

Monthly fixed compensation

Performance-Linked Compensation

- Cash compensation that reflects the performance indicator (profit for the year attributable to owners of the Parent)

- An amount calculated based on the performance indicator (profit for the year attributable to owners of the Parent) and its value is paid as a bonus once a year
- Total payment amount: 0.25% of profit for the year attributable to owners of the Parent (or ¥0 if profit for the year attributable to owners of the Parent is less than ¥5.0 billion) or ¥50 million, whichever is less
- The amounts paid to individual directors are determined by dividing the total payment amount in proportion to points set out for each rank

Rank-Based Points and Maximum Individual Payment Amounts

Rank	Chairman of the Board of Directors President	Vice President	Director and Senior Managing Executive Officer	Director and Managing Executive Officer	Director and Senior Executive Officer	Director and Executive Officer
Points	1.0	0.74	0.59	0.53	0.45	0.37
Maximum individual payment (thousands of yen)	14,400	10,700	8,500	7,600	6,500	5,300

- Individual payment amount formula:

Individual payment amount = Total payment amount × The individual's rank-based points ÷ Sum of rank-based points awarded to all directors

Stock Compensation

- Stock compensation that reflects the performance indicator (profit for the year attributable to owners of the Parent); the number of shares to be granted is calculated in accordance with the level of achievement of performance targets set forth in the medium-term business plan and other factors, and shares are delivered upon retirement
- This compensation is also granted to executive officers
- Compensation is the total of amounts calculated each year during the term of the medium-term business plan (April 1, 2018 to March 31, 2024) (amounts less than ¥1 are rounded up to the nearest yen)

Stock compensation = Amount of performance-linked stock compensation × The individual's rank-based points ÷ Sum of rank-based points awarded to all directors

Profit for the year attributable to owners of the Parent	Less than ¥5.0 billion	¥5.0 billion to less than ¥25.0 billion	¥25.0 billion to less than ¥30.0 billion	¥30.0 billion or above
Performance-linked stock compensation amount formula	0	Profit for the year attributable to owners of the Parent × 0.18%	Profit for the year attributable to owners of the Parent × 0.20%	¥60 million

- Individual payment formula (for individuals who were directors on the final day of the evaluation period)

Stock issuance points = Stock compensation amount ÷ Per-share book value of Kanematsu stock held by the trust

- Maximum Shares (Stock Issuance Points) Awarded per Fiscal Year

Rank	Chairman of the Board of Directors President	Vice President	Director and Senior Managing Executive Officer	Director and Managing Executive Officer	Director and Senior Executive Officer	Director and Executive Officer
Maximum shares (stock issuance points)	53,000	39,000	31,000	28,000	23,000	19,000

Monetary compensation: Annual monetary compensation is capped at ¥300 million for directors (including ¥40 million for outside directors) and ¥84 million for Audit & Supervisory Board members

The funds to be contributed by the Company to acquire Company shares needed to for delivery to directors have been set at ¥450 million; shares may be acquired through the stock market or through the disposal of treasury stock.

40%–70% of total compensation	15%–45% of total compensation	15%–30% of total compensation

Policy and methods for deciding compensation amounts and calculation methods

Board of Directors
- Decides amounts within the maximum amount of director compensation decided by resolution of the General Meeting of Shareholders.
- Decides calculation methods and amount determination policies based on recommendations from the General Meeting of Shareholders

Compensation Committee
- Deliberates on policy for determining the content of compensation for individual directors, the content of compensation, the basic policy necessary to make resolutions on these, rules, and procedures and makes recommendations to the Board of Directors.

The Compensation Committee considers the proportion of each type of compensation for executive directors, taking into account compensation levels benchmarked against companies of a similar business scale to the Company or in related industries or with similar business formats; the Board of Directors respects such considerations when determining the details of compensation for each director.

Outside Directors

Basic Compensation

Outside directors are paid only monthly compensation and are not paid performance-linked compensation.

Audit & Supervisory Board Members

Basic Compensation

Audit & Supervisory Board members are paid monthly compensation determined by the Audit & Supervisory Board and are not paid performance-linked compensation.

Annual Securities Report (Japanese) https://www.kanematsu.co.jp/ir/library/yuho.html

Internal Control

The Kanematsu Group's Internal Control System

To provide systems for ensuring appropriate business operations as stipulated in the Companies Act and the Regulations for Enforcement of the Companies Act, Kanematsu has adopted the "Basic Policy on the Establishment of Internal Control Systems" by resolution of the Board of Directors (established May 1, 2006, last amended June 24, 2022). The Company maintains and operates an internal control system in accordance with this basic policy.

In addition, in line with internal control reporting systems defined in the Financial Instruments and Exchange Law, we have established the "Kanematsu Group's Internal Control Overall Policy". The effectiveness of internal control regarding Groupwide governance, settlement of accounts, IT, and operational processes is internally monitored by the companies and divisions that implement such operations as well as by the Legal and Compliance Department, which provides independent assessment.

Furthermore, we have established the Internal Control and Compliance Committee to head the Group's overall internal control. This committee carries out planning, conducts research, and provides recommendations and guidance regarding internal control development, operation, and assessment.

Compliance

The Internal Control and Compliance Committee provides support and guidance to ensure that the Group maintains proper compliance. As part of such efforts, the committee has prepared the *Kanematsu Group Compliance Handbook*, which explains related measures with concrete examples and clearly states that the Group rejects any and all ties with antisocial forces. The Handbook has been made available through the Company intranet to promote thorough awareness. The Handbook also clearly lays out the system of division and Group company compliance officers, rules for reporting Compliance Matters, and the hotline systems for directly reporting to and consulting with Internal Control and Compliance Committee members or external counsel.

In addition to the Handbook, we are implementing internal training to promote strict compliance, including the prevention of bribery and corruption. To educate employees about harassment, we have prepared and circulate a *Harassment Handbook* that features concrete examples, and we highlight examples of harassment as part of our internal compliance training. We also implement management training on handling reports and incidents of bullying and harassment. Through these efforts, we are working to further instill and enhance compliance awareness on an ongoing basis.

Furthermore, at meetings of Group company presidents, which bring together the top management of Kanematsu and its main subsidiaries and affiliates, participants discuss Groupwide issues and share information related to internal control, compliance, and risk management.

When a Compliance Matter occurs within the Group, it is promptly reported to the Internal Control and Compliance Committee, which provides opinions and directions regarding the matter as necessary. The compliance officer of the division or Group company where the matter occurred then takes corrective action and implements measures to prevent recurrences, respecting the committee's opinions and directions to the greatest extent possible.

* "Compliance Matter" means matters which may damage company property or reputation of Kanematsu Group through violation of laws and regulations, company regulations or general societal norms.

Bribery Prevention Initiatives

The Kanematsu Group Compliance Handbook lays out the Group's prohibitions on bribery and excessive gifts and entertainment for business partners, both in Japan and overseas, with a view to ensuring fair business activities.

1. Prohibition of Bribery

Under the laws of the countries in which the Group operates, the Kanematsu Group's officers and employees are forbidden from engaging in the bribery of public officials or persons in comparable positions (such as officers and employees of JBIC, JETRO, JICA, or foreign state-run companies).

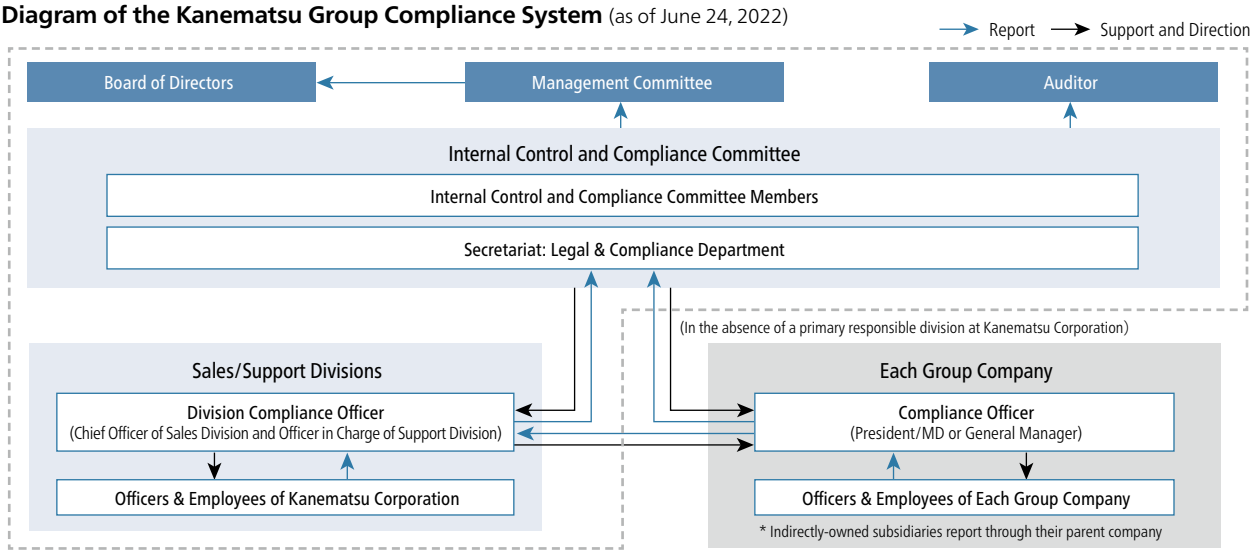
2. Prohibition of Excessive Gifts and Entertainment

The Kanematsu Group prohibits the provision of entertainment, gifts, or other tangible or intangible benefits in excess of reasonable, socially acceptable norms to officers and employees of business partners, whether in Japan or overseas, regardless of whether they are public or quasi-public officials or officers or employees of private companies and regardless of whether such provision is funded by the Company or personally by individuals. In addition, when entertainment or gifts are provided to business partners for legitimate business purposes, such entertainment or gifts must be applied for and approved in advance in accordance with the internal rules established by each Group company.

3. Raising Awareness of Compliance with the Laws of Relevant Countries

The Kanematsu Group takes steps to raise awareness internally of compliance not only with Japan's Unfair Competition Prevention Act, but also with laws under which acts committed by Japanese companies outside the United States or United Kingdom are punishable, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act.

Diagram of the Kanematsu Group Compliance System (as of June 24, 2022)



Information Management System

Information Asset Categorization

Under the leadership of departmental information officers (chief officers of business divisions and administrative departments), each organization within Kanematsu organizes the information assets handled in its business operations into three categories of confidentiality (strictly confidential, internal use only, and general). The categorization is reviewed annually to promote awareness among officers and employees.

Information Asset Management

Important information assets categorized as strictly confidential or internal use only, whether recorded on paper, in digital form, or using other analog media, are managed and utilized in accordance with the Information Asset Management Rules, which stipulate procedures for their appropriate handling, as well as detailed regulations for general employees and information system managers that specify procedures and key points to be observed.

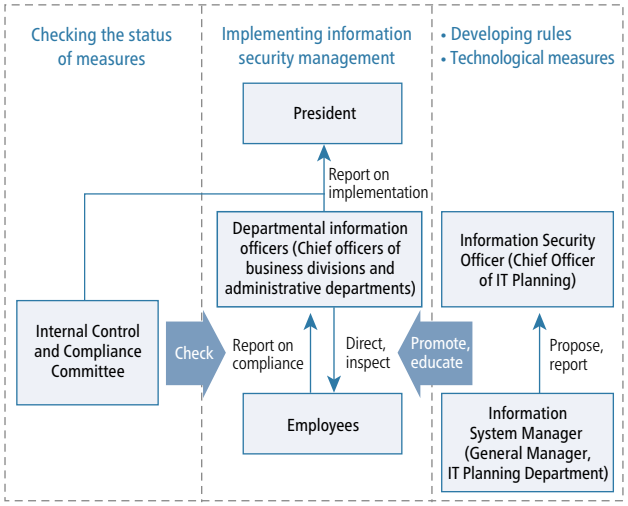
Information Asset Retention

In light of the demand for digitization, detailed rules for document retention have been integrated into the subordinate rules of the Information Asset Management Rules, and data and paper documents are retained for a specified period of time in accordance with relevant laws and regulations.

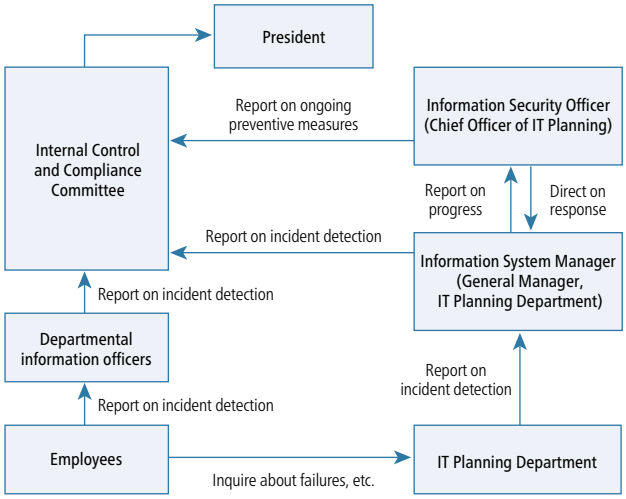
Incident Response

Because the risk of information leaks cannot be completely eliminated, Kanematsu has designated procedures for handling leaks of important information assets and other such incidents. In the event of such an incident, the Internal Control and Compliance Committee gathers information and works with relevant departments to implement a response.

Information Security Management System



Incident Response System



Risk Management System

The Kanematsu Group has established the following framework for managing risks by risk category. Specific risk countermeasures are disclosed in the notice of the Ordinary General Meeting of Shareholders and in the annual Securities Report (in Japanese).

Risk Management System (Japanese) ➤ https://www.kanematsu.co.jp/ir/library/yuho.html

Business Risk Categories, Definitions, and Departments Responsible

The Risk Management Guidelines categorize and define the Kanematsu Group's business risks and specify the primary department responsible for the management of each. The designated departments regularly take steps to identify specific risks, understand the mechanisms of risk realization, frequency, and impact, formulate responses for when risks are realized, and gather information to detect signs of risks.

The Kanematsu Group has established an internal approval request system based on the Rules on Delegation of Authority for making judgments and decisions about business risks. The Project Deliberation Committee evaluates important investments and loans, including their execution, continuance, and withdrawal, based on the comprehensive examination of relevant risks, aiming to minimize the Group's losses and promote sound business growth.

Category	Subcategory	Definition	Department responsible
Market risk	Commodity risk	The risk of incurring losses on trading of commodities and other goods in Japan or overseas due to severe fluctuations in commodities markets or declining demand as a result of changes in market conditions, price reductions due to competition, obsolescence due to technological innovation, etc.	Business Accounting Department
	Exchange rate risk	The risk of incurring losses on transactions denominated in foreign currencies due to exchange rate fluctuations	Finance Department
	Interest rate risk	The risk of incurring losses due to interest rate fluctuations	Finance Department
	Investment risk	• The risk of incurring losses in investment transactions of marketable securities due to stock market fluctuations, etc. • The risk of incurring losses due to inability to liquidate investments	Credit Control Department
	Business investment risk	• The risk of incurring losses due to fluctuations in the value of business investments made to further develop existing businesses or expand business areas attributable to market risks or investees' financial condition or business success or failure • The risk of incurring losses due to inability to develop businesses as planned or withdraw because of local laws or relationships with partners, etc.	Corporate Planning Department
Credit risk	Transactional credit risk	• The risk of incurring losses due to late repayments or defaults on credit extended by the Group, such as accounts receivable, advance payments, loans, and guarantees, because of deterioration in the financial standing of trading partners, etc. • The risk of being forced to honor obligations and thereby incur a monetary loss due to a trade partner's default on its obligation or contract in the course of forming and carrying out commodity supply agreements, subcontract agreements, or other agreements	Credit Control Department
	Country risk	The risk of incurring losses in overseas transactions, investments, and loans due to the suspension of foreign payments because of political and economic conditions in the relevant country, etc.	Credit Control Department
Operational risk	Legal risk	The risk of incurring additional costs or other losses due to changes in laws and regulations or differences in the recognition or interpretation of contracts with business partners	Legal and Compliance Department
	Information security risk	• The risk of negative effects on corporate activities due to information, either in tangible or intangible form, not being properly stored or preserved • The risk of incurring damages due to the leaking of confidential or personal information	IT Planning Department (General Affairs Department)
	Environmental risk	The risk of incurring business disadvantage due to being avoided by business partners or society as a result of actions that are detrimental to the environment	General Affairs Department
	Operation risk	The risk of incurring losses due to designated business processes not being carried out or being overlooked despite having in place internal rules and regulations governing corporate activities	Support divisions
	Compliance risk	The risk of incurring tangible or intangible losses due to the occurrence of legal or regulatory violations or wrongdoing as a result of such issues being overlooked despite having in place preventive countermeasures	Legal and Compliance Department (Logistics and Insurance Dept, Food Safety Management Office)

Business Investment Process

The Kanematsu Group does not pursue investment to secure short-term gains, rather, it does so with the general assumption that investments will be held long-term. After executing an investment, we make full use of the Group's functions to maximize the enterprise value of the investee, increase trading revenue, and improve consolidated earnings.

In addition, in order to grow business revenue and ensure prompt withdrawal from inefficient investments, we conduct thorough periodic reviews and monitor investees, evaluating them both qualitatively (the purpose of holding the investment) and quantitatively (related revenue, dividend income, and other returns, etc.) to determine whether each investment justifies the Company's cost of capital.

Decision-Making Process

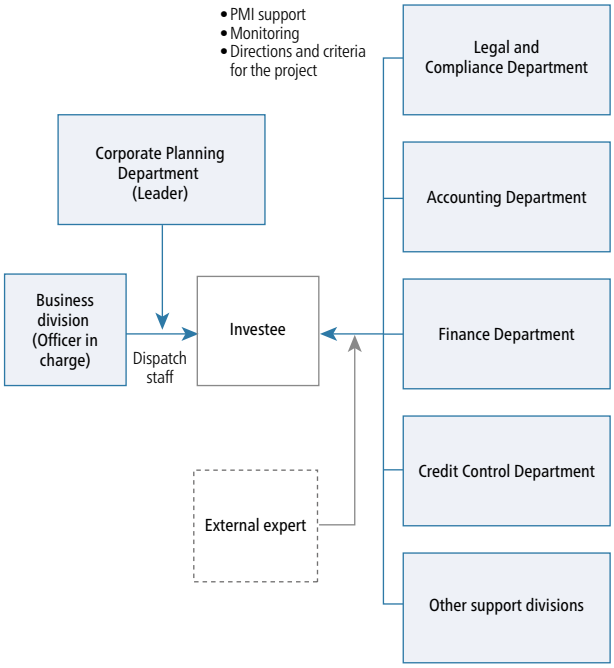
Carefully deliberating each investment, we employ the insight and experience of the support divisions at every step from initial consideration to execution. Depending on the size of the investment, particular deliberative bodies select and decide on projects.

Business investment process details p11

Consideration of Sustainability and Issues of High Materiality

The importance of sustainability and ESG management is growing worldwide. In light of this and aiming to help achieve the Sustainable Development Goals (SDGs), the Kanematsu Group has, since April 2020, included its approach to sustainability and issues of high materiality as factors for consideration in its deliberations and decision making regarding all investments, as well as important contracts and the acquisition of important assets.

Business Investment Process Support System



Post-Merger Integration Promotion System

The Kanematsu Group works to enhance its system for ongoing post-merger integration (PMI) to ensure that investees are appropriately managed as members of the Group and maximize their enterprise value. Specifically, the qualitative standards of the investment guidelines applied when making an investment include provisions for clarifying the officer at Kanematsu responsible for PMI and dispatching a representative from Kanematsu who is highly knowledgeable about the investee's business. This is intended to promote close collaboration with Kanematsu's support divisions, which offer sophisticated expertise, and thereby make maximum use of the Company's functions.

Monitoring and Asset Replacement

At their monthly information sharing meetings, the support divisions share information about everything from pre-approval investment planning to post-investment monitoring, progress, and items of concern. This information is also reported to members of the Management Committee.

When a problem arises in business implementation following an investment, the support divisions issue directions for improvement to the relevant business divisions and report on related measures and plans to Kanematsu's deliberative bodies as necessary.

Based on monitoring, we advance the replacement of low-efficiency assets and businesses when they meet our exit criteria or their strategic purpose in the portfolio has diminished.

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 domestic 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 issues 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.

Corporate Officers

(As of June 24, 2022)

Directors and Audit & Supervisory Board Members

Kaoru Tanigawa
Chairman

Shares held: 35,800

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

Yoshiya Miyabe
President

Shares held: 20,500

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

Tetsuro Tsutano
Director

Shares held: 24,500

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

Shuji Masutani
Director

Shares held: 1,600

1990 Joined Kanematsu Corporation
2021 Executive Officer
2022 Director, Executive Officer (incumbent)

Yuko Tahara
Director (Outside)

Shares held: 0

1998 President and CEO, Basic Inc. (incumbent)
2012 Representative Director, Frame & Work Module Promotion Association (incumbent)
2018 Outside Director & Member of the Audit and Supervisory Committee, Sanyo Homes Corporation (incumbent)
2019 Outside Director, Kanematsu Corporation (incumbent)
2021 Professor, School of Professional Education, The Graduate School of Information & Communication (now the Graduate School of Social Design) (incumbent)

Kazuhiro Tanaka
Director (Outside)

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
2020 Outside Director, Kanematsu Corporation (incumbent)

Hiroyuki Sasa
Director (Outside)

Shares held: 0

2012 Director, Representative Executive Officer, President, Olympus Corporation
2019 Director, Olympus Corporation
2020 Outside Director, Kyosan Electric Manufacturing Co., Ltd. (incumbent)
2022 Outside Director, Kanematsu Corporation (incumbent)

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

Shares held: 9,500

1976 Joined Kanematsu-Gosho Ltd.
2014 Senior Managing Executive officer
2015 President, Shintoa Corporation
2018 Outside Director (Audit & Supervisory Committee Member), Kanematsu Sustech Corporation
2019 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)

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

Shares held: 4,600

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 (Outside)

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 (Outside)

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, Mr. Kazuhiro Tanaka and Mr. Hiroyuki Sasa 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. Hiroyuki Sasa, 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
Senior Managing Executive Officer
Chief Officer, Steel, Materials & Plant Division, Green Transformation Committee Chair
General Manager, Osaka Branch; General Manager, Nagoya Branch

Masahiro Harada
Managing Executive Officer
Chief Officer, Electronics & Devices Division, Digital Transformation Committee Chair

Kazuo Tanaka
Senior Executive Officer
Chief Officer, Human Resources, General Affairs, Logistics & 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.; General Manager, Chicago Head Office

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

Yoichiro Muramatsu
Executive Officer
President, Kanematsu GmbH; President, Kanematsu Europe PLC; General Manager, The Representative of Kanematsu GmbH Budapest; General Manager, The Representative of Kanematsu GmbH Milano

Jun Nakajima
Executive Officer
Chief Officer, Grain, Oilseeds & Feedstuff Division

Toru Hashimoto
Executive Officer
Chief Officer, Meat Products Division

Koichi Nishimura
Executive Officer
Chief Officer, Foods Division

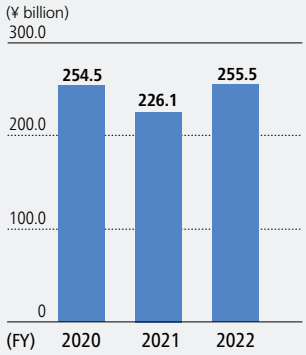
Akihiro Fujita
Executive Officer
Deputy Chief Officer, Electronics & Devices Division; General Manager, Electronics Planning Office

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

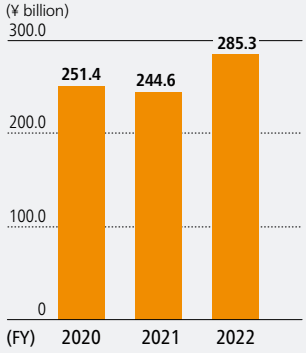
Shuji Masutani
Executive Officer
Chief Officer, Finance, Accounting, Business Accounting

Business Segments

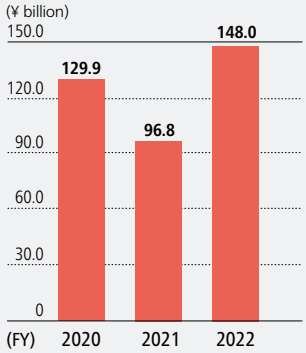
	Main Business	Revenue
Electronics & Devices	• Semiconductor Equipment • Electronic Components and Materials • Industrial Electronics • Semiconductors & Devices • ICT Solutions • Mobile • CCTV Systems • Data, AI, and SaaS	



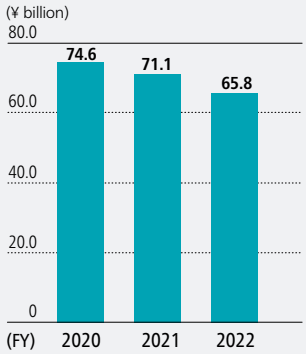
Foods, Meat & Grain		
	Foods	• Foods (agricultural products, marine products, beverages, etc.) • Cooked and Processed Foods • Processed Agricultural Products
	Meat Products	• Meat Products
	Grain, Oilseeds & Feedstuff	• Grain, Food Soybeans, Oilseeds • Feedstuff



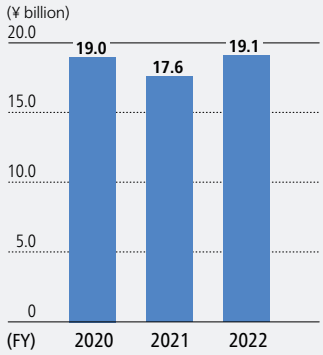
Steel, Materials & Plant	• Steel • Steel Tubing • Chemicals • Energy • Plant & Ships • Machine Tools & Industrial Machinery	



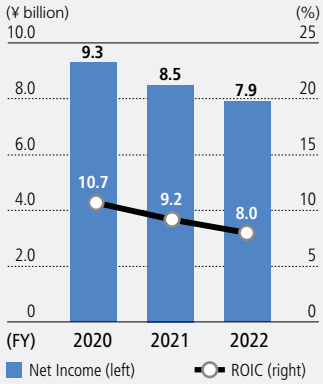
Motor Vehicles & Aerospace	• Motor Vehicles and Parts • Aerospace	

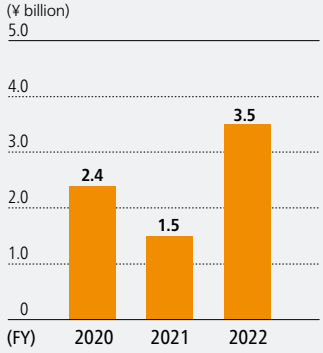


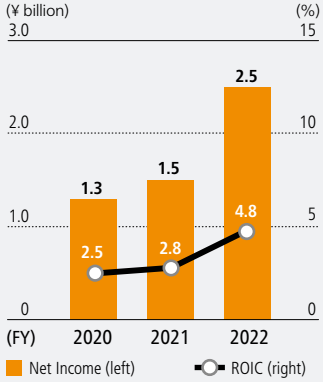
Operating Profit

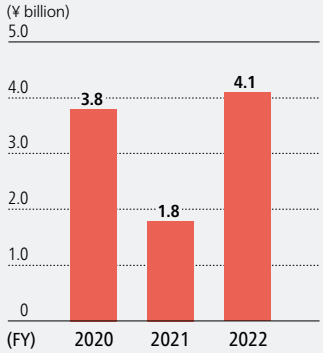


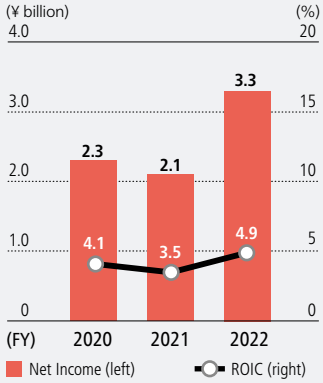
Net Income*/ROIC

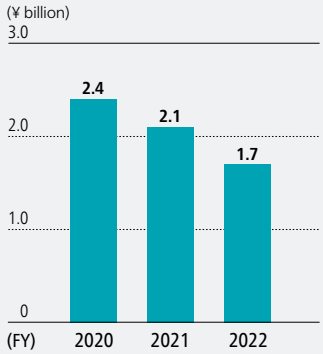


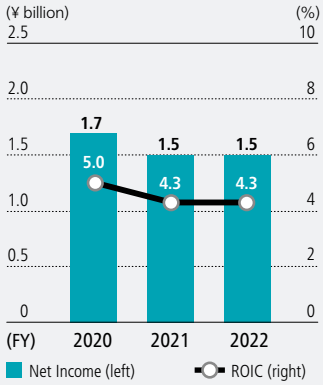






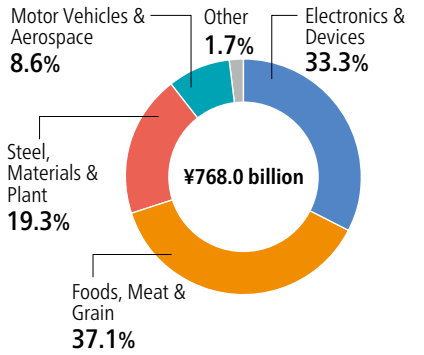




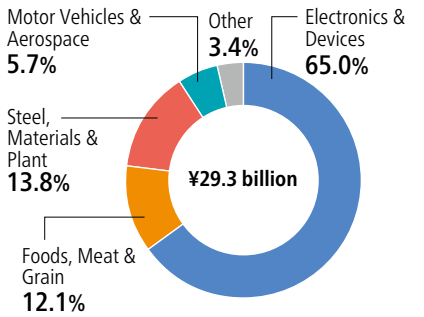


(FY2022)

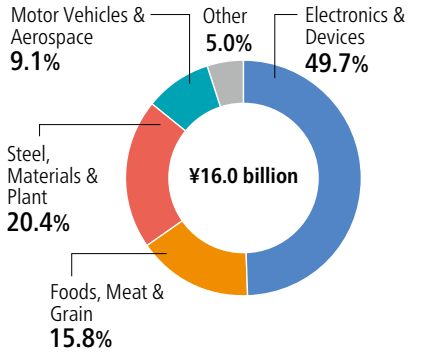
Revenue



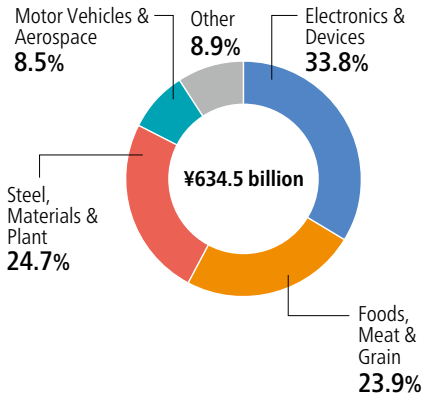
Operating Income



Net Income*



Total Assets



* Profit for the year attributable to owners of the Parent

Electronics & Devices

Masahiro Harada
Managing Executive Officer
Chief Officer, Electronics & Devices Division

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.

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.

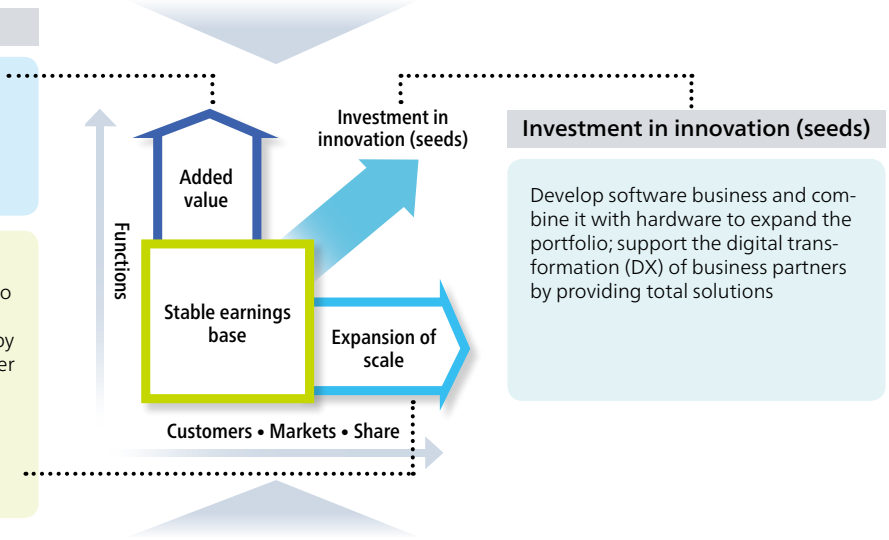
Medium- to Long-Term Market Outlook

The market is expanding and changing extremely quickly. The keys to success will be selection and concentration and being keenly alert to advanced technologies

Strategy

Added value
Become a platform operator by creating a platform for business matching

Expansion of scale
Select and concentrate operations to become a major player in niche areas. Respond to market changes by working toward being a major player in niche areas with an eye to trends on the technological frontier. Deepen relationships with business partners.



Investment in innovation (seeds)

Develop software business and combine it with hardware to expand the portfolio; support the digital transformation (DX) of business partners by providing total solutions

Drivers of Strategy and Innovation (Key Capital)

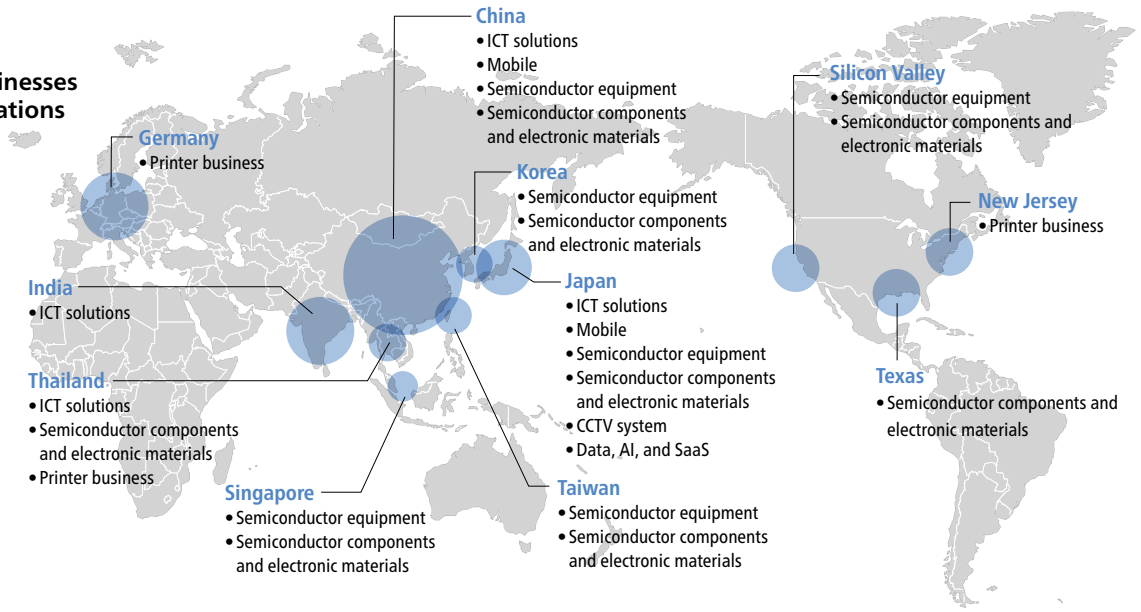
Intellectual capital	50 years of accumulated expertise in the Electronics & Devices business
Human capital	Expert human resources with practical experience in the production and sale of electronics and devices and the ability to create and manage businesses
Social and relationship capital	Trust and longstanding relationships with business partners maintained by expert human resources

Progress toward the Medium-Term Vision: Main Initiatives in Fiscal 2022

In the ICT solutions business, against a backdrop of robust strategic corporate investment, we expanded businesses focused on building virtual desktop infrastructure (VDI) environments, security solutions, and storage. The mobile business was affected by the emergence of online sales and difficulty procuring new smartphone models due to semiconductor shortages, but we continued to acquire mobile phone sales agencies, aiming to maintain and expand our market position.

In the semiconductor component and equipment businesses, supported by the booming semiconductor market, orders and sales of IC test handlers and laser wafer marking equipment expanded. Furthermore, in the electronic materials business, we carried out business investment, including acquiring a company that handles industrial materials and electronic components with the aims of expanding our business scale and generating synergies.

Key Businesses and Locations



We cover the wide-ranging value chains of the electronics and devices industry, leveraging a multilateral, multifaceted business creation perspective.

The Kanematsu Group's Accumulated Expertise

Development → Production → Processing → Distribution → Sale → Maintenance

The Kanematsu Group's operations

Longstanding Relationships: A Word from Our Business Partner

Ishii Hyoki develops, manufactures, and sells industrial electronics. Kanematsu has worked with us for 17 years as a sales agency for the inkjet systems that we develop.

I still remember a time, at a final presentation we made with Kanematsu to a customer in South Korea around the time we began sales there, when the customer started asking about the fine details of the equipment specifications and estimate. We had to work in a frenzy for several days to satisfy them, but finally secured the order.

After South Korea, we worked to expand sales to China and Taiwan. This presented major differences in business culture, but thanks to the support of Kanematsu's local branches and affiliates, we have obtained a large market share.

I look forward to continuing to work with Kanematsu to expand sales of our products globally and further grow our market share.

Toshikazu Kuwada
Corporate Officer and General Manager, Inkjet Business HQ
Ishii Hyoki Co., Ltd.

Business Environment

Opportunities	Action Plan
• 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	• Provide solutions and services in such areas as 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	Countermeasures
• 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	• 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 supply chains by expanding the functions of overseas locations and diversify the portfolio using advanced technologies

Foods, Meat & Grain

Foods

Koichi Nishimura
Executive Officer,
Chief Officer, Foods Division

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.

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, by developing alternative foods, we are working to secure new sources of protein and thereby improve access to nutrition while reducing the environmental burden and other negative impacts of processed food products. Through these efforts, we are contributing to sustainability.

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

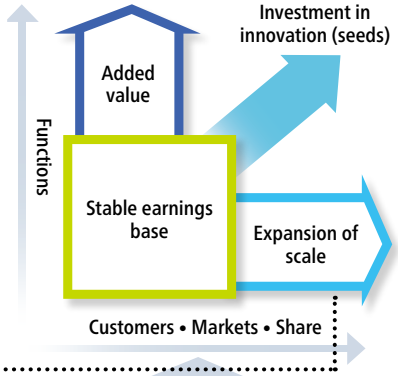
Medium- to Long-Term Market Outlook

Consumer needs are diversifying alongside changes in lifestyles and values. The key to success will be a market-oriented approach.

Strategy

Added value
- Obtain sustainability-related certifications
- Cultivate new production regions and develop high-value-added new products

Expansion of scale
- Expand business by developing ingredients and products that anticipate customer needs and closely align with market demand
- Expand business through the horizontal development of value chains in Indonesia and other Asian countries with growing markets



Investment in innovation (seeds)
- Develop alternative foods using plant-based meat to avoid the protein crisis and help solve food problems
- Implement digital technologies to save labor, increase precision, and create new businesses in the food products industry

Drivers of Strategy and Innovation (Key Capital)

Intellectual capital	Expertise in food product distribution, manufacturing, sales, and quality control
Human capital	Expert human resources with practical experience in food product processing and distribution and the ability to create and manage businesses
Social and relationship capital	Longstanding, deep, positive relationships of trust with business partners in Japan and overseas

Progress toward the Medium-Term Vision: Main Initiatives in Fiscal 2022

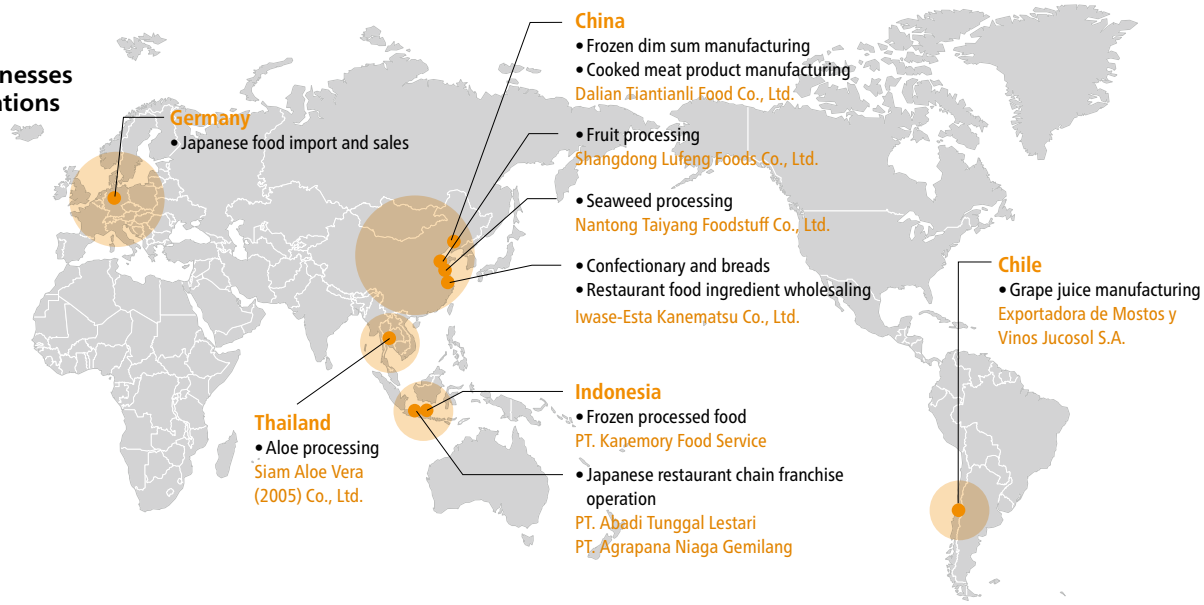
The Foods Division works with suppliers around the world via investment, exclusive contracts, and facility loan agreements to strengthen its ability to procure high-quality raw materials overseas. To ensure the level of quality that consumers in Japan expect, we reinforce production and quality control systems, which are overseen by specialists, working to ensure the stable supply of safe, reliable food.

As consumer lifestyle changes caused by the COVID-19 pandemic have shifted eating from restaurants toward ready-made meals and foods prepared at home, we have reinforced the development of retail products. To meet growing demand for the in-home consumption of liquor and beverages, we have developed a variety of products, including canned highballs, bottled wine, coffee products and frozen fruits for use in beverages.

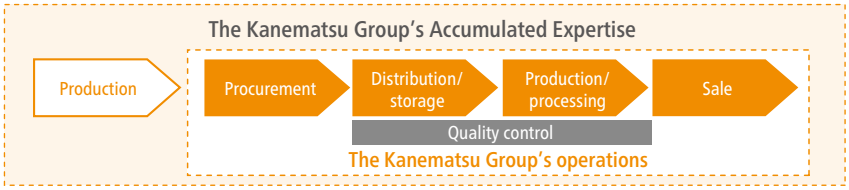
In addition, demand for alternative foods is growing, reflecting growing consumer awareness of health and environmental concerns. In this market, we advanced the development of products using plant-based meat made by DAIZ Inc.

In Asian markets, we invested in Indonesian general food product manufacturer PT Cisarua Mountain Dairy Tbk (Cimory) as a strategic business partner. Using the Group's sales channels, we will build and reinforce food value chains together.

Key Businesses and Locations



We cover the wide-ranging value chains of the food products industry, leveraging a multilateral, multifaceted business creation perspective.



Longstanding Relationships: A Word from Our Business Partner

Our business with the Kanematsu Group goes back more than 30 years. In that time, Kanematsu has worked with us over a wide range of operations, including supplying beverages and desert ingredients in Japan and supplying raw materials for tofu and selling products overseas. As a business partner with an eye on the future, Kanematsu has repeatedly helped us discover new products, such as fruit ingredients that no one had yet thought of and coffee beans procured with a focus on the environment and fair trade. Working together as pioneers, we have overcome many difficulties. Our corporate slogan, "For Ever Brighter Smiles," expresses our desire to make customers smile by providing value in terms of health, deliciousness, and fun through our products and businesses. We will continue to provide smiles to our customers through our products and businesses. We hope to continue to work with Kanematsu to make people smile.

Taketo Tohkura
Executive Managing Officer and Division General Manager, Procurement Division
MORINAGA MILK INDUSTRY CO., LTD.

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

Action Plan

- 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

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

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 22000
- Trade in agricultural and marine products that are certified as sustainable by third parties and promote the use of renewable products

Foods, Meat & Grain

Meat Products

Toru Hashimoto
Executive Officer,
Chief Officer, Meat Products Division

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.

Key SDGs

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

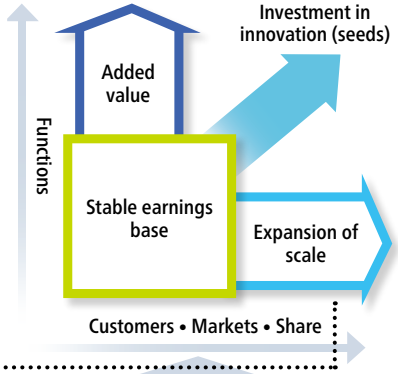
Medium- to Long-Term Market Outlook

Markets in Japan are mature, while markets in other parts of Asia are growing. The key to success will be maintaining and deepening relationships of trust with our business partners in Japan and overseas.

Strategy

Added value
Promote trading in high-value-added products and ingredients, including reinforcing processing capabilities and developing low-environmental-impact meat products

Expansion of scale
Expand the meat products business through the horizontal development of value chains (production, processing, distribution, and sale) based on collaboration with and investment in partners in Japan and overseas



Investment in innovation (seeds)

- Help solve the protein crisis by promoting new technologies, such as meat substitutes and lab-grown meat
- Proactively promote the adoption of digital technologies to bring innovation to the meat business

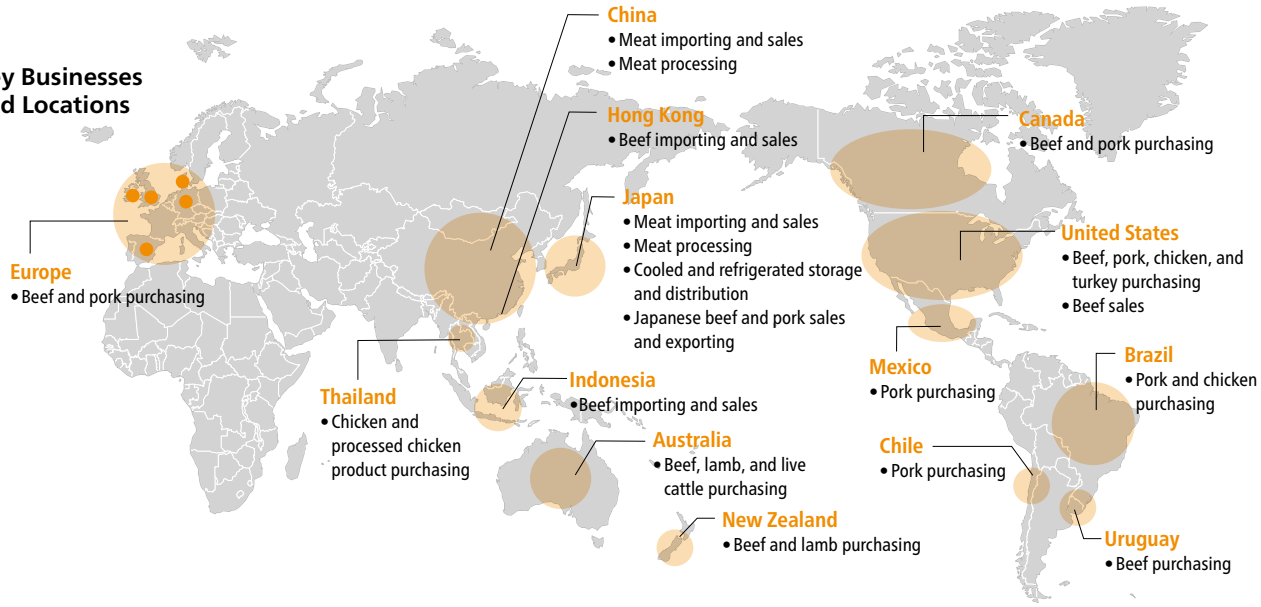
Drivers of Strategy and Innovation (Key Capital)

Intellectual capital	Wealth of expertise and a product lineup amassed over time as a pioneer in the meat product industry boasting one of the industry's top market shares
Human capital	Expert human resources with practical experience in meat product production, processing and distribution, as well as the ability to create and manage businesses
Social and relationship capital	Relationships of trust with business partners in Japan and overseas built up over time

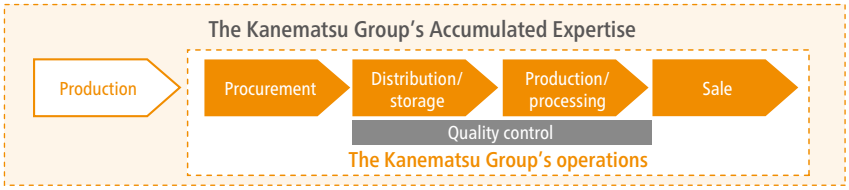
Progress toward the Medium-Term Vision: Main Initiatives in Fiscal 2022

We continue to build value chains to establish stable a supply of safe, reliable, high-quality products that meet customer needs. 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 functions in sales, storage (refrigeration), processing, and other businesses. In the processing business, in 2019 we established a joint venture plant in Kawasaki City, Kanagawa, 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 beef. In the Chinese market, which is beginning to emerge from the economic stagnation caused by the COVID-19 pandemic, demand for beef is steadily recovering and increasing. We aim to horizontally expand similar initiatives in growing Asian markets to expand the earnings base.

Key Businesses and Locations



We cover the wide-ranging value chains of the meat products industry, leveraging a multilateral, multifaceted business creation perspective.



Longstanding Relationships: A Word from Our Business Partner

The Monogatari Corporation operates approximately 600 restaurant locations in and outside Japan, including the Yakiniku King and Marugen Ramen chains.

We have been working with Kanematsu since we opened our first suburban roadside yakiniku restaurant in 1995. Around that time, Kanematsu worked very hard to establish local production in the United States to develop mainstay products for us. When supply was interrupted by the discovery of cattle infected with BSE in the United States in 2003, Kanematsu was instrumental in helping us secure an adequate supply of beef. Later, Kanematsu also helped us enter the Chinese market, providing support for the establishment of a cutting factory.

Going forward, we aim to further strengthen our partnership, working with Kanematsu to realize a society with abundant food culture.

Masamichi Okada
Representative Director and Senior Managing Executive Officer
The Monogatari Corporation

Business Environment

Opportunities	Action Plan
• 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	• Advance business investment and M&A to reinforce domestic sales capabilities by strengthening functions within the Meat Products group • 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	Countermeasures
• Supply chain interruptions due to conflicts or pandemics • Raw ingredient price fluctuations • Decrease in Japan-bound supply availability due to growth in demand for meat products in other Asian markets • Future protein supply shortages due to global population growth	• 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 • Enter the meat substitute market

Foods, Meat & Grain

Grain, Oilseeds & Feedstuff

Jun Nakajima
Executive Officer
Chief Officer, Grain, Oilseeds & Feedstuff Division

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.

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.

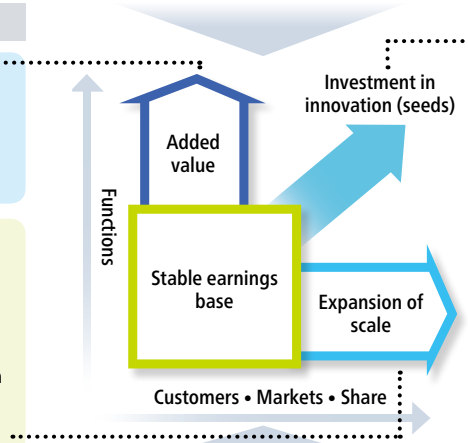
Medium- to Long-Term Market Outlook

Demand for protein will grow, but supply risks due to extreme weather events and other factors will increase. The key to success will be stabilizing production and quality control.

Strategy

Added value
Stable supply of food with quality (safety) assured by relevant certifications

Expansion of scale
- Grow market share by expanding the product lineup
- Business scale expansion and horizontal development into overseas markets through collaboration with and investment in partner companies



Investment in innovation (seeds)

Develop seeds that will help stabilize the production of rice, barley, soybeans, and corn, which are basic food ingredients, in order to avoid a protein crisis

Drivers of Strategy and Innovation (Key Capital)

Intellectual capital	• Value chain expertise capable of providing a stable supply of oilseeds and staple grains, such as rice, barley, soybeans, and corn, as well a wide range of related products • Quality control expertise capable of providing a supply of high-quality products from production sites in and outside Japan
Human capital	Human resources with a wealth of expert product knowledge
Manufactured capital	Supply bases in key food production regions worldwide capable of securing a stable food supply
Social and relationship capital	Trust and longstanding relationships with business partners that help ensure stable supply

Progress toward the Medium-Term Vision: Main Initiatives in Fiscal 2022

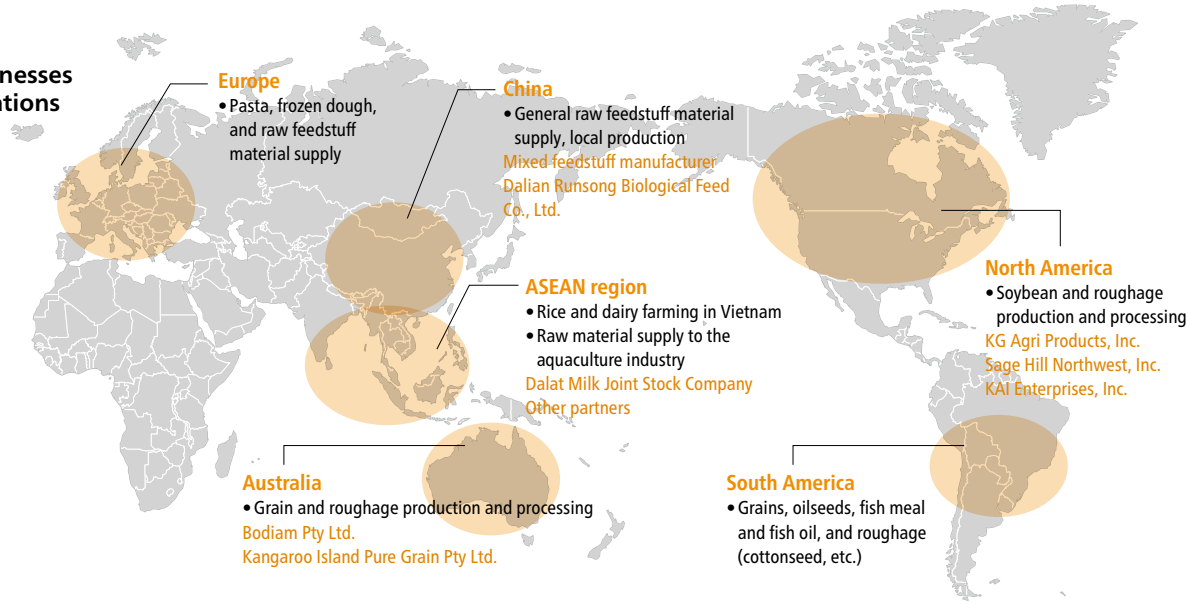
In the rice business, we have a leading share of Japan's imported rice market and are seeing gradual growth in rice trading overseas, such as exports to Singapore and China. We are also working to expand trading of high-value-added rice, such as no-wash rice, in Vietnam.

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 are also working to provide even greater added value and expand our market share through initiatives in such areas as seed improvement using genome editing and AI analysis technology and soy materials for meat substitutes.

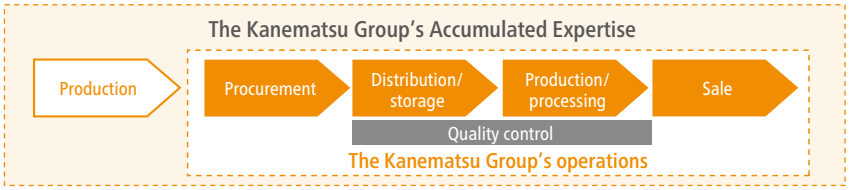
In the domestic feedstuff business, we made an additional capital investment in Heisei Feed Manufacturing Co., reinforcing our supply of safe, reliable products. We will continue to enhance our capacity to stably provide a full product lineup of diverse feedstuff materials and enhance our customer service.

In the overseas feedstuff business, despite logistics disruptions in the United States, our forage processing plant there remained in full operation, producing a stable supply of products for Japan and other Asian markets. At our animal feedstuff soybean processing plant in China, meanwhile, sales slowed somewhat due to the COVID-19 pandemic, but we steadily built relationships with major feedstuff users.

Key Businesses and Locations



We cover the wide-ranging value chains of the grain industry, leveraging a multilateral, multi-faceted business creation perspective.



Longstanding Relationships: A Word from Our Business Partner

In the procurement of materials for our mainstay products, Kanematsu has played an important role in ensuring stable procurement and setting appropriate prices and has worked with us to develop new production regions and improve quality. The procurement of agricultural products, such as grains and fruits, is affected by a wide range of factors, including inclement weather, geopolitical issues, and market fluctuations. In this environment, we have overcome many difficulties, such as shortages due to sudden increases in demand or crop failures, by making full use of our global network, building up a solid track record, and leveraging our many years of experience. In this era of uncertainty, with the conditions surrounding raw material procurement becoming even more challenging, we have great trust in the Kanematsu Group's ability to fulfill its role and high expectations for it in that role. We look forward to Kanematsu's continued procurement support as we further strengthen our partnership.

Yosuke Tomoda
General Manager, Global Procurement Division
Calbee, Inc.

Business Environment

Opportunities	Action Plan
• Increasing regularity of extreme weather events • Growing global demand • Growing demand for quality • Bringing in new technologies	• 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	Countermeasures
• Price fluctuations • Supply disruptions due to extreme weather events • Quality control	• 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

Steel, Materials & Plant

Eiji Kan
Senior Managing Executive Officer, Chief Officer, Steel, Materials & Plant Division

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.

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.

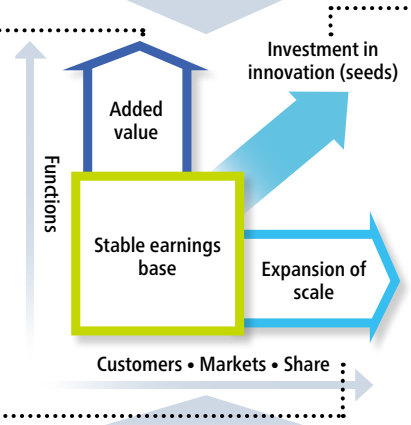
Medium- to Long-Term Market Outlook

As carbon risk grows, green transformation needs are expanding. The key to success will be providing various forms of support for customers' decarbonization efforts.

Strategy

Added value
Provide customers with multiple functions related to decarbonization from various perspectives by bringing together our technologies and expertise as a division that supports infrastructure

Expansion of scale
Respond to growing renewable energy needs by developing renewable energy businesses worldwide, including solar, wind, and biomass power generation



Investment in innovation (seeds)

Create new businesses that will contribute to environmental protection, carbon neutrality, and carbon recycling while supporting companies with advanced or new decarbonization technologies

Drivers of Strategy and Innovation (Key Capital)

Intellectual capital	Global value chain expertise via overseas locations and relationships with business partners
Human capital	Human resources with expertise in value chains across industries and the ability to create businesses
Social and relationship capital	Longstanding relationships of trust with influential business partners across industries

Progress toward the Medium-Term Vision: Main Initiatives in Fiscal 2022

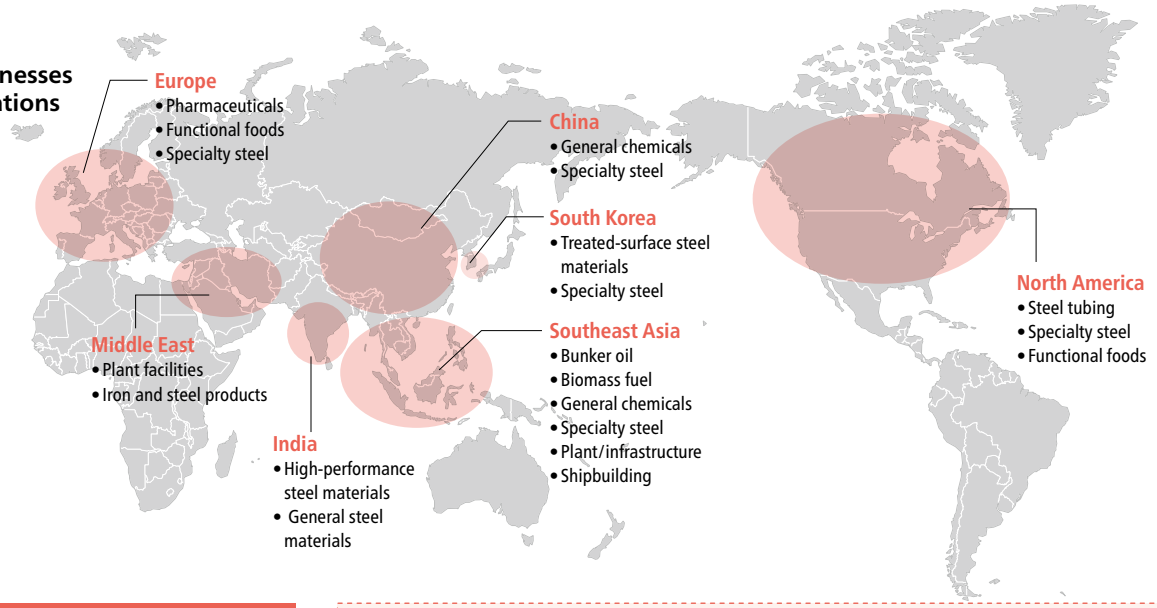
In the chemicals business, we continue to focus on businesses in high-value-added functional chemicals, life science, and health care, and we are steadily achieving results in these areas.

In the iron and steel business, the South Korean steel material treatment company in which we have invested continues to grow steadily and is beginning to generate synergy with business related to domestic orders for building interiors. Going forward, we will work to also generate synergies within the Group with the steel frame design, manufacturing, and installation company in which we have invested in Vietnam. In specialty steel, in addition to our conventional stainless steel business, we have greatly expanded into businesses in environmentally conscious fields, such as flue gas desulfurization equipment, air conditioners, electric vehicles, and hydrogen and ammonia production equipment.

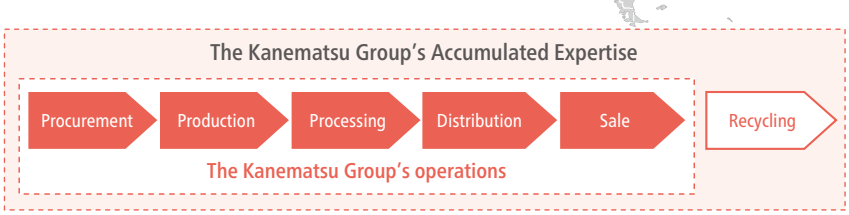
In the steel tubing business, drilling demand recovered, reflecting the rise in crude oil prices, which significantly improved revenue. The technical center in the United States began operation, and we are focusing efforts on environmental response, including the development of threading for steel tubing used in subterranean CO_2 injection.

In the energy business, the biomass fuel business continues to steadily grow, while in the plant and ships business, awareness of green transformation (GX) and the Sustainable Development Goals (SDGs) is growing across the sector, leading to a deepening of initiatives related to solar power and domestic wind power generation and major growth in related businesses.

Key Businesses and Locations



We cover the wide-ranging value chains of several industries, leveraging a multilateral, multi-faceted business creation perspective.



Longstanding Relationships: A Word from Our Business Partner

AJUSTEEL strives to provide the best value to its customers through ongoing research and development aimed at innovative product development and establishing world-firsts in steel plate treatment technologies. Based on our diverse experience in the steel materials industry and competitive manufacturing technologies, we are building a foundation for sustainable growth.

The Kanematsu Group has provided us with the capabilities we needed to make the next leap forward to becoming a global top-tier steel material company. For example, the Kanematsu Group's global network, historical integrity backed by more than 130 years of tradition, and flexible financial strength backed by trust have enabled us to begin a range of new initiatives that previously presented significant hurdles, including transactions with major customers and global business expansion outside of East Asia. Through this partnership, our business is growing more stable, and we have been able to achieve further growth.

AJUSTEEL looks forward to the continued support of and collaboration with the Kanematsu Group as we continue to tackle new challenges and innovate. We will do our utmost to promote an enduring and fruitful relationship.

Lee, Hak-Yeon
Representative Director
AJUSTEEL Co., Ltd.

Business Environment

Opportunities	Action Plan
• Changes in the global energy market structure, including declining demand for fossil fuels • Growing global awareness of environmental problems, as seen in GX efforts and the SDGs • Diversifying consumer needs and behavior patterns	• Accelerate initiatives in renewable energy businesses • Expand business involving more environmentally friendly high-value-added products • Advance DX to both strengthen customer relationships and respond to new business environments by raising customer satisfaction

Risks	Countermeasures
• 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	• Mitigate the risk of trading right advantages being weakened by cultivating new markets, products, and trading partners • Expand business in high-performance products and products made to proprietary standards to reduce risk related to trade problems • 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_2 reduction

Motor Vehicles & Aerospace

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

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.

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.

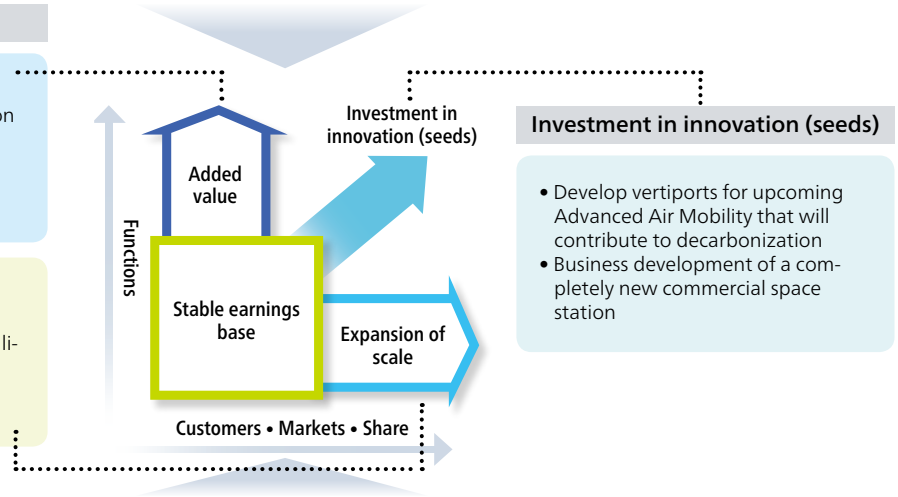
Medium- to Long-Term Market Outlook

The next-generation mobility and space markets will expand. Market expansion will inevitably entail increased CO_2 emissions, but decarbonization efforts applying technological innovations in such areas as weight reduction and electric vehicles will accelerate, as well. The key to success will be creating mobility businesses focused on the environment, safety, and comfort.

Strategy

Added value
Create and advance next-generation mobility businesses focused on the environment, safety, and comfort

Expansion of scale
Meet expanding demand in Southeast Asia by combining mobility and digital technologies



Drivers of Strategy and Innovation (Key Capital)

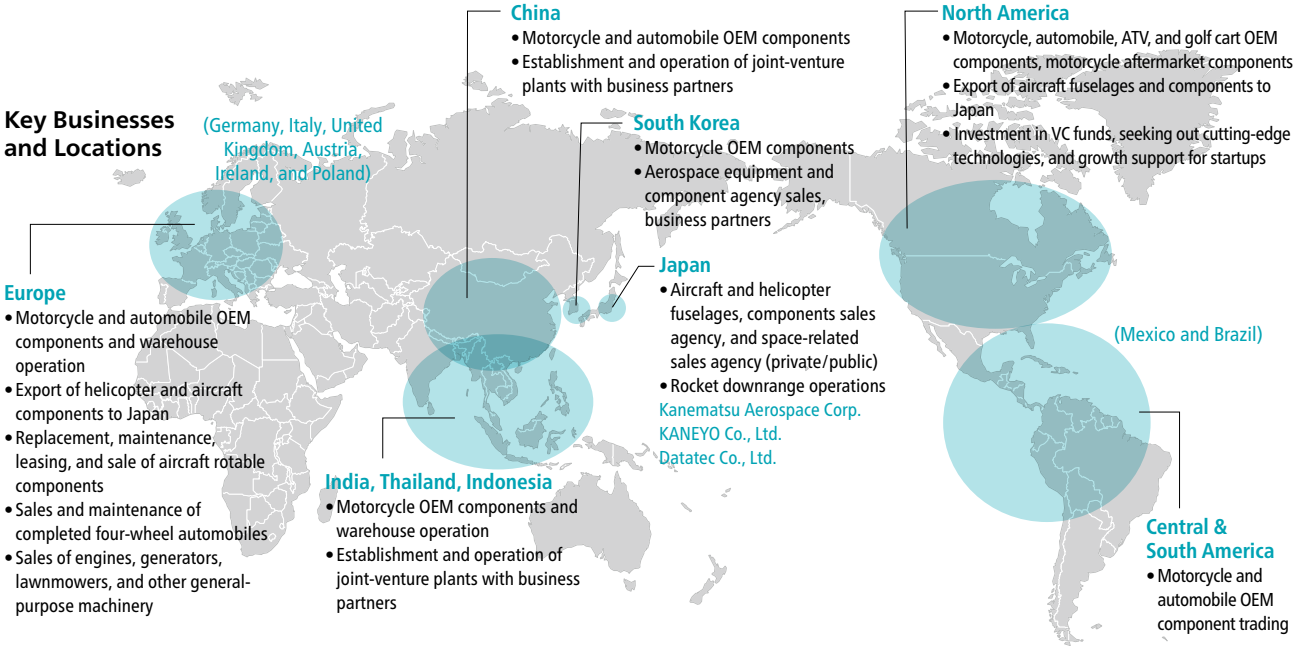
Intellectual capital	• Expertise in combining mobility and digital technologies • Supply chain management expertise leveraging distribution networks through overseas business locations and Group companies
Human capital	Human resources with a wealth of expertise
Social and relationship capital	• Longstanding relationships of trust with industry-leading business partners around the world • Global network for discovering new technologies and business models

Progress toward the Medium-Term Vision: Main Initiatives in Fiscal 2022

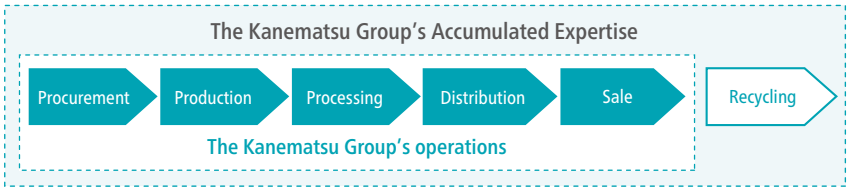
In the motorcycle and automobile business, both sales and production were severely repressed by the COVID-19 pandemic and the global semiconductor shortage but are now showing signs of recovery. As we move forward, our focus will include developing service businesses that use vehicle data with Group company Datatec Co., Ltd. in Southeast Asia, where demand is expected to continue to grow. In the aircraft business, aiming for the social implementation of eVTOL (or Advanced Air Mobility), Kanematsu is accelerating its collaboration with the U.K.-based Skyports Limited through an investment in said company, aiming to pioneer the vertiport infrastructure business in the Japanese market. In the space business, we have partnered with U.S.-based Sierra Space to provide space business opportunities using a commercial space station in low-Earth orbit.

We have developed a platform for finding cutting-edge technologies and promising startups in and outside Japan through Kanematsu Ventures Inc., established in Silicon Valley, and a comprehensive business tie-up with WERU INVESTMENT Co., Ltd. Focusing on the environment, safety, and comfort, we will create and advance cross-divisional next-generation mobility businesses.

Key Businesses and Locations



We cover the wide-ranging value chains of the motor vehicles and aerospace industries, leveraging a multilateral, multifaceted business creation perspective.



Longstanding Relationships: A Word from Our Business Partner

Our relationship with Kanematsu started in 1983, when we began doing business with major overseas motorcycle manufacturers. Over the four decades since, we have worked together to expand our sales channels, cultivating new customers and making new product proposals. We have also established joint-venture plants in Europe and Asia, with Kanematsu involved in management. Sharing good times and bad, and weathering many changes in the external environment, from economic downturns to shifts in competitors, we have built a strong partnership. This year, we have decided to jointly invest in a new carbon nanotube manufacturer. We are very pleased to be taking on this new business area together, and we look forward to seeing the Kanematsu Group utilize its wide-ranging sales channels and expertise in support of this new endeavor.

Yoshifumi Fuchigami
Senior Operating Officer
Sales Division,
F.C.C. Co., Ltd.

Business Environment

Opportunities	Action Plan
• Growing awareness of the environment and safety • Diversification of mobility alongside accelerating technological innovation and DX • Changing ways of thinking about modes of transport in developed countries	• Leverage data to create new businesses that reduce environmental impact and accidents • Advance partnerships with startups, mainly through our investment base in Silicon Valley, to create new businesses • Work to increase social acceptance and reinforce infrastructure business initiatives in order to realize the widespread use of Advanced Air Mobility

Risks	Countermeasures
• Logistics disruptions due to international conditions, geopolitical risks, or changes in demand arising from environmental regulations or trade friction • Rapid changes in consumer awareness or industry structure that surpass the frameworks of existing value chains and business models • Changes in commercial air travel demand due to infectious disease pandemics	• Build next-generation business models centered on value creation and reinforce distribution networks • Bring in new technologies and business models through innovation investment and develop businesses in both product and service areas • Reinforce business in North America, where markets are recovering quickly

Financial and ESG Highlights

(As of March 31)

	JGAAP			IFRS	
	2012	2013	2014	2015	2016
For the year:					
Net sales	¥1,006,365	¥1,019,232	¥1,114,539	—	—
Revenue	—	—	—	¥704,211	¥668,374
Gross profit	80,900	80,021	86,402	87,880	86,238
Operating income/Operating profit	21,426	18,262	19,776	23,547	18,772
Income (loss) before income taxes and minority interests/Profit before tax	13,529	16,781	19,075	22,373	18,122
Net income (loss)/Profit for the year attributable to owners of the Parent[3]	6,110	9,564	11,799	10,546	8,959
Cash flows from operating activities	15,822	1,355	22,384	6,758	33,024
Cash flows from investing activities	1,291	1,466	(1,111)	(6,649)	(4,214)
Free cash flow	17,113	2,821	21,273	109	28,810
At year-end:					
Total assets	399,753	399,186	428,459	466,314	443,592
Net assets/Total equity	55,992	75,912	96,204	119,015	120,706
Shareholders' equity/Total equity attributable to owners of the Parent	39,008	54,519	71,657	90,244	91,599
Net interest-bearing debt	90,012	86,439	68,038	72,155	48,813
Per share (yen):					
Net income/Basic earnings per share attributable to owners of the Parent[3]	¥14.60	¥ 22.80	¥ 28.09	¥ 125.49[4]	¥ 106.46[4]
Net assets/Equity attributable to owners of the Parent	93.16	129.82	170.54	1,072.20[4]	1,088.45[4]
Dividends	—	—	3.00	4.00	5.00
Financial indicators:					
Return on equity (ROE) (%)	16.95	20.45	18.70	12.99	9.85
Equity ratio (%)	9.8	13.7	16.7	19.4	20.6
Net D/E ratio (times)	2.3	1.6	0.9	0.8	0.5
ESG* (Non-Financial) Data: *ESG: Short for environmental (■), social (■), and corporate governance (■).					
CO_2 emissions (t-CO_2)[6, 7, 8]	443.83	471.42	456.44	377.54	392.58
Total paper use (sheets)[7]	7,062,310	6,874,521	6,648,353	6,645,797	6,087,765
External disposal of waste (t)[7, 10]	46.57	48.95	37.60	33.40	31.90
Recycled waste (t)[7]	—	—	—	—	—
Non-recycled waste (t)[7]	—	—	—	—	—
Hazardous waste disposal (t)[7]	—	—	—	—	—
Environment-related fines and penalties paid (yen)[7]	—	—	—	—	—
Violations related to water quality/volume[7]	—	—	—	—	—
Total electricity consumption (kWh)[7]	871,965	828,514	805,015	682,717	735,174
Employees—consolidated	4,770	5,522	5,747	6,002	5,832
Employees—non-consolidated (women)	795 (238)	782 (242)	800 (246)	813 (253)	816 (259)
Percentage of women among employees—non-consolidated (%)	30	31	31	31	32
Average length of service (years)	15.5	16.0	15.7	15.5	13.8
Three-year job separation rate (%)[11]	10.3	0	2.6	3.5	4.8
Average overtime worked (hours/month)	10.1	8.3	8.0	8.8	8.1
Directors (outside directors)[12]	10 (0)	10 (0)	6 (1)	7 (2)	7 (2)
Audit & Supervisory Board members[12] (outside Audit & Supervisory Board members)	4 (3)	4 (3)	4 (2)	4 (3)	4 (3)

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 ¥122.39 to U.S.$1.00, the exchange rate prevailing on March 31, 2022.
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.
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).

	IFRS						
						Millions of yen[1]	Thousands of U.S. dollars[2]
	2017	2018	2019	2020	2021	**2022**	**2022**
	—	—	—	—	—	**—**	**—**
	¥675,579	¥714,790	¥723,849	¥721,802	¥649,142	**¥767,963**	**$6,274,724**
	100,139	106,371	110,014	110,904	101,515	**111,801**	**913,488**
	22,633	26,160	30,349	28,352	23,635	**29,347**	**239,790**
	17,875	26,043	29,177	26,944	23,580	**28,765**	**235,035**
	8,049	16,317	16,605	14,399	13,315	**15,986**	**130,618**
	11,852	434	24,698	24,259	36,984	**15,382**	**125,687**
	(14,691)	1,103	(6,575)	(10,215)	(9,927)	**(10,547)**	**(86,181)**
	(2,839)	1,537	18,123	14,044	27,057	**4,835**	**39,506**
	479,717	519,889	549,459	551,671	557,495	**634,456**	**5,183,889**
	129,863	147,050	158,698	166,174	180,492	**199,282**	**1,628,260**
	100,357	116,012	125,246	130,829	143,926	**159,484**	**1,303,083**
	55,429	59,045	49,969	51,807	40,520	**51,242**	**418,680**
	¥ 95.64[4]	¥ 193.79[4]	¥ 198.22	¥ 172.43	¥ 159.44	**¥ 191.42**	**$ 1.56**
	1,192.21[4]	1,377.66[4]	1,499.86	1,566.60	1,723.42	**1,909.64**	**15.60**
	6.00	48.00[5]	60.00	60.00	60.00	**65.00**	**0.53**
	8.39	15.08	13.77	11.25	9.69	**10.54**	
	20.9	22.3	22.8	23.7	25.8	**25.1**	
	0.6	0.5	0.4	0.4	0.3	**0.3**	
	398.68	400.74	358.31	304.05	265.44	**274.43**	
	6,256,363	5,920,960	5,510,121	4,919,786	3,099,900	**2,503,625[9]**	
	32.70	29.50	35.00	34.43	42.20	**36.18**	
	—	—	—	21.93	36.56	**30.89**	
	—	—	—	12.50	5.64	**5.29**	
	—	—	—	0	0	**0**	
	—	—	—	0	0	**0**	
	—	—	—	0	0	**0**	
	768,166	772,137	690,378	659,534	597,845	**625,132**	
	6,727	6,666	6,915	7,182	7,296	**7,446**	
	835 (273)	842 (282)	765 (263)	775 (266)	795 (284)	**788 (293)**	
	33	33	34	34	36	**37**	
	15.4	15.5	15.0	14.0	13.8	**15.0**	
	5.2	9.4	10.5	17.1	—	**—**	
	11.6	12.1	12.5	17.5	18.1	**19.6**	
	8 (3)	8 (3)	6 (2)	6 (2)	6 (2)	**7 (3)**	
	4 (3)	4 (3)	4 (3)	4 (2)	4 (2)	**4 (2)**	

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. For data on Kanematsu's Scope 1 and Scope 2 emissions, please refer to p. 39.
9. For the years ended March 2021 and earlier, paper use was calculated based on sheets of paper (copy paper, envelopes, and business cards) purchased; from the year ended March 2022 it is calculated as sheets of copy paper (with all types converted to A4 equivalent) purchased.
10. Due to a change in aggregation standards, data for past years (the years ended March 2020 and 2021) has been revised. Data is for waste from office activities at main locations.
11. 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).
12. As of the conclusion of the General Meeting of Shareholders following each fiscal year-end.

Business Results

For the fiscal year ended March 31, 2022, revenue increased ¥118,821 million (18.3%) from the previous fiscal year to ¥767,963 million. Gross profit increased ¥10,286 million (10.1%) from the previous fiscal year to ¥111,801 million. Operating profit rose ¥5,712 million (24.2%) year on year to ¥29,347 million, reflecting the increase in gross profit, despite a rise in selling, general and administrative expenses. Profit before tax increased ¥5,185 million (22.0%) year on year to ¥28,765 million, largely due to the rise in operating profit. Profit for the year attributable to owners of the Parent rose ¥2,671 million (20.1%) year on year to ¥15,986 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 10.5%.

Segment Information

Results for each business segment are described below.

Electronics & Devices

Revenue increased ¥29,354 million year on year to ¥255,463 million due to higher revenues in the electronic devices and materials businesses and the semiconductor parts and manufacturing equipment business. Operating profit rose ¥1,489 million to ¥19,064 million due to higher profit in the ICT solutions business and the semiconductor parts and manufacturing equipment business. Profit attributable to owners of the Parent decreased ¥540 million to ¥7,944 million.

Performance in terms of operating profit was as follows. The ICT solutions business was strong, reflecting increased network security- and storage-related sales. The mobile business remained lackluster, reflecting a decrease in assistance provided to shops during the COVID-19 pandemic and other fee income, despite recovery in store foot traffic. The semiconductor parts and manufacturing equipment business was firm due to growth in shipments of automobile semiconductor components and semiconductor manufacturing equipment, reflecting booming demand.

Foods, Meat & Grain

Revenue increased ¥40,667 million year on year to ¥285,284 million reflecting increases in revenue in the meat products business and grain and feedstuff business. Operating profit rose ¥2,043 million to ¥3,541 million due to higher profit in the meat products business and food business. Profit attributable to owners of the Parent increased ¥1,024 million to ¥2,519 million.

Performance in terms of operating profit was as follows. The meat products business saw a significant increase in profit, reflecting a rise in meat product prices generally and a rebound from struggling sales in the food service sector in the previous fiscal year. Performance in the feedstuff business was weak, mainly due to valuation losses resulting from rapidly rising prices in the fourth quarter. The food business was strong, reflecting growth in the trading of products for the retail market.

Steel, Materials & Plant

Revenue increased ¥51,162 million year on year to ¥147,993 million, due to the higher revenue in the energy business and steel tubing business. Operating profit rose ¥2,212 million, to ¥4,052 million due to stronger profit in the steel tubing business and machine tools and industrial machinery business. Profit attributable to owners of the Parent increased ¥1,199 million, to ¥3,259 million.

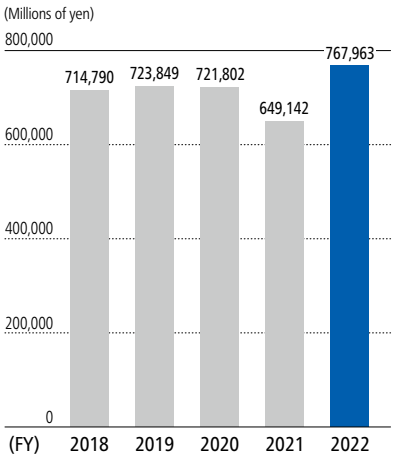
Performance in terms of operating profit was as follows. The steel tubing business was firm, reflecting the recovery of energy demand. The machine tools and industrial machinery business was strong, recovering from the impact of the COVID-19 pandemic on the business environment in the previous year. Meanwhile, the energy business was weak due to valuation losses on futures contracts.

Motor Vehicles & Aerospace

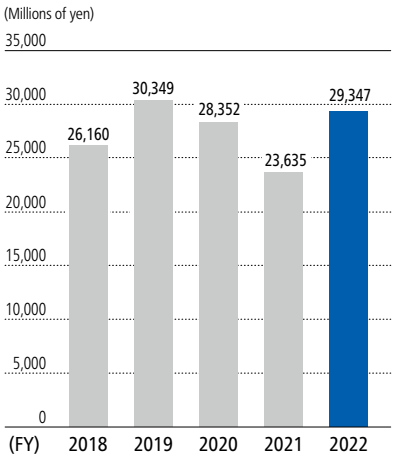
Revenue decreased ¥5,259 million year on year to ¥65,827 million due to reduced revenue in the aerospace business. Operating profit decreased ¥392 million to ¥1,663 million due to the decrease in profit in the aerospace business. Profit attributable to owners of the Parent fell ¥40 million to ¥1,457 million.

Performance in terms of operating profit was as follows. The aerospace business was sluggish as contracts with government agencies were in an off year. In the motor vehicles and parts business, however, the trading of motor parts was strong, bolstered by market recovery from the COVID-19 pandemic and the depreciation of the yen.

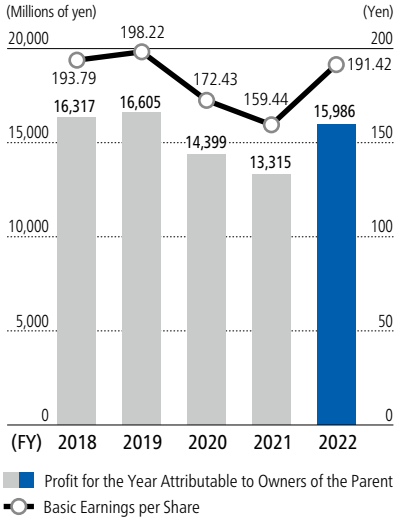
Revenue



Operating Profit



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



Other

Revenue increased ¥2,898 million year on year to ¥13,395 million. Operating profit rose ¥313 million to ¥1,009 million. Profit attributable to owners of the Parent grew ¥85 million to ¥465 million.

Analysis of Financial Status

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review increased ¥76,961 million from the end of the previous fiscal year to ¥634,456 million.

Interest-bearing debt increased ¥21,295 million from the end of the previous fiscal year to ¥143,452 million, mainly due to a rise in short-term borrowings. Net interest-bearing debt after deducting cash and deposits rose ¥10,722 million from the end of the previous fiscal year to ¥51,242 million. Interest-bearing debt does not include lease liabilities.

In terms of equity, total equity attributable to owners of the Parent rose ¥15,558 million from the end of the previous fiscal year to ¥159,484 million, chiefly due to the accumulation of profit attributable to owners of the Parent and increases in other capital components resulting from yen depreciation.

As a result, the equity ratio at the end of the fiscal year under review was 25.1%. The net D/E ratio stood at 0.3 times.

Cash Flows

In the year under review, net cash provided by operating activities totaled ¥15,382 million. Net cash used in investing activities amounted to ¥10,547 million. Net cash provided by financing activities amounted to ¥4,245 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 ¥91,420 million, up ¥10,375 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. During the year under review, the Company issued ¥10,000 million in straight bonds. At the end of the fiscal year, debt procurement through direct financing accounted for 14% 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 A- (stable) from JCR, one rank higher than a year earlier, and BBB+ (stable) from R&I.

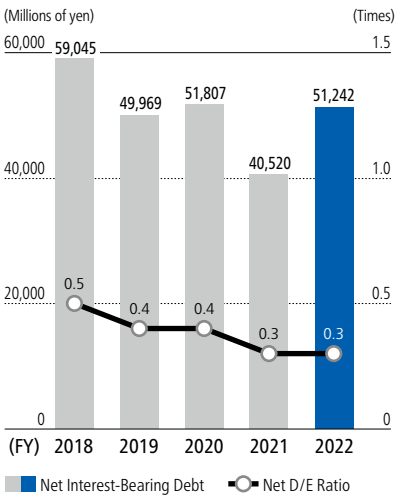
To secure liquidity on hand, the Group maintains an ample balance of cash and cash equivalents and has established commitment lines with major financial institutions.

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 66% 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 year under review, gross interest-bearing debt stood at ¥143,452 million, an increase of ¥21,295 million from the end of the previous fiscal year. Net interest-bearing debt stood at ¥51,242 million, up ¥10,722 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.

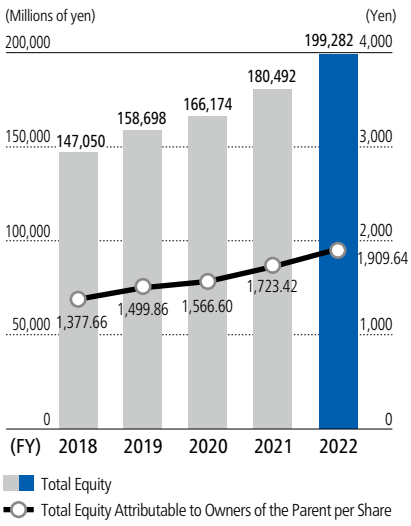
Corporate bonds and long-term borrowings (including the Current portion of corporate bonds and long-term borrowings) accounted for 63% of the balance of interest-bearing debt at the end of the fiscal year under review (or 90% on a non-consolidated basis). As such, Kanematsu's fundraising was stable.

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

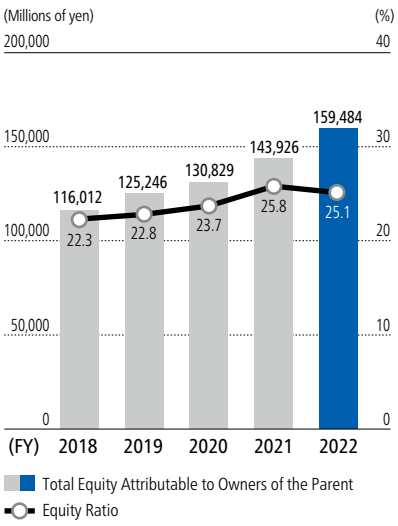


*1 Net interest-bearing debt = Interest-bearing debt –Cash and cash equivalents
*2 Net D/E ratio = Net interest-bearing debt / Total equity attributable to owners of the Parent

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



Total Equity Attributable to Owners of the Parent / Equity Ratio



Major Group Companies

(As of April 1, 2022)

* Companies with shares listed on a stock exchange

Electronics & Devices	Japan	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
		NSC Company Limited	Sales of mobile communications devices; ICT solution services
		Kinkitelecom CO., LTD.	Sales of mobile communications devices; Internet connection 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
		Kangawa Shoji Co., Ltd.	Sales of industrial materials and chemicals (to be renamed Kanematsu Kangawa Co., Ltd. as of July 1, 2022)
		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
	China	Kanekoh Electronics (Shanghai) Co., Ltd.	Design, development, manufacture, and sales of control modules for lithium ion batteries
	Germany	KIS Global GmbH	Sales of card printers
		di support GmbH	Sales of digital photo printers
Foods, Meat & Grain	Japan	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
	China	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
		Dalian Runsong Biological Feed Co., Ltd.	Manufacture and sales of feedstuff (puffed soybeans, soybean meal)
	Thailand	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of aloe vera
	Indonesia	PT. Kanemory Food Service	Manufacture of processed foods; Management of central kitchen
	U.S.A.	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
Steel, Materials & Plant	Japan	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
	South Korea	AJUSTEEL Co., Ltd.*	Steel processing and fabrication
	China	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
	Thailand	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
	Vietnam	ATAD Steel Structure Corp.	Design, manufacture, transportation, and installation of various steel structures
	U.S.A.	Steel Service Oilfield Tubular, Inc.	Sales of steel materials for natural resource excavation
		Benoit Premium Threading, LLC	Steel tubing fabrication; Manufacture and sales of oil well-related parts
		KGK International Corp.	Sales of machine tools
Motor Vehicles & Aerospace	Japan	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
	Ireland	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft rotable components; Leasing; Sales
	Poland	Aries Motor Ltd.	Sales and maintenance of automobiles
		Aries Power Equipment Ltd.	Sales of engines, generators, lawnmowers, and other general-purpose machinery
	U.S.A.	Kanematsu Ventures Inc.	Investment in VC funds; Seeking out advanced technologies; Growth support for startups
Other	Japan	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
		Shintoa Corp.	Sales of pet food, feed materials, feed by-products, soft drinks for vending machines, metal products, formulated resin, and aircraft engines
		Kanematsu Logistics & Insurance Ltd.	Insurance agency and forwarding business; Consigned freight forwarding business
		Japan Logistics Co., Ltd.	Warehouse and self-storage operation
	Indonesia	PT. Dunia Express Transindo	Total logistics services

Corporate Profile

Corporate Profile

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President	Yoshiya Miyabe
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital*	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices*	Domestic: Tokyo Head Office, Kobe Head Office and branches 5 Overseas: 36
Number of Employees*	788 (Consolidated: 7,446)

* As of March 31, 2022

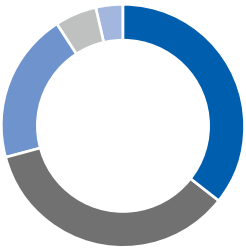
Investor Information

(As of March 31, 2022)

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 262,430 treasury shares)
Minimum Trading Unit	100
Number of Shareholders	25,529

Composition of Shareholders

Financial institutions	35.76%
Foreign institutions and individuals	35.29%
Individuals and others (including treasury shares)	19.92%
Other corporations	5.63%
Securities firms	3.40%

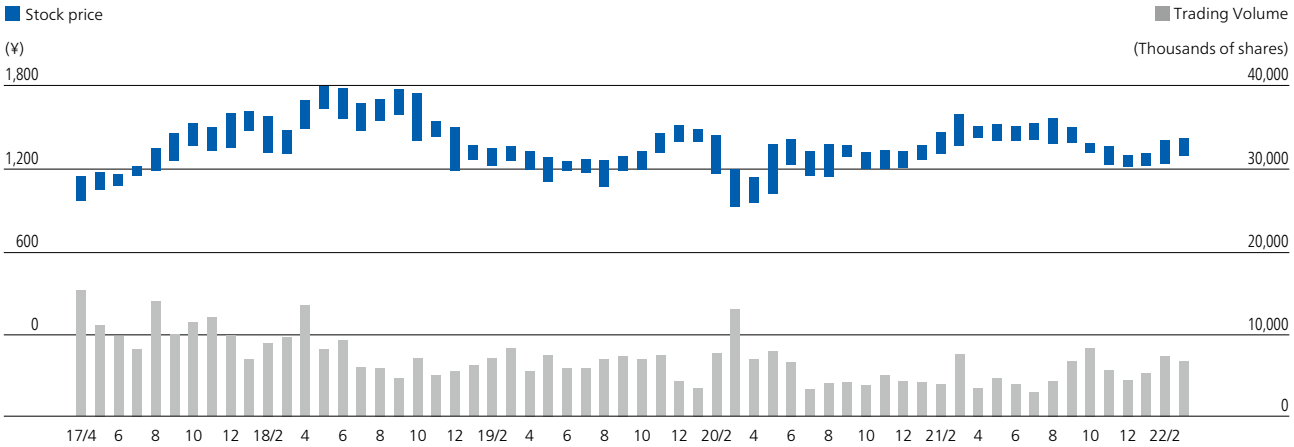


Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (trust account)	12,599	14.95
Custody Bank of Japan, Ltd. (trust account)	5,682	6.74
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,322	2.75
MSIP CLIENT SECURITIES	2,167	2.57
SSBTC CLIENT OMNIBUS ACCOUNT	2,128	2.52
The Bank of New York Mellon Corporation 140044	2,061	2.44
BBHFOR UMB BANK, NATIONAL ASSO-PEAR TREE POLARIS VAL SM CAP FD	1,693	2.00
BNYM AS AGT/CLTS NON TREATY JASDEC	1,505	1.78
MUFG Bank, Ltd.	1,417	1.68
The Norinchukin Bank	1,249	1.48

Note: Calculated after deduction of treasury shares (262,430 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.

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
Tel: 81-3-5440-8000

We're moving!

On November 21, 2022, Kanematsu's head office will relocate to the following address:

JP TOWER, 7-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-7017, Japan

Printed in Japan