

## Dialogue between the Chairman and an Outside Director

### The Kind of Trading Company the Kanematsu Group Aims to Be Following the Recent Tender Offers

**Tanigawa** In the near future, trading companies will need to evolve structurally to add further added value, building on the base of trading, their traditional livelihood. One aspect of the kind of trading company we aim to be entails capturing greater added value by expanding beyond that base, extending our business scope both up- and downstream. By combining this expansion with our new strength in digital technologies, we will provide added value. In this way, we aim to provide greater abundance and well-being for stakeholders, including business partners and employees. As we work toward this goal, I think that we should constantly be building and improving Groupwide governance and internal control systems to ensure a foundation that will not waver, regardless of the management environment.

**Sasa** I understand the idea that upstream areas, including manufacturing, can be a way to provide added value, and I think they will be important in the future. Olympus Corporation, where I formerly served as president, is a manufacturer, carrying out everything from product planning and technological and product development to manufacturing, and finally sales and service. In this, an important focus for that company is solving issues for doctors and patients; in other words, it is a solutions-oriented business. I think that Kanematsu is similar in that regard, and this is where the sense that Kanematsu needs to get involved upstream comes from. Kanematsu already has strong foundations and ties with customers downstream. And that's the most important thing, because the issues that require solutions always come from the customer.

**Tanigawa** Indeed, what I think of as a trading company professional is precisely the kind of person who has come up through that kind of work.

**Kaoru Tanigawa**  
Chairman

**Hiroyuki Sasa**  
Outside Director

## Building Frameworks to Take Us Toward Our Vision

Chairman Kaoru Tanigawa, who is also the presiding officer of the Board of Directors, and Hiroyuki Sasa, who recently completed his first year as outside director of Kanematsu, sat down to discuss the kind of governance needed in today's rapidly changing business environment, efforts to achieve such governance, and challenges going forward.

Providing added value to address the needs and issues faced by customers is our key role. The Kanematsu Group will work as one to create systems that will enable us to apply solutions-oriented business successes to other fields and business units.

### The Heart of Corporate Governance

**Tanigawa** As a trading company, Kanematsu has a vast number of Group companies, so making sure that the Group's Corporate Principle permeates the entire organization and maintaining Groupwide internal control through governance are eternal challenges that lie at the heart of getting the Group to work as one. While working to promote awareness of the Corporate Principle at Group companies, we review them for risk through audit functions and provide feedback—a process that I imagine has been ongoing for the last century.

**Sasa** Group governance and management are two sides of the same coin. The business itself, its support functions, and the unifying force that accelerates business—all

three of these factors must operate in unison, and Group governance exists to ensure that they do. At the core of management are the management philosophy and the specific measures necessary to achieve it. However, the mere presence of these core elements does not necessarily provide clear rules that the people of the Group on the ground should follow day to day—that's where internal control frameworks come in.

**Tanigawa** I think that awareness of the content of the Kanematsu Group's Corporate Principle has permeated the Group, but there is still some ground to be covered in terms of actually putting it into practice. I am responsible for the Internal Auditing Department, and when a Group company's corporate principles are significantly out of step with the Group's, we identify that discrepancy as an issue. From there, we work to rebuild relevant frameworks through auditing, focusing on whether the company has in place the kind of rules and internal control mechanisms that are important to the Group in a process of repeated evaluation and improvement over several years. This ongoing process

of review and monitoring is perhaps similar to a PDCA cycle.

**Sasa** Yes, there's really no other way. Ultimately, there must be common value standards that support or embody the Group's principles, and it is important to work to make sure that these are shared and understood all throughout the Group.

**Tanigawa** I think that governance is the core of effective corporate functioning. If governance is not firmly in place, the company simply doesn't work. However, I think that inevitably—and this is why we are talking about this so much—as we expand into manufacturing to bring new added value to our businesses, the character of the governance and internal control needed will be different and unlike those that we know. This is an area in which we will be depending on your help.

**Sasa** When I first came on as an outside director, I did feel major differences between the manufacturer where I worked before and Kanematsu, a trading company. However, I can certainly understand Kanematsu's desire to proactively

enter the manufacturing sector, which is upstream in the value chain, in order to expand the added value of its existing businesses under *future 135*.

**Tanigawa** Nowadays, it is essential to go beyond the category of trading, and we must supply products with added value that meets market and client needs in such areas as processing. This is forcing us closer to the manufacturing domain. For example, the business of the Meat Products Division has conventionally centered on purchasing beef, but processes that make it ready for sale by wholesalers or retailers can be a good way of further adding value.

I'm sure you must have noticed, but Kanematsu's business portfolio has not changed over the past 20 years. In some ways, that's just the way it is for us as a trading company, but the world today is embracing innovation and transformation, and so are we. The creation of new businesses now will drive growth for the next generation. Indeed, I think that creating new businesses may be the true mission of management over the medium to long term. And, it is the area we have been having the most difficulty with.

**Sasa** The Kanematsu Group encompasses a wide variety of business models. As such, going forward, as a methodology for creating businesses based on the Group's unique systems and challenges, it will be important to find ways to universalize and formalize new added value and establish it as a strength of the Kanematsu Group.

**Tanigawa** I think that it will be important to use DX to build such a methodology. The Kanematsu Group includes the Electronics & Devices Division, and we are now positioned to deepen our relationships with subsidiary Kanematsu Electronics Ltd. to jointly create value, so I think we will be able to quickly build mechanisms to create added value.

### The Functions and Mission of the Board of Directors

**Sasa** As businesses expand, the importance of risk management increases. If the speed and scope of risk management are not calibrated correctly, risks will grow. It's impossible to guard against every possible risk, so centralizing information and response methods for dealing with crises when they occur is essential. In addition to crisis management within each business division, I believe that a matrix system should be implemented from the perspective of cross-divisional management functions. The other issue will be achieving globally centralized crisis response.

**Tanigawa** Yes, risk control is part of the function and mission of the Board of Directors. Namely, balancing growth and risk management. The Kanematsu Group has vertically organized businesses with a variety of functions that connect across them horizontally and diagonally, and we aim to strengthen operations throughout this matrix. We already have in place a quick response framework that establishes a committee to centrally gather information and issue instructions when an issue arises. In terms of day-to-day business risks, I think it is important to always be

prepared to respond to emergencies, for example, by ensuring that internal control monitoring functions effectively.

**Issues and Measures Going Forward**

**Sasa** Challenges also remain in terms of truly global operations. To be frank, I think that some aspects of Kanematsu's Group management are outdated and seem to be stuck in a uniquely Japanese style of conservative management. What it means to be truly global is hard to define, but it's more than just having a high percentage of sales from overseas operations or establishing overseas manufacturing bases. When I took office as president of Olympus, around 80% of the company's sales were from overseas, but it still had that uniquely Japanese management style that lacked speed. So, we dug deep to figure out what could give us the edge we needed to compete on an equal footing with global competitors. What we arrived at was a management framework to advance initiatives, speed in doing so, and sufficient driving force behind management decisions and governance to withstand competition.



**Tanigawa** The Kanematsu Group is a trading company that began with the founding purpose of sowing and nurturing the seeds of prosperity for Japan, so naturally, until now, importing foods, semiconductors, energy, and other goods from overseas has accounted for the overwhelming share of our business. However, as the Japanese market

shrinks going forward, there will come a time when this business model alone is no longer viable. In preparation for this, we are expanding third-country trading and overseas M&A. We assume that this will require forms of governance and new approaches that are different to those we have employed until now.

**Sasa** The next step Kanematsu will need to take is strengthening functions. This will depend significantly on how the Company goes about linking its horizontal functions globally, and how quickly it seeks to evolve into a global company. In the case of Olympus, our competitors had, for example, personnel systems designed to put the best suited person in each position, regardless of nationality or gender. We knew that if we took the conventional Japanese approach of developing only in-house human resources without looking outward, we would lose badly. We took the big step of reforming our personnel system to be like those of our competitors and, as a result, many important positions came to be filled by personnel from outside Japan. It took work to make sure that our employees in Japan understood the intention and importance of this change, but it ultimately led to an increase in motivation for employees Groupwide.

**Tanigawa** That is an area where Kanematsu needs to learn from Olympus. The Kanematsu Group hires and develops human resources in Japan and sends them overseas, and also hires overseas personal for work and development in Japan. Going forward, however, to step up businesses in other countries, and especially to expand our businesses through M&A or other means, we will need local overseas human resources in top management positions, and local hiring and development will be essential. I think that, a decade from now, a sizable portion of the Group's employees is likely to be non-Japanese nationals.

**Sasa** I mentioned before that some things at Kanematsu felt outdated. At



Olympus, we acted with speed, changing corporate systems and frameworks to be on par with global competitors in just three years. I would ask, then, since Kanematsu marked a new start with restructuring efforts in 1999, has the Company really achieved transformational change? Although some of this comes down to the mindsets of top management, management methods, and the external environment, I think that Kanematsu should be more proactive. I want to know if Kanematsu's management and executives are serious about changing. No matter how much they exhort employees to change, if they don't change themselves, nothing will. I feel that it is my role as outside director to speak my mind frankly on such matters.

**Tanigawa** In the Kanematsu Group's long history, there have been some very difficult times, and the lesson we took from these is the importance of rock-solid, unerring management. To this end, we have long worked to constantly improve and evolve reliable governance, internal control, and crisis management systems. Now, while maintaining a strong defense through governance, I hope to see our executives be active and ambitious on offense. We have many employees who are passionate about creating next-generation businesses, and our businesses are evolving in dynamic ways. I believe that the challenge for us going forward will be to maintain effective management control while respecting the individuality and freedom of each employee to harness that passion and dynamism as a Groupwide force for global change.



**Yusaku Kurahashi**  
Audit & Supervisory Board Member (Outside)

**Further Evolving Group Governance**

I feel that the Kanematsu Group's governance has continued to evolve. The Board of Directors has made system-related changes aimed at increasing independence, securing diversity, and optimizing the skill matrix while also taking such steps as setting the agenda to secure opportunities for strategic, big-picture deliberations of medium- to long-term growth, resulting in lively, substantive discussions. It's not uncommon for Board discussions to be lengthy and intense, requiring a degree of intellectual stamina—in a good way—on the part of participants. The Audit & Supervisory Board, meanwhile, mainly discusses matters designated for its deliberation and regular audits of operations carried out by the non-outside members. Through meetings with executives, discussions with the outside directors, and regular reports from the Internal Auditing Department and accounting auditor, the Audit & Supervisory Board works to keep tabs on and understand management issues and risks. Going forward, key governance issues will include continuing to increase the effectiveness of the Board of Directors and Audit & Supervisory Board, investing in human capital, promoting DX, generating Group synergies, offering new added value as a trading company, and reinforcing internal control. I hope to contribute to addressing these as an outside Audit & Supervisory Board member.



**Nobuko Inaba**  
Audit & Supervisory Board Member (Outside)

**The Present and Future of the Kanematsu Group's Governance**

Before Board of Directors meetings, participants are provided with detailed materials about each proposal. These include opinions from various standpoints, based on objective evidence, about risks identified by related divisions as well as the conclusions reached by committees and data on relevant conditions. Ample time is allotted and effort expended to the consideration and discussion of matters before they reach the Board of Directors, and the Company's approach to handling matters of internal control and defensive governance is outstanding. However, while the number of agenda items taken up by the Board of Directors has been decreasing, it remains high, and the ample prior considerations and discussions can also be said to come at the expense of swift management decision making. To survive and thrive going forward, Kanematsu is working to expand its business areas, develop globally, and advance M&A. The success of such efforts will require governance that provides not only a robust defense, but also an offense with speed through the flexible transfer of authority. By incorporating this kind of perspective, I think that Kanematsu will be able to enhance its enterprise value even further.

**Message from the Chief Officer of the Internal Auditing Department**



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

The Internal Auditing Department carries out audits of operations at Group companies based on an annual audit plan formulated according to a risk-based approach. As a result of the expansion of scale targeted under the medium-term vision, the Kanematsu Group has grown to 134 companies; to handle the manufacturing operating companies, we have hired a staff with experience in auditing manufacturers, ensuring that we can audit a diverse range of transaction types. Also, we require consolidated Group companies to perform self-inspections for the purpose of monitoring the development and operation of control activities at the front lines of operations. We have included new initiatives related to social issues, such as environmental and human rights considerations, into these inspections, and, if their effectiveness and utility is verified, we add them to our list of audit items and thereby enhance our auditing operations. As a new initiative, we are conducting audits along Group-wide themes to identify risks and management issues common across Group companies and are focusing on auditing the effectiveness of group IT controls to assess the status of individual companies' DX promotion, including the use of AI, as well as risks related to the underlying information security.

## Our Basic Stance on Corporate Governance




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


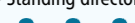
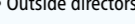


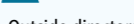


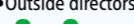





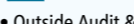

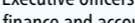




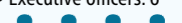
and help realize a sustainable society by providing socially valuable goods and services.

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

## Corporate Governance Structure (as of July 2023)

### Role and composition of each body

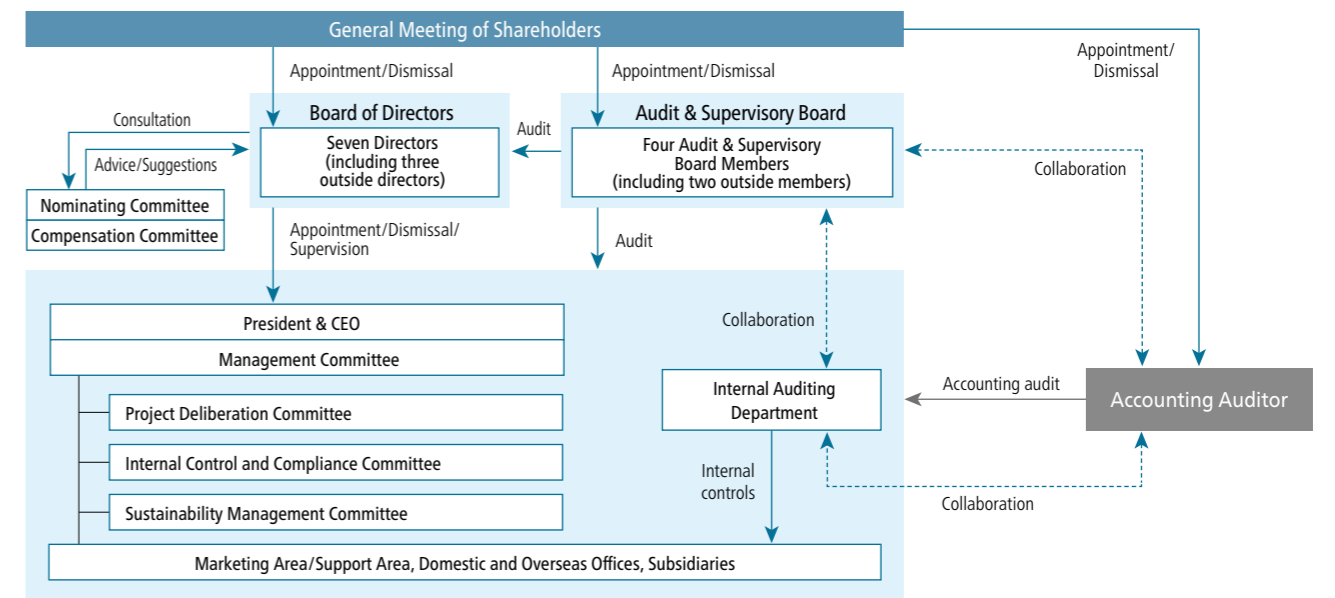
 Standing Male
  Female
  Outside Male

Body	Board of Directors	Nominating Committee	Compensation Committee	Management Committee		Audit & Supervisory Board	Project Deliberation Committee	Internal Control and Compliance Committee	Sustainability Management Committee
Composition	<b>7 members</b> • Presiding officer: Chairman of the Board of Directors  • Standing directors: 3  • Outside directors: 3 	<b>4 members</b> • Committee chair: Outside director  • Chairman of the Board of Directors  • Outside directors: 2 	<b>4 members</b> • Committee chair: Outside director  • President & CEO  • Outside directors: 2 	<b>12 members</b> • Presiding officer: President & CEO  • Chairman of the Board of Directors  • Executive officers: 10 		<b>4 members</b> • Presiding officer: Standing Audit & Supervisory Board member  • Standing Audit & Supervisory Board member: 1  • Outside Audit & Supervisory Board members: 2 	<b>3 members</b> • Presiding officer: Chief Officer of Credit Control  • Executive officers: 2 (chief officers of finance and accounting and corporate planning) 	<b>5 members</b> • Committee chair: Chairman of the Board of Directors  • Committee vice-chair: President & CEO  • Executive officers: 3 	<b>7 members</b> • Committee chair: Chief Officer of Corporate Planning  • Executive officers: 6 
	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.		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.
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, 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.	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.		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 <sub>2</sub> emissions and discusses changes in emissions and policy for related measures as part of implementing comprehensive risk management. Furthermore, the committee identifies and revises the Company's key issues and deliberates on overall sustainability initiatives, including ensuring respect for human rights, as well as the Company's participation in outside initiatives, such as support for the United Nations Global Compact.
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		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
Meetings in Fiscal 2023	20	5	4	28		13	27	4	5

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
System	Expanded the executive officer system										
Committees	Established the Nominating Committee and Compensation Committee										
Directors	10	6	7	7	8	8	6	6	6	7	7
Standing directors	10	5	5	5	5	5	4	4	4	4	4
Outside director	0	1	2	2	3	3	2	2	2	3	3
Outside director ratio	0%	17%	29%	29%	38%	38%	33%	33%	33%	43%	43%
Audit & Supervisory Board members	4	4	4	4	4	4	4	4	4	4	4
Outside Audit & Supervisory Board members	3	2	3	3	3	3	3	2	2	2	2
Nominating Committee	Committee chair			Standing	Standing	Standing	Standing	Standing	Standing	Outside	Outside
	Members			4	4	3	3	3	3	4	4
	(Outside members)			3	3	2	2	2	2	3	3
Compensation Committee	Committee chair			Standing	Standing	Standing	Standing	Standing	Standing	Outside	Outside
	Members			4	4	3	3	3	3	4	4
	(Outside members)			3	3	2	2	2	2	3	3

**Corporate Governance Structure (as of June 27, 2023)**



**Meeting Attendance (Fiscal 2023), Professional Background, and Skill Matrix**

		Professional background		Board of Directors		Nominating Committee		Compensation Committee		Management Committee	Audit & Supervisory Board		Skills needed for medium- and long-term management strategy and the Board of Directors						
		Experience as corporate officer or division chief officer at Kanematsu or as a corporate officer outside the Company	Overseas work experience	FY2023 attendance	FY2023 attendance	FY2023 attendance	FY2023 attendance	FY2023 attendance	FY2023 attendance		Medium- to long-term enhancement of corporate value				Business investment		Sustainability, DX		
											Corporate management	Business strategy planning	Human resource management	Governance	Investment decisions	Finance	SDGs (ESG) management thinking	Technology/ DX	Innovation
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	20/20	○	5/5			○	○	○	○	○	○	○	○	○	○
Yoshiya Miyabe	President & CEO	Deputy Chief Officer, Electronics & IT Division; Chief Officer, Motor Vehicles & Aerospace Division; President (incumbent)	U.S.A. (10 years)	○	20/20			○	4/4	○ Presiding officer	○	○	○	○	○	○	○	○	○
Tetsuro Tsutano	Director	Chief Officer, Finance, Accounting, Business Accounting; Chief Officer, Corporate Planning and IT Planning (incumbent)	U.S.A. (4 years)	○	20/20					○			○	○	○	○	○		○
Shuji Masutani	Director	Chief Officer, Finance, Accounting, Business Accounting (incumbent)	U.K. (2 years) Germany (2 years)	○	17/17					○				○	○				
Yuko Tahara	Director (outside, independent)	Outside director (incumbent)		○	20/20	○	5/5	○ Chair	4/4			○		○				○	○
Kazuhiro Tanaka	Director (outside, independent)	Outside director (incumbent)		○	20/20	○ Chair	5/5	○	4/4					○			○		
Hiroyuki Sasa	Director (outside, independent)	Outside director (incumbent)	U.S.A. (5 years)	○	17/17	○	5/5	○	1/1			○	○	○	○				○
Motohisa Hirai	Audit & Supervisory Board member	President, an overseas subsidiary (Hong Kong); Audit & Supervisory Board member (incumbent)	Germany (6 years) Hong Kong (3 years)		20/20						○	13/13							○
Yoshio Tajima	Audit & Supervisory Board member	Director at a Group affiliate (Electronics & Devices)	Australia (4 years) U.S.A. (5 years)		—						○	—							○
Yusaku Kurahashi	Audit & Supervisory Board member (outside, independent)	Outside Audit & Supervisory Board member (incumbent)			19/20						○	13/13							○
Nobuko Inaba	Audit & Supervisory Board member (outside, independent)	Outside Audit & Supervisory Board member (incumbent)			18/20						○	13/13	○						○

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. Director Hiroyuki Sasa was appointed at the June 24, 2022 General Meeting of Shareholders, the numbers of meetings of the Board of Directors and Audit & Supervisory Board that he was eligible to attend differ from those for the other directors and Audit & Supervisory Board members.  
 3. Audit & Supervisory Board member Yoshio Tajima was appointed at the June 27, 2023 General Meeting of Shareholders.

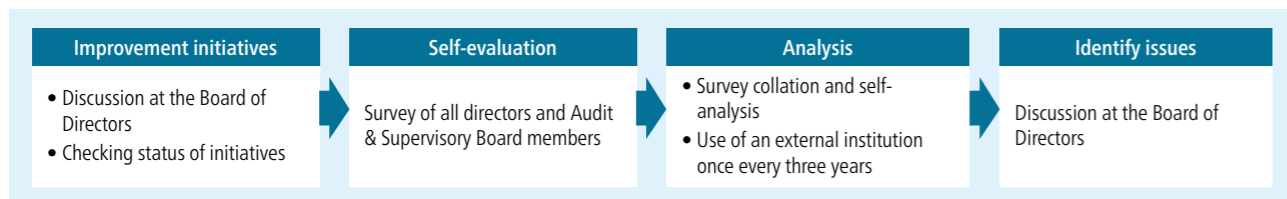
Details regarding the professional background of each director and Audit & Supervisory Board member are available in the Notice of the 129th Ordinary General Meeting of Shareholders.

Notice of the 129th Ordinary General Meeting of Shareholders p. 20  
[https://www.kanematsu.co.jp/en/ir/files/Notice\\_of\\_the\\_129th\\_ordinary\\_general\\_meeting\\_of\\_shareholders.pdf](https://www.kanematsu.co.jp/en/ir/files/Notice_of_the_129th_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. The Board of Directors and its secretariat implemented the measures listed below in fiscal 2023. 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 2023
Board of Directors composition	<ul style="list-style-type: none"> <li>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.</li> </ul>
Board of Directors discussions and operations	<ul style="list-style-type: none"> <li>Enhanced prior explanations of agenda items by the Board's secretariat for outside directors to improve the quality of Board of Directors discussions.</li> <li>Discussed Group growth strategy, focusing on Kanematsu Electronics Ltd. and Kanematsu Sustech Corporation.</li> <li>Worked toward the establishment of a human capital policy.</li> </ul>
Knowledge and training necessary for Board members	<ul style="list-style-type: none"> <li>Held training for officers with external experts on business and human rights, a training topic highly requested in effectiveness evaluations due to its importance to sustainability.</li> <li>Executive officers provided explanations of businesses by theme to enhance outside directors' understanding of business execution.</li> </ul>
Dialogue with shareholders and investors	Shared transcripts of IR meetings at the Board of Directors
Other/Overall	Reinforced monitoring functions related to sustainability based on regular reports from the Sustainability Management Committee.

#### Survey Items

- Board of Directors composition
- Board of Directors operation and discussions
- Support system and training for directors and Audit & Supervisory Board members
- Dialogue with shareholders and investors
- Opinions on the overall operation of the Board of Directors

#### Issues to Address Going Forward

- Medium- and long-term management strategy; formulating the next medium-term business plan
- Identifying the skills needed in directors under the next medium-term business plan
- Medium- and long-term growth strategy; approach to financial and non-financial aspects
- AI and other new technologies
- Utilizing human capital and personnel system reform
- Support system for outside directors
- Group growth strategy, focusing on DX/GX

## Director and Audit & Supervisory Board Member Compensation

### Total Compensation (Fiscal 2023)

	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)	240	150	40	49	5
Outside Directors	28	28	-	-	3
Audit & Supervisory Board Members (excluding outside members)	57	57	-	-	2
Outside Audit & Supervisory Board Members	19	19	-	-	2
<b>Total</b>	<b>344</b>	<b>255</b>	<b>40</b>	<b>49</b>	<b>12</b>

## 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	+	Performance-Linked Compensation	+	Stock Compensation
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Monthly fixed 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

- 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

#### 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

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	Audit & Supervisory Board Members
Basic Compensation	Basic Compensation

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

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

## 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, which is chaired by Chairman Tanigawa, 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

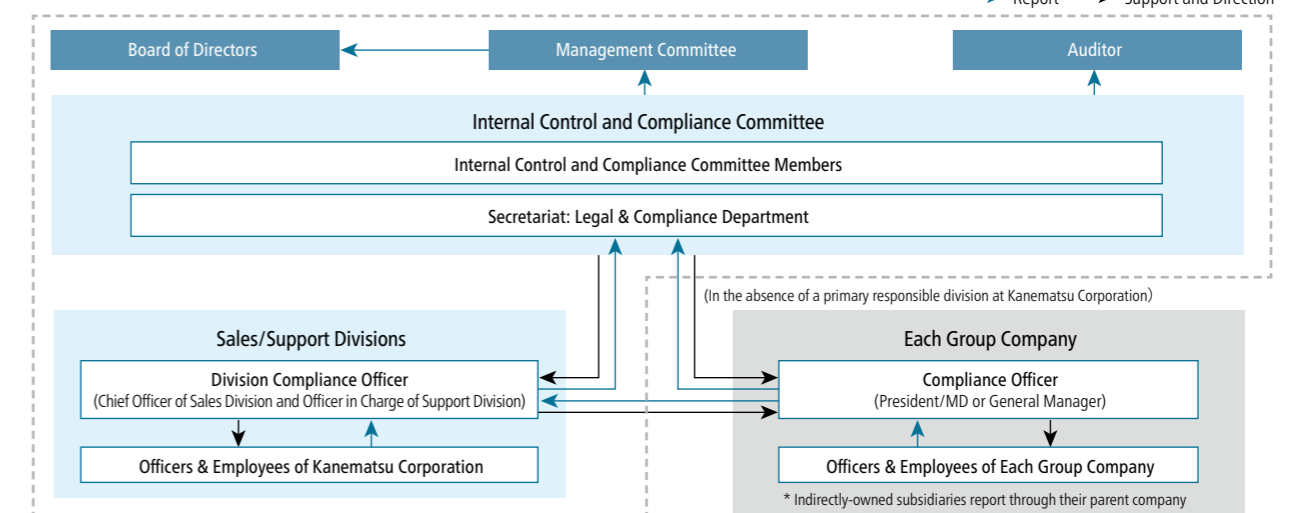
The Kanematsu Group prohibits the provision of entertainment, gifts, or other tangible or intangible benefits in excess of reasonable, socially acceptable norms to officers and employees of business partners, whether in Japan or overseas, regardless of whether they are public or quasi-public officials 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.

In fiscal 2023, there were zero violations of policies related to preventing corruption.

Diagram of the Kanematsu Group Compliance System (as of June 27, 2023)



## 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 Categorization

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.

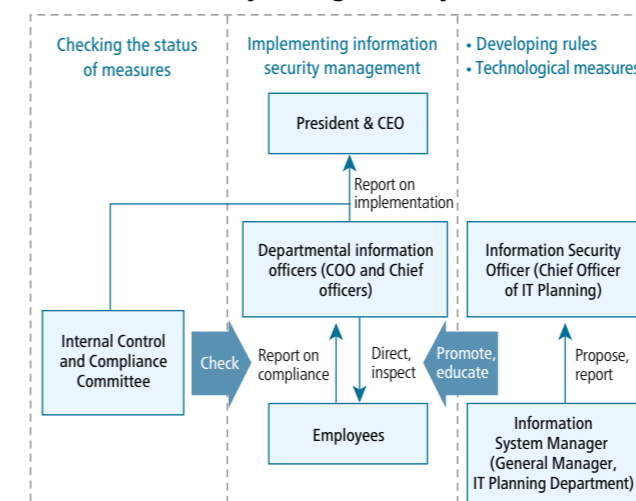
### Information Asset Categorization

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.

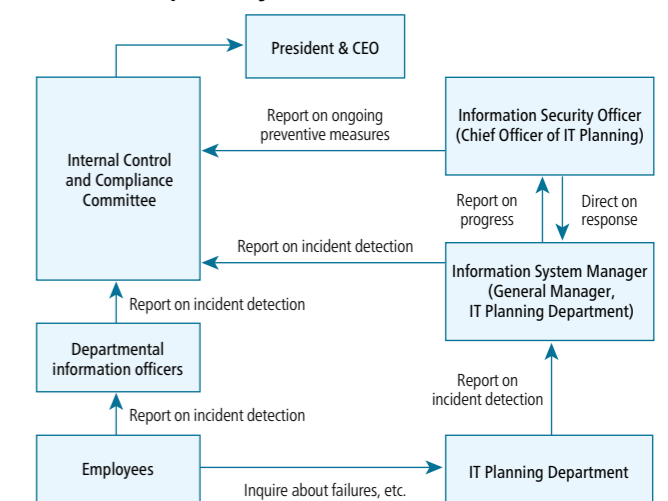
### Information Asset Categorization

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.

The Kanematsu Group has established an internal

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	<ul style="list-style-type: none"> <li>The risk of incurring losses in investment transactions of marketable securities due to stock market fluctuations, etc.</li> <li>The risk of incurring losses due to inability to liquidate investments</li> </ul>	Credit Control Department
Credit risk	Business investment risk	<ul style="list-style-type: none"> <li>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</li> <li>The risk of incurring losses due to inability to develop businesses as planned or withdraw because of local laws or relationships with partners, etc.</li> </ul>	Corporate Planning Department
	Transactional credit risk	<ul style="list-style-type: none"> <li>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.</li> <li>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</li> </ul>	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	<ul style="list-style-type: none"> <li>The risk of negative effects on corporate activities due to information, either in tangible or intangible form, not being properly stored or preserved</li> <li>The risk of incurring damages due to the leaking of confidential or personal information</li> </ul>	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

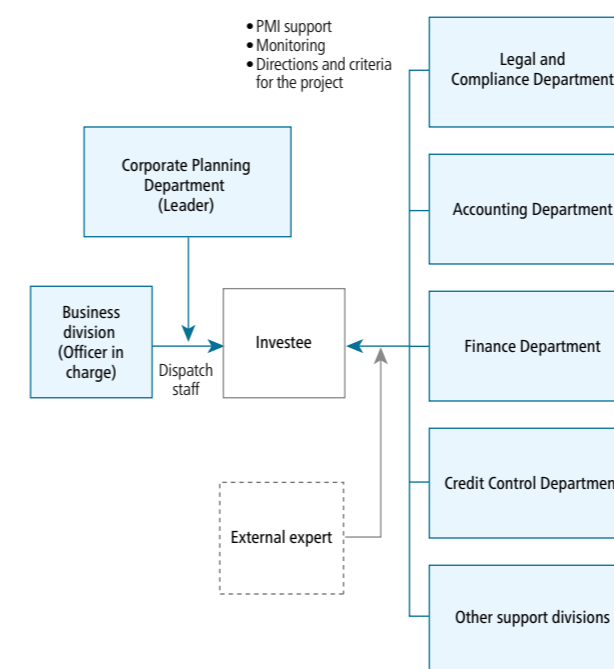
The Kanematsu Group does not pursue investment to secure short-term gains, rather, it does so with the general assumption that investments will be held long-term. After executing an investment, we make full use of the Group's functions to maximize the enterprise value of the investee, increase trading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



## 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 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.

**Directors and Audit & Supervisory Board Members**



**Kaoru Tanigawa**  
 Chairman  
 Shares held: 38,600  
 1981 Joined Kanematsu-Gosho Ltd.  
 2015 Director, Senior Managing Executive Officer  
 2017 President  
 2021 Chairman (incumbent)



**Yoshiya Miyabe**  
 President & CEO  
 Shares held: 26,100  
 1983 Joined Kanematsu-Gosho Ltd.  
 2018 Director, Senior Managing Executive Officer  
 2021 President (incumbent)



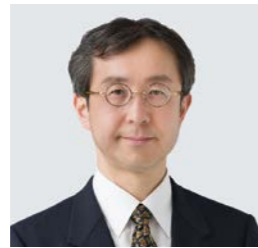
**Tetsuro Tsutano**  
 Director  
 Shares held: 25,600  
 1992 Joined Kanematsu Corporation  
 2017 Director, Executive Officer  
 2018 Director, Senior Executive Officer (incumbent)



**Shuji Masutani**  
 Director  
 Shares held: 4,000  
 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, Knowledge Management Lab (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)



**Motohisa Hirai**  
 Audit & Supervisory Board Member (full-time)  
 Shares held: 5,400  
 1976 Joined Kanematsu-Gosho Ltd.  
 2014 Senior Managing Director, Kanematsu-NNK Corporation (now Kanematsu Sustech Corporation)  
 2020 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)



**Yoshio Tajima**  
 Audit & Supervisory Board Member (full-time)  
 Shares held: 600  
 1984 Joined Kanematsu-Gosho Ltd.  
 2014 Director, Kanematsu Communications Ltd.  
 2016 Managing Director, Kanematsu Communications Ltd.  
 2017 Director, Managing Executive Officer, Kanematsu Communications Ltd.  
 2023 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)  
 2023 Opened Kurahashi Law Office Representative Partner, Kurahashi Law Office (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)  
 Senior Partner, Yasumori Audit 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 & CEO



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



**Eiji Kan**  
 Senior Managing Executive Officer  
 COO Steel, Materials & Plant, Green Transformation Committee Chair  
 General Manager, Osaka Branch; General Manager, Nagoya Branch



**Masahiro Harada**  
 Managing Executive Officer  
 COO Electronics & Devices, Digital Transformation Committee Chair



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



**Ryoichi Kidokoro**  
 Senior Executive Officer  
 COO Motor Vehicles & Aerospace



**Hiroshi Yamashina**  
 Senior Executive Officer  
 Chief Officer, Human Resources, General Affairs, Logistics & Insurance



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



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



**Jun Nakajima**  
 Executive Officer  
 COO Grain, Oilseeds & Feedstuff



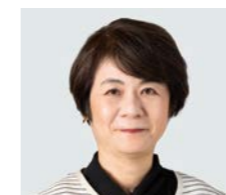
**Toru Hashimoto**  
 Executive Officer  
 COO Meat Products



**Koichi Nishimura**  
 Executive Officer  
 COO Foods



**Akihiro Fujita**  
 Executive Officer  
 President, Kanematsu USA Inc.; General Manager, Chicago Head Office



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



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