



By returning to our fundamentals and advancing Groupwide management, we will spark innovation unique to the Kanematsu Group.

President & CEO

Yoshiya Miyabe

Returning to Our Fundamentals and Valuing Our Intangible Assets

Since taking office as President & CEO in 2021, I have brought up the importance of returning to our fundamentals on a variety of occasions.

Kanematsu's founding purpose, "Let us sow and nurture the seeds of global prosperity," bids us to take action to benefit people around the globe. The values of this purpose permeate all that we do. They are aligned with today's Sustainability Development Goals and serve as compass to guide us on the right path forward. Amid the rapid changes of the modern world, I think it is more necessary than ever to return to these fundamentals. At the same time, it has become more than apparent to me through experience in a variety of settings that the founding purpose has truly taken root in the minds of the people of the Kanematsu Group. For example, our business partners often remark on the warmth and care they feel from Kanematsu, or their surprise at how attentive the service they

receive is. Such comments are extremely gratifying for us and naturally reinforce our attachment to the Company while encouraging greater engagement. Furthermore, such reactions demonstrate how our people are unconsciously putting into practice the sayings of our founder, Fusajiro Kanematsu—"belief in the value of work," "profit is just a by-product of business," and "customers come first." Indeed, Kanematsu is full of people working this way. This is also the reason why the Kanematsu Group has such outstanding intangible assets.

Given the current emphasis placed on sustainable growth, companies must, of course, work toward growth in terms of numbers and volume. However, I believe that we must also remember the importance of qualitative growth. One of the reasons that I keep bringing up returning to our fundamentals is to remind the people of the Kanematsu Group that we already have in place the kind of conditions needed for qualitative growth and improvement.

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Groupwide Management

Another thing I have been emphasizing repeatedly is the need to do away with the barriers separating divisions and Group companies. The Kanematsu Group does business with some 20,000 companies in and outside Japan, and our staff visit our business partners every day. The information, insight, and experience that this contact provides constitute valuable assets for Kanematsu. This is the basic form of the traveling sales model, i.e., going to where the potential customers are and finding a way to generate business where there is nothing, not even an order. Kanematsu's main business is in optimizing trading—the buying and selling of things—to increase added value across the value chain. The traveling sales mindset lives on as a strength of this trading business, and we will continue to reinforce and take pride in it. Going forward, we will work to make explicit the implicit knowledge our staff have in the form of this information, insight, and experience so that it can be shared across the Group and woven into existing and new businesses and business models to impart added value. To this end, we will build infrastructure and systems to facilitate the sharing and linking of such implicit knowledge in order to comprehensively reinforce the Group's strengths.

To reinforce the business foundations of our Groupwide management, we made [Kanematsu Electronics Ltd. and Kanematsu](#)

[Sustech Corporation, which had been listed Group companies, into wholly owned subsidiaries via tender offers.](#) The current fiscal year (ending March 2024) is the final year of the *future 135* medium-term vision, which includes the key measures of [promoting DX and GX](#). We plan to keep DX and GX as priority initiatives to begin next year. As we advance DX and GX initiatives, both of the newly acquired companies will be essential partners in the Kanematsu Group's growth—Kanematsu Electronics, which operates in the ICT business domain, brings with it abundant insight, experience, and human resources in the area of digital technologies, and Kanematsu Sustech employs proprietary technologies to contribute to decarbonization through such businesses as ground improvement and wood materials.

Until now, we have worked in partnership with these companies, but they were not wholly owned subsidiaries and were both publicly listed, which imposed a variety of limits on what we could do. Now that they have been consolidated into the Group, we will be able to freely allocate Group management resources to them while further advancing cooperation and enhancing overall Group enterprise value. In particular, given the current pressing importance of digital technologies and sustainability across all industries, I think that the expertise of these companies will contribute to the added value and expansion of scale of the Group's

businesses worldwide.

As publicly listed companies, both had ample growth potential even as they were before, but they share Kanematsu's DNA, and we felt that integrating them fully into the Group would generate greater synergies at the Group level. This conviction led us to the decision to make the tender offers.

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Reinforcing Digital Talent and Innovation

In our main business of trading, human resources are our most important management resource and the source of value creation. In particular, digital talent is key to success in new businesses centered on such advanced technologies as IoT and AI, which, going forward, are expected to only increase in importance as growth areas for Kanematsu. Around 60% of our employees work in areas related to the Electronics & Devices Division, and digital literacy is high throughout the Group. To further increase digital literacy, [we have now made having all employees obtain the IT Passport qualification an official part of our Human Capital Development Policy.](#)

Furthermore, through the proactive exchange of personnel with Kanematsu Electronics, we will advance the development of digital talent Groupwide, rolling out digital technologies to businesses that have not made much use of them to date. Specifically, we plan to dispatch personnel selected from each business division to Kanematsu Electronics as a way of developing human resources equipped to apply digital technologies in their respective businesses. We are starting these efforts with around 10 employees, but plan to step them up as we go forward. Our business divisions have expressed their eagerness to select and send staff. We have great expectations for these efforts as a test of the fruits of our Groupwide management.

Part of our medium-term vision is to [create a new business portfolio through innovation investment.](#) To this end, we need to collaborate with startups that are producing innovative technologies and business models. I think we must be proactive in this area, given that most of the movers and shakers in the world today are companies that were startups just a few years ago. Trading companies engage with the entire value chain, from end to end, so we are well positioned to partner with startups. At the same time, exercising discerning judgment regarding technologies is an area of difficulty for many trading companies, so partnering with venture capital firms (VCs) familiar with that ecosystem can be very effective. For VCs, meanwhile, such partnerships offer the benefit of access to a trading company's business partner network. In other words, the combination of a VC's technological discernment with a trading company's business network can result in a win-win relationship, enabling the creation of a business model only possible with a trading company.

The Kanematsu Group includes Kanematsu Ventures Inc., a Group company located in the United States that specializes in finding promising startups in Silicon Valley. Kanematsu Ventures has invested in VC funds in Silicon Valley and is building a network with powerful VCs. These connections have led to a business tie-up with WERU INVESTMENT Co. Ltd., a major Japanese VC. Kanematsu Electronics and other Group companies have expressed interest in dispatching staff to Kanematsu Ventures. Making effective use of Kanematsu Ventures will thus be significant in terms of human capital development, as well.

Our innovation investment is currently still in the sowing stage, but going forward, we intend to focus efforts on cybersecurity, the space business, and environmental businesses. A Silicon Valley VC we have partnered with since 2019 has built relationships with startups boasting world-leading cybersecurity technologies. By combining such constantly evolving cutting-edge technologies with the Kanematsu Group's business network, mainly through Kanematsu Electronics, we will expand new security businesses. In addition,





Kanematsu Ventures is increasingly partnering with startups in the new space and green tech arenas, which offer potential for new developments in the space and environmental businesses going forward.

Proactive investment in the most important form of capital for value creation—human resources—is essential to innovation. To maximize this capital, we have established the Human Capital Policy and set metrics and targets from the perspectives of human capital development and working environment improvement. As we work toward these targets, we will enhance the value of our intangible assets in line with the philosophy that a trading company is its people.

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Enhancing Enterprise Value by Reinforcing Global Governance

Looking back on the business environment of the past few years, in addition to rapidly advancing technologies, such as digitalization and AI, as well as the increasing importance of decarbonization efforts, there have been many major factors that we did not expect at all, such as the pandemic and the Russia-Ukraine situation, all of which have had a major impact on Kanematsu's businesses. This

rising uncertainty has made steering management more difficult, but trading companies are by their nature skilled at adapting to change.

Our networks with business partners and the vast volume of information they provide make us better able to respond to change. In addition, trading companies have few major physical assets, like factories, that have to be shed when change comes. This allows trading companies to be light on their feet, facilitating adaptation. Furthermore, Kanematsu is not engaged in resource businesses, so we are exposed to relatively little volatility, enabling us to maintain stable revenue and financial soundness. In times of uncertainty and of change, Kanematsu's ability to stably secure funds for growth investment is a major strength.

To further solidify our footing, we are working to reinforce global Group governance and internal control. In Japan, the tender offers for Kanematsu Electronics and Kanematsu Sustech have strengthened Group governance. Overseas, as we acquire overseas companies, we are working to build an efficient global governance system. However, the reality is that there are limits to the measures we can take to prevent deliberate misconduct by individuals, and I think this is an area where it is crucial to ensure that the spirit of Kanematsu's founding purpose permeates the Group. Amid calls for strengthening internal control, merely ticking off items on a

checklist is not enough. We must return to our fundamentals and get creative to reinforce governance.

In order to achieve sustainable growth, which is also the purpose of strengthening global governance, we signed the United Nations Global Compact (UNGC) on March 12, 2023, endorsing its 10 principles in the four fields of "human rights," "labour," "environment," and "anti-corruption." These are areas in which we had already been working, mainly through the Sustainability Management Committee, but we took this step as an opportunity to exercise creative leadership within the UNGC's global framework and reinforce the global business operations of the Kanematsu Group as a whole. By committing to the UNGC, we seek to level up our sustainability-oriented management and increase the depth of our intangible assets. In this way, we aim to increase our enterprise value.

We are now in the final fiscal year of the *future 135* medium-term vision. By reinforcing Groupwide management, we believe that we can achieve the vision's targets. We aim to reach even greater heights in the next stage. To this end, we are taking a fresh look at the

strengths of and issues faced by each of our divisions and businesses as we formulate the next medium-term business plan to broadly leverage the Kanematsu Group's strengths in society. Taking pride in our roots in the shoe-leather business of traveling sales, we will further strengthen our ties with business partners with a focus on digital technologies and sustainability as we aim even higher.

"Sow a seed now," and take action to benefit people around the globe. These are our fundamentals.

We ask ourselves what the Kanematsu Group can do for the Earth and for people, and we seek to make such contributions a reality by engaging in dialogue with stakeholders and working to meet their expectations. As we do so, I ask for your continued support and understanding.

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