

Medium-Term Management Plan

Reflecting on Medium-Term Vision *future 135*

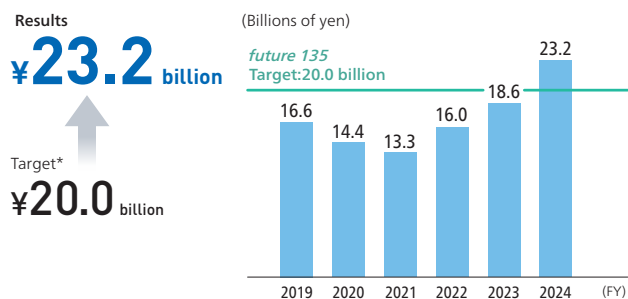
The Company has made KEL and KSU wholly owned subsidiaries, executed innovation investments in companies with innovative technologies and unique business models, and promoted Groupwide DX and GX initiatives to increase the Group's enterprise value, putting in place a structure to proceed to the next stage of the Company's development.

(Period: April 2019 to March 2024 / Revised in May 2021)

Achievement of targets

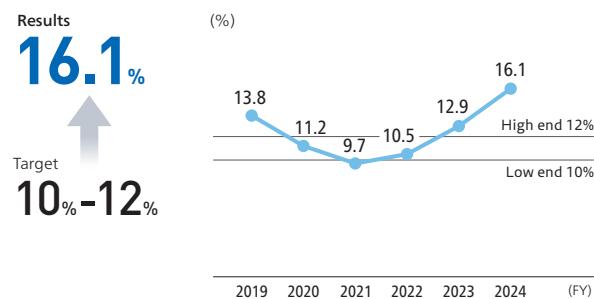
We achieved all the *future 135* revised quantitative targets.

Net profit

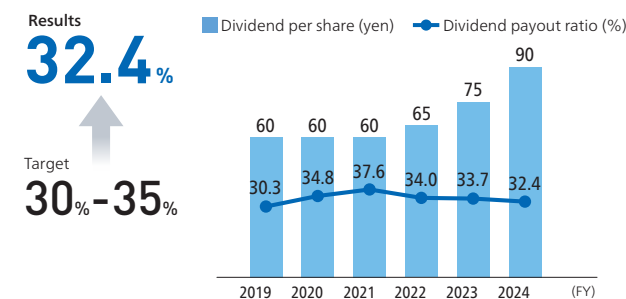


* Target after revision of the medium-term management plan in May 2021

ROE



Total return ratio



Priority initiatives

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

- Achieve sustainable growth while maintaining a healthy balance of 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 the acquisition of added value
- Invest in business segments related to environmental, social, and safety issues to support the achievement of the SDGs

Steel, Materials & Plant ¥13.1 billion

(South Korea) Equity participation in a steel plate processing manufacturer
(Japan) Acquisition of a plant engineering company
(Japan) Investment in startup companies developing next-generation bio-materials

Foods, Meat & Grain ¥7.7 billion

(China) Establishment of beef primary processing, manufacturing, and sales company
(Japan) Investment in plant-based (soybean) meat production company
(U.S.) Investment in a fresh ramen noodle manufacturing company
(Uruguay) Additional investment in Uruguayan cattle fattening operations, etc.

Motor Vehicles & Aerospace ¥8.0 billion

(U.S.) Participation in a cyber security investment fund
(U.S.) Series B investment in Sierra Space Corporation

Electronics & Devices ¥109.6 billion

(Japan) Kanematsu Electronics Ltd. becomes a wholly owned subsidiary
(Japan) Kanematsu Sastech Corporation becomes a wholly owned subsidiary
(Japan) Acquisition of additional shares of GLOBAL SECURITY EXPERTS Inc. (GSX)
(Japan) Acquisition of shares of JM Technology, Inc.
(Japan) Acquisition of semiconductor image sensor back-end process business
(Japan) Acquisition of a semiconductor manufacturing (marking) equipment trading company
(Japan) Transfer of semiconductor production equipment (IC test handler) manufacturing business transferred
(Japan) Acquisition of cell phone sales agents, etc.

**New Business Investments
Six-year total
¥138.4 billion**

02 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)

Key Development Investment

- (UK) Capital and business alliance with Advanced Air Mobility and drone delivery-related startup.
- (Japan) Investment in carbon nanotube manufacturer CARBON FLY, Inc.
- (Australia) Investment in environmental technology startup Samsara Eco

03 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

Medium-Term Management Plan

Reflecting on Medium-Term Vision *future 135*

Key initiatives

Implemented initiatives aimed not only at meeting quantitative targets but also at laying a foundation for the medium-term management plan, “integration 1.0.”

01

Acquiring KEL and Kanematsu Sustech

Developing new business models and transforming existing businesses through digital technology

KEL
KANEMATSU ELECTRONICS LTD.

 Kanematsu Sustech Corporation

02

Acceleration of innovation investment

Implemented an innovation investment system to incentivize the development of a future-oriented portfolio



03

Human capital investment to achieve sustained growth

Improved employee engagement through the relocation of our headquarters

Kanematsu University: A program for human capital development



04

Initiatives to enhance corporate value

Introduced segment-level ROIC

Performance-linked stock compensation for directors

Issues to be solved by Kanematsu under the new medium-term management plan, “integration 1.0”



Labor shortage

Decline in the labor force due to the shrinking population, logistics and supply chain delays caused by the 2024 problem,* and the rise in both labor costs and the per capita labor burden



Expediting management

Need for adaptability and strong information processing capabilities in order to quickly comprehend and meet rapid changes in customer needs and technological innovation as well as prompt decision-making capabilities to maintain competitiveness and capture business opportunities



Addressing sustainability

Need to accommodate the social movement toward decarbonization, economic and social pressures to ensure resource circulation, and calls for clarification of commitment to corporate social responsibility

* A general term for issues stemming from Japan's Work Style Reform Bill, including capping truck drivers' annual overtime at 960 hours

Medium-Term Management Plan

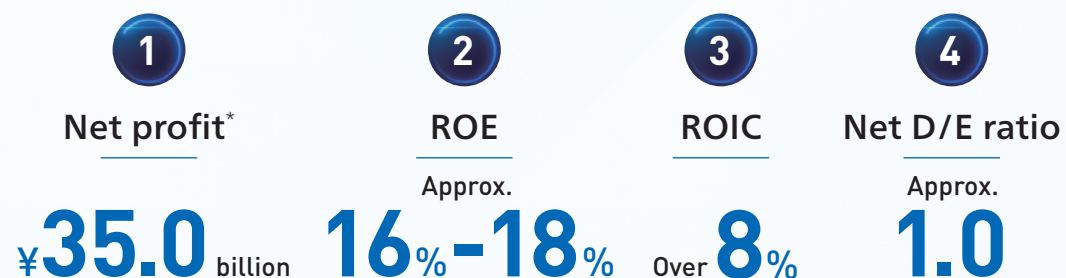
Overview of Medium-Term Management Plan "integration 1.0"

This plan is positioned three years into the future, backcast from Kanematsu's medium- to long-term envisioned goals. The new medium-term management plan, which covers the three-year period from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027, is named "integration 1.0," reflecting the further promotion of the integrated management of the Kanematsu Group.

Financial targets

(final fiscal year of "integration 1.0")

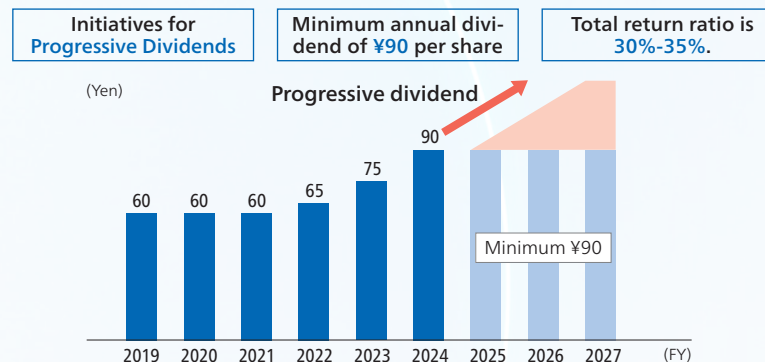
Aiming to achieve the following four goals by pursuing key initiatives while maintaining and growing a stable financial foundation



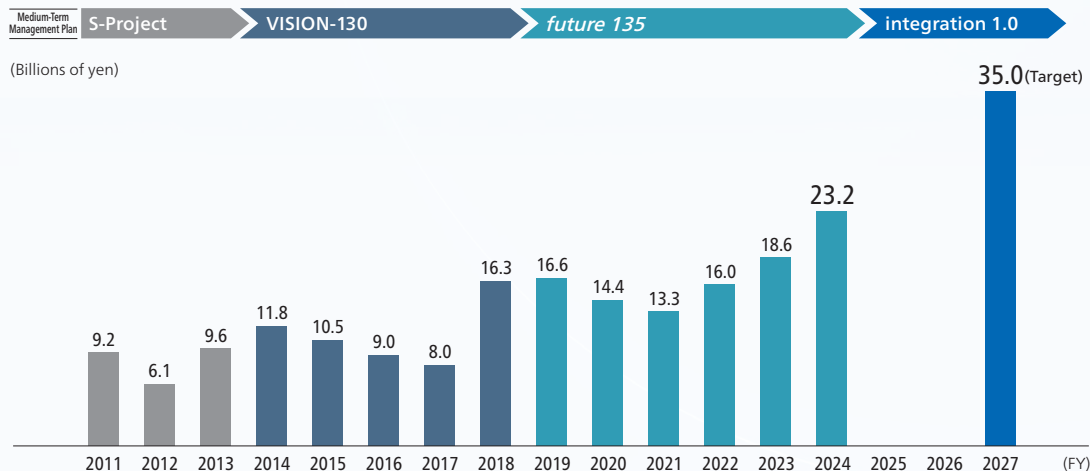
* Net profit = Profit attributable to owners of the Parent

Shareholder returns policy

- Introducing an annual dividend with a minimum value of ¥90 per share along with progressive dividends for the period of the "integration 1.0" medium-term management plan
- The policy includes increasing dividends in accordance with the growth of net profit, targeting a total return ratio of 30% to 35%.



Net profit



Column

Medium-Term Management Plan Formulation Process

We began formulating the plan from the perspective of increasing Kanematsu's enterprise value over the medium to long term. After a series of meetings and discussions, we solidified what we defined as "Kanematsu's values," which are based on our founding purpose. This approach is oriented toward "becoming a company capable of business expansion and new business creation by integrating our two strengths of being both a specialty and a general trading company. Based on this, we considered ways in which we could provide value through DX and GX, establishing four quantitative goals with the goal of Kanematsu becoming "a solutions provider leading the transformation of efficient and sustainable supply chains."



Tetsuro Tsutano
Director, Managing Executive Officer

Medium-Term Management Plan

Initiatives towards realizing the envisioned goal

The Board and management are committed to the pursuit of maximizing shareholder value.
Enhancing market valuation by reducing the cost of capital and improving the expected earnings growth rate.

01 Improve Capital Profitability and Efficiency

- Increase profitability by **prioritizing investment in ICT solutions business** with high ROIC.
- Maintain and elevate **ROE to between 16% and 18%, surpassing industry benchmarks**.
- Maintain financial soundness with a targeted net D/E ratio of approximately 1.0, while pursuing efficiency through optimal leverage levels.

02 Minimize Capital Costs

- **A business portfolio of 100% non-resources** with minimal volatility.
- Prioritize the five key materiality issues to achieve capital cost reduction and mitigate the ESG discount.

03 Enhance Expected Earnings Growth Rate

- Increase revenue through **organic growth and M&A in the ICT solutions business**, along with **expansion into other segments**.
- Generate revenue by offering **new value proposition and solutions to the supply chain**.
- **Elevate the value of intangible assets** through cultivation of human capital, leading to **enhanced organizational productivity and performance**.

Enhance
market
valuation /
Increase in
PER

Basic policies

Established six basic policies toward achieving the envisioned goal. Strategic goals for monitoring were also established. ▶P5

1

Promotion of Groupwide management

Providing solutions to the Group's network of over 20,000 customers and suppliers

2

Expansion of value propositions

Offering optimal solutions that are deeply rooted in supply chains and enhancing value propositions

3

Strengthening organizational capabilities

Developing and expanding the ecosystem for collaborative creation
Achieving new value creation through organizational transformation

4

Strengthening human capital

Nurturing human capital as the source of value creation

5

Enhancement of management functions

Strengthening management functions to achieve sustainable growth

6

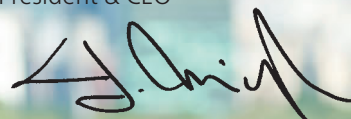
Maximizing shareholder value

Acting on our commitment to enhancing shareholder value over the medium to long term

Message from the President & CEO

We are implementing our latest medium-term management plan, “integration 1.0,” with the aim of becoming a trading company that provides new value to the supply chain as a solutions provider.

President & CEO



Yoshiya Miyabe

**MESSAGE
FROM THE PRESIDENT & CEO**

Furthering sustainable CSV management

Marking my fourth year as president, I have, for the first time, taken the lead in the formulation of a medium-term management plan. As a native of Tokyo's downtown, I consider myself to be someone who favors a democratic approach to leadership, putting me at odds with the more authoritarian approach to leadership common amongst those of my generation. Rather than demand that everyone fall in line with my ideas, I'm more inclined to suggest a collaborative effort. Accordingly, the formulation of the medium-term management plan began with internal meetings, both in Japan and overseas. Taking place over an extended period and entailing discussions with the presidents of Group companies, expatriate staff at overseas branches, and the heads of each department, the process of formulating "integration 1.0" gradually bore fruit. Having solicited the opinions of all members and examining various social issues to be solved as well as the role we are expected to play in society, we also established a vision of "a solutions provider leading the transformation of efficient and sustainable supply chains."


"New value" in this context represents value other than that furnished by our traditional trading operations, and reflects a desire to link the resolution of social issues to the Group's growth. For example, we hope to create new value by utilizing both digital transformation (DX) and green transformation (GX) to help solve such issues as Japan's nationwide labor shortage and climate change around the world. As DX progresses and generative AI and data centers become more widespread, environmental impact will become an issue due to a simultaneous expansion in power consumption. The pace of technological innovation is increasing and so is the need to achieve carbon neutrality, making GX increasingly important in the ICT field, where Kanematsu Group excels.

Furthermore, as part of the supply chain, the Group will become a "solutions provider" by delivering new value in the form of solutions to our 20,000 business partners. However, this is possible because Kanematsu is a unique trading company with trading as its main business. The information that our employees obtain from the 20,000 business partners they interact with on a daily basis constitutes an irreplaceable asset. This invaluable wealth of data offers insights into potential customer needs and challenges, insights that we believe will help us anticipate our future amid these ever-changing times when predicting what will happen next is generally considered difficult. There are things that can be learned only through real communication between people, and we will expand opportunities to provide new value by developing businesses derived from trading through this communication.

This is the furthering of sustainable CSV* management as envisioned in this medium-term management plan.

* Creating Shared Value




Visiting  Textron, a U.S. aviation company with which we have been doing business for more than 30 years, a relationship that began with Textron's predecessor company

Reflecting on future135

Under the previous medium-term vision, *future 135*, we achieved our financial targets and laid the foundation for the Group's realization of integrated management. We have also been working to expand the value we provide through DX, GX, and innovation in anticipation for the new medium-term management plan and will continue these efforts.

On the other hand, one issue that we continue to recognize as a challenge is the creation of a global strategy structure. With this in mind, we began formulating the new medium-term management plan by visiting our offices overseas and holding discussions. My impression when we began drawing up the new plan was that the regional structure that existed prior to the structural reforms implemented in 1999 was still in place and that locally led businesses had not yet taken root. We believe it is necessary in the current medium-term management plan to select and concentrate resources with an eye to how well suited they are to the Kanematsu Group as it is today.



In a warehouse operated by  DUNEX, one of the largest integrated logistics companies in Indonesia and a company in which we have invested

Strengthening the food value chain in Indonesia with our partner  Cimory

Message from the President & CEO

Background and focal points of “integration 1.0”

Regarding the plan’s name, “integration” refers to the Group’s efforts to ensure integrated management as well as the integration of financial and non-financial aspects of its activities. In other words, as an organization we seek to transcend the boundaries of divisions and groups and operate as a single entity. Furthermore, as a trading company we aim to create new businesses that transcend industrial boundaries. The “1.0” reflects our desire to leave room for upgrading our management plan to match the external environment in these rapidly changing times. It is quite possible that the plan will evolve, becoming “integration 1.1,” or “2.0” depending on the situation.

Recent changes in the business environment include an acceleration toward decarbonization, rapid technological innovation in such areas as generative AI, and heightened uncertainty due to geopolitical risks. I perceive these changes as a cue for trading companies to step up to the plate. There is a pressing need for a pioneering frontier spirit that paves the way for new business models and, with rising expectations worldwide with regard to trading companies, we feel that the time has come for us to play an even more active role in the industry.

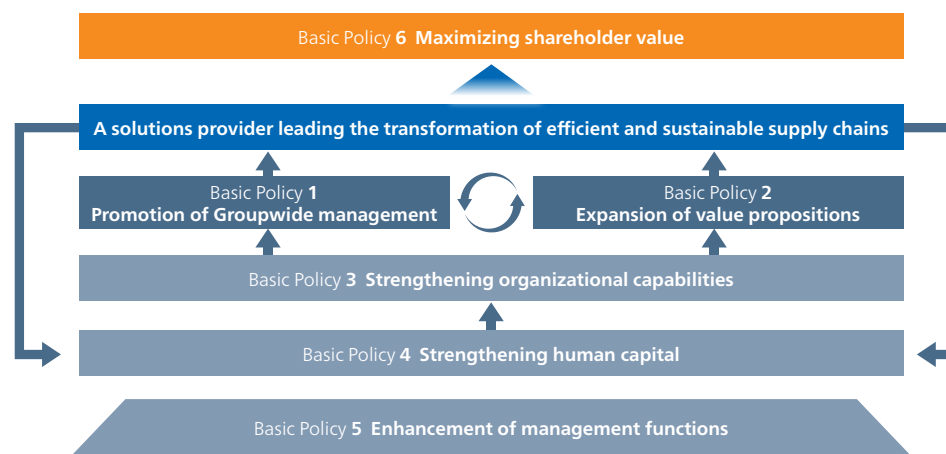
For example, it is becoming ever more difficult to realize GX without implementing such activities overseas as well. With respect to decarbonization, Japan proposed the Asian Zero Emissions Community (AZEC) concept. Several Asian countries have questioned why they have to engage in decarbonization, feeling they are unfairly targeted. Taking this as an opportunity to provide GX solutions throughout Asia, we would like to offer the Kanematsu Group’s expertise as a trading company.

In addition, the current medium-term management plan sets forth six basic policies. For maximum effect, these policies are meant to be taken in order from 1 to 6, with the first policy being the “promotion of Groupwide management.” This and the next, “expansion of value propositions,” will serve as the twin pillars of our efforts. Following on these two policies, “strengthening organizational capabilities,” “strengthening human capital,” and “enhancement of management functions” are essential. The result of this effort will be “maximizing shareholder value.” Under these six basic policies, we aim to achieve net profit of ¥35 billion in the final year of the medium-term management plan by expanding earnings through organic growth, M&A, and other corporate activities as well as by promoting DX- and GX-related businesses and innovation investments.

With regard to Groupwide management, the consolidation through takeover bids (TOBs) of Kanematsu Electronics (KEL) and Kanematsu Sustech (KSU) in 2023 have produced significant results, enabling unprecedented progress. Prior to the TOBs, each company operated independently as a publicly traded company, which limited the sharing of knowledge and customer base. Now, all three of us are able to collaborate and co-create as one, all heading in the same direction. The seeds for cross-selling have been created and have yielded real results. For example, to address security issues emerging from the advancement of DX, KEL and four other companies,

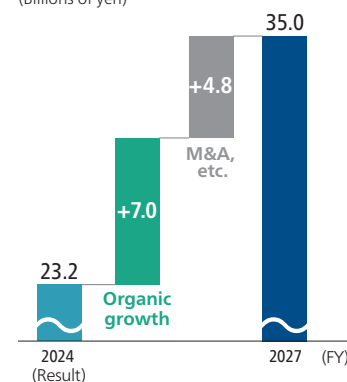
including KEL’s portfolio company, Kanematsu, have formed a security fund. Each Group company has also become increasingly aware of the need to raise the corporate value of the Kanematsu Group as a whole. In terms of strengthening organizational capabilities, we need DX and personnel exchanges to determine the best way to exchange information obtained from our 20,000 business partners on a Groupwide basis. Fortunately, 70% of the Company’s employees are employed in IT-related roles, and we are proud to say that we have a high level of IT literacy. Updating human capital requires DX, so we will increase the number of DX personnel with an understanding of the

Six basic policies and structures of “integration 1.0”



Net profit

(Billions of yen)



Main contributors to increased profit

Organic Growth +¥7.0 billion	Business Strengths <ul style="list-style-type: none"> • Growing ICT solutions business, including security services • Growing semiconductor equipment-related businesses • Diversifying overseas food business and meat products business in Uruguay and other production areas and expanding overseas sales • Ongoing development of biomass-related businesses and Kanematsu Sustech's environmental business • Growing defense-related business
	Innovation Returns on innovation investments made under <i>future 135</i> (Spiber Inc., CARBON FLY Inc., Samsara Eco, etc.)
M&A, etc. + ¥4.8 billion	Expand revenue by investing in areas in which we are strong, such as ICT solutions and DX-related businesses

Message from the President & CEO

trading company business and enhance the organization to create new value by having all employees obtain IT passports, attend security courses, and be seconded to KEL.

Valuing intangible assets and the Founding Purpose

As I touched on earlier, as a trading company, our strength lies in our people, our relationships with our business partners, and the information we can obtain from them. In other words, human capital, social capital, and intellectual capital are the Company's strengths, and we consider them valuable assets that we must continue to refine.

The main strength of our human resources, especially in terms of human capital, is the ability to get things done. Our business partners often comment that the Company "responds to any request without hesitation." This is something we take pride in as a trading company, and is an irreplaceable advantage afforded us by our human capital. I also tell my employees at every opportunity, "I want you to see your work through to the end, regardless of whether the result is successful or not." This creates a relationship of trust that deepens social capital, which, in turn, leads to business growth by generating valuable information and contributing to intellectual capital.

We believe that our human resources have been able to develop in this way largely due to the fact that the Founding Purpose has permeated the very DNA of the Company. Since its founding, the Kanematsu Group's fundamental approach has been to pursue economic growth as well as the well-being of people through the creation of social value with an emphasis on publicity and public interest.

To ensure ongoing relevance, we have launched a culture design project [▶p 66](#) charged

with modernizing the Founding Purpose. This project is led by seven young and mid-career employees who volunteered to discuss a variety of topics, including what they feel makes Kanematsu unique. By creating opportunities to earnestly reflect on our corporate culture, we hope to encourage each and every one of our employees to take ownership of an "ideal Kanematsu" as set forth in "integration 1.0," and promote Groupwide management to achieve the goals of the medium-term management plan.

For business creation and growth

In October 2023, we established the Growth Strategy Office, a Groupwide cross-sectional organization, as a key mechanism for the promotion of integrated Groupwide management. This office consists of various business units, investment teams, business creation teams, and Kanematsu Ventures Inc. in Silicon Valley, which represents the aggregate of all of the various knowledge bases across the Group. The office's main roles are cross-divisional selling, innovation exploration, and implementation, and the value enhancement of portfolio companies. As an opening topic, the office has been discussing investment projects in terms of the value they will bring to the Kanematsu Group as a whole. To date, subjects have tended to be optimized by division, with projects emerging from each department. As the new office represents a collection of Groupwide knowledge, it is able to offer an overarching view of businesses that previously received little attention. After all, without an overarching vision, business creation is quite difficult, and we felt that simply sharing information would be too limited to promote cross-selling across divisions. The Growth Strategy Office eliminates such problems, enabling us to more effectively promote cross-divisional cross-selling and innovation exploration and implementation.

In addition, this body works closely with the Human Capital Committee to ensure that necessary staffing can be expedited. Under the new personnel system that went into effect in April 2024, the committee also revised the evaluation of work performed for other departments, making it easier to cross departmental boundaries. The committee's primary theme is strategic human resource allocation, which includes evaluating the optimization of the human resource portfolio and resource allocation throughout the Company, with passionate discussions taking place at every meeting. I am convinced that if all of our employees had a broader perspective extending beyond their own areas of expertise, we would surely discover new value and become a solutions provider that can deliver said value.

Investments in new business creation and growth are definitely budding. Leveraging the strengths gained from trading as a source of innovation through investments that utilize Groupwide resources centered on DX and GX, we will pursue our ideal vision and carry out our medium-term management plan, "integration 1.0," together with everyone in the Kanematsu Group.



Message from the CFO



Shuji Masutani

Director, Senior Executive Officer, Chief Officer, Finance, Accounting, Business Accounting

“integration 1.0” —aiming to increase shareholder value over the medium to long term

Record Profits for the Fiscal Year Ended March 31, 2024

In the fiscal year ended March 31, 2024, the final year of the medium-term vision *future135*, consolidated profit for the year attributable to owners of the parent was ¥23.2 billion, exceeding our ¥20.0 billion quantitative targets and setting a new record. ROE remained high relative to industry standards at 16.1%, well above the quantitative targets of 10%–12%. Under *future135*, in addition to sustained

growth in core businesses and the expansion of scale through investment, we made progress in strengthening our earnings base as a result of priority initiatives to increase added value and believe that our earnings power has been further enhanced. Furthermore, the Company's financial position has shown considerable improvement, with total equity attributable to owners of the Parent of ¥116.0 billion at the end of March 2018, when *future135* was launched, growing to ¥159.3 billion at the end of March 2024.

The forecast for consolidated net profit for the fiscal year ending March 31, 2025, the first year of our latest medium-term management plan, “integration 1.0,” is ¥25.0 billion, an increase of 7.7% year on year, indicating a favorable start to the new plan thus far.

Basic Policy for Financial Strategy under “integration 1.0”

Under “integration 1.0,” we are committed to maximizing shareholder value through three key initiatives: **improving capital profitability and efficiency, minimizing capital costs, and enhancing the expected earnings growth rate.**

In the area of improving capital profitability and efficiency, we will maintain and improve ROE to above the industry level by focusing investments on the ICT solutions business, which has high investment efficiency. In addition, we intend to maintain the net D/E ratio, which deteriorated as a result of the takeover bids consolidating KEL and KSU in 2023, at around 1.0 through our capital allocation policy, as is described later in this report.

Our financial targets are to achieve net profit of ¥35 billion, ROE of 16%-18%, ROIC of 8% or more, and a net D/E ratio of approximately 1.0 in the fiscal year ending March 2027, the final year of the medium-term management plan, by both promoting initiatives to realize our vision and maintaining and growing a stable financial base.

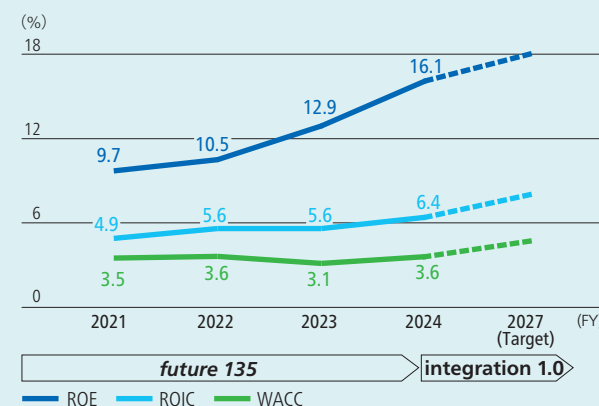
To achieve these financial targets, we will focus our growth investment in our ICT solutions business, even as we

work to increase profits and improve ROIC in all segments to achieve business growth and increase shareholder value, while optimizing business portfolio and efficiency.

We began tracking ROIC under our previous medium-term vision *future135* as an operational and management indicator. Under “integration 1.0,” we will accelerate management that emphasizes capital efficiency, aiming to generate returns that exceed the weighted average cost of capital (WACC, 3.6% for the fiscal year ending March 31, 2024). The actual ROIC for the fiscal year ended March 31, 2024 was 6.4%, but under “integration 1.0,” the target was set at 8% or higher. This, together with the achievement of the net D/E ratio target of about 1.0, will bring the ROE target of 16%-18% into view. With awareness of ROIC at the unit level increasing at individual Group companies, we will deepen ROIC management through the regular monitoring of each business. Furthermore, projects that do not reach a certain level in the final year of “integration 1.0” will be subject to review. (Figure 1)

In terms of minimizing capital costs, we will ensure stable performance by maintaining a business portfolio of 100% non-resource businesses with low volatility, while also prioritizing five key material issues: building a

Figure 1. ROE/ROIC/WACC



Message from the CFO

sustainable supply chain, decarbonization initiatives, mutual development with local communities, creating an environment that enables diverse work styles, and enhancement of governance and compliance. In addition, we will maintain strict financial discipline in order to further stabilize our financial foundations, and we will also reduce capital costs by paying a stable dividend through a newly set progressive dividend.

Regarding enhancing the expected earnings growth rate, in addition to organic growth mainly in the ICT solutions business, our highest priority is to expand earnings in this business through M&A and business expansion into other segments. Furthermore, we are committed to growth beyond the traditional trading company business model by expanding the value we provide through DX, GX, and innovation.

By minimizing capital costs and enhancing the expected earnings growth rate, we will improve market valuation and the PER.

Capital Allocation Policy

The capital allocation policy is based on operating cash flow generated from both stable core businesses and growth businesses, as well as cash inflows from asset replacement, with plans for further shareholder returns and growth investment. Specifically, the Company expects to generate ¥110.0 billion in operating cash flows over the three years through the fiscal year ending March 31, 2027, which, together with a ¥10.0 billion cash inflow from asset replacement, will generate a total of ¥120.0 billion in cash. Half of this allocation, or ¥60.0 billion, will be used for growth investments, of which ¥40.0 billion will be invested mainly in DX-related areas with high investment efficiency, such as ICT solutions. The Company also expects to distribute ¥33.0 billion as funds necessary for the sustainable operation and development of its core businesses

and ¥27.0 billion in dividends to be returned to shareholders. We aim to achieve sustainable growth through investment while maintaining financial discipline.

Strategic Shareholding Reduction Policy

As part of measures to improve capital profitability and efficiency, we have decided to liquidate our listed shareholdings by March 31, 2027, thereby reducing our strategic shareholdings by approximately ¥10.0 billion. As a result, the ratio of strategic shareholdings to total consolidated capital (excluding that for innovation investment purposes and investment in overseas strategic business partners) will be reduced to less than 10% as of March 31, 2027.

Increasing Shareholder Returns and Adopting a Progressive Dividend Policy

With regard to our shareholder return policy, stable and continuous dividends have been paid thus far, based on the principle of returning profits to shareholders in accordance with our business performance, while maintaining a balance with appropriate internal reserves for investment in growth. Under “integration 1.0,” we have decided to pay a progressive dividend and set the minimum annual dividend at ¥90 per share, the annual dividend for the fiscal year ended March 31, 2024. We are committed to meeting investors’ expectations by increasing dividends in line with net profit growth, with a total return ratio of 30% to 35%. (Figure 2)

Dialogue with Investors

The Company’s five-year total shareholder return was 232.6% as of March 31, 2024, higher than the TOPIX, including dividends, of 196.2%. (Figure 3)

We believe the dissemination of information to investors and the provision of multifaceted analyses and opinions based on investors’ perspectives through a series of

constructive and continuous communication are essential for the growth of the Company. Feedback received is reported and discussed by the Board of Directors and reflected in our management strategies, leading to medium- and long-term growth and increased enterprise value. We look forward to your continued support.

Figure 2. Consolidated net profit*/Payout ratio

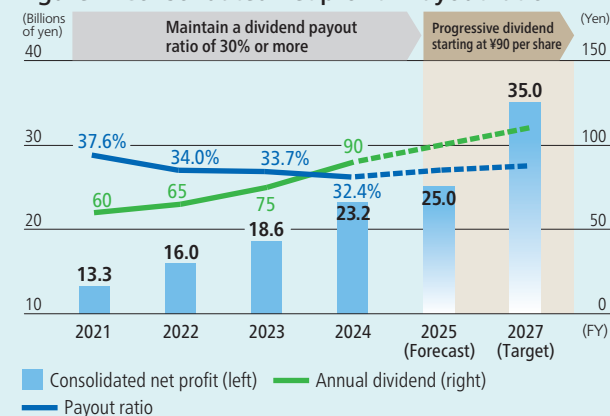
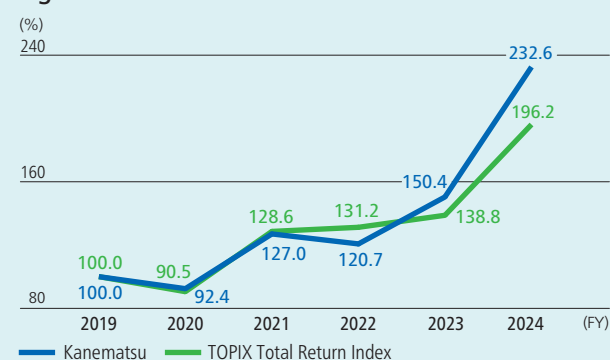


Figure 3. Total shareholder returns



Note: The values above show fiscal year-end total shareholder returns relative to the values at March 31, 2019, which have been set at 100

Message from the Chief Officer of Human Resources



Hiroshi Yamashina

Senior Executive Officer,
Chief Officer, Human Resources

To be loved and chosen by customers and business partners

“You’re the reason we came, Mr. Yamashina”

This is what a customer once told me when I was stationed in France more than 30 years ago. At the time, I was in charge of a joint venture company to which I was seconded that manufactured electronic circuit boards for delivery to local Japanese manufacturers. Production at the plant was plagued by continuous problems, and one day we unavoidably ran into a situation in which we were unable to staff the production line, resulting in delayed product deliveries and possibly halting a customer’s production line. When I called the customer to report the situation and apologize, prepared to pay a large amount in compensation, I received an unexpected response: “Okay, I’m on my way to help out.” That night, six or seven people from the customer’s purchasing and engineering departments showed up in a car, walked in to where our factory line was located, and, to our surprise, helped us with production through the night. It took us until dawn, but in the end we managed to deliver the product without incident. I was so moved that I thanked him with tears in my eyes, and that is when he spoke those words to me. That delightful comment strongly reinforced my belief that business stands on a foundation of interpersonal relationships, a belief that has stayed with me to this day.

A successful business is not something that can be achieved simply by offering products or services that are “good enough.” It is through the bonds created when people pursue common goals, spending time together and sharing a passion, that transactions transcend mere economic activity and lead to the rich fruits of sustainable

growth and the creation of new value.

This idea has been passed down through the Kanematsu Group since its founding and is reflected in our Human Capital Policy: “Be someone who is loved and chosen by our customers and business partners.” We define our “Kanematsu Persons” to be our most important asset, and aim to create sustainable value by having each and every one of them proactively embody these universal values.

With this basic policy as its foundation, “integration 1.0,” our medium-term management plan that was launched in the fiscal year ending March 31, 2025, sets forth our envisioned goal of becoming “a solutions provider leading the transformation of efficient and sustainable supply chains.” This means human resources with the ability to design optimal solutions for customers and business partners based on in-depth field knowledge. To achieve this goal, we have formulated a new human capital strategy and reviewed various key themes, indicators, and targets. Furthermore, this year we established the Human Capital Management Committee, on which I serve as chair, to ensure that our management and human capital strategies are firmly aligned. We intend to strengthen our human capital around this committee and build an organization that fully leverages the abilities of each individual, thereby securing further growth.

In terms of human resource development, we offer a variety of training programs in line with our human capital strategy. In particular, for the development of DX and GX human resources, we will strive to enhance collaboration Groupwide, playing a leading role in reaching our envisioned goal of sustainable supply chain growth through personnel exchange with KEL, which has expertise in ICT, and the GX Accelerator team, an organization dedicated to promoting environmentally related businesses.

Striving to embody the defining traits of “Kanematsu Persons,” we will continue to value our connections with our customers, build mutual trust and empathy, and contribute to society by creating sustainable value through

Message from the Chief Officer of Human Resources

the provision of solutions that enrich people's lives and have a positive impact on society as a whole.

Human Capital Development Policy

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

Work Environment Policy

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

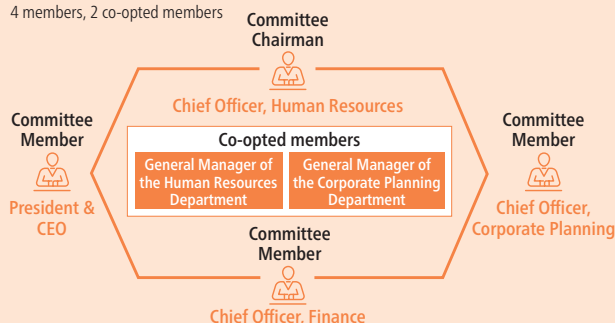
▼ Human Capital Management Committee

The Human Capital Management Committee, chaired by the Chief Officer of Human Resources and consisting of the President & CEO, the Chief Officer of Corporate Planning, and the Chief Officer of Finance, was established on April 1, 2024, to align management and human capital strategies and strengthen human capital, the cornerstone of value creation, and put us on the path to achieving our envisioned goal.

The Committee meets at least once a month for the purposes of deliberating on and reviewing the concept of a "Kanematsu Person" to support the creation of new value, optimizing the Groupwide human capital portfolio based on its management strategy, and deliberating on the formulation of a human capital investment program.

Committee members

4 members, 2 co-opted members



▼ Basic Policy on Human Capital

(Policy)

Sustainably increase enterprise value by securing and developing human resources ("Kanematsu Persons") to be the source of new value creation, and by creating an organization in which human resources are able to fully demonstrate their abilities.

Overview

A "Kanematsu Person" is someone who is loved and chosen by our customers and business partners. Each of us proactively embodies the following values that have been cherished since the Company's founding, and, as "Kanematsu Persons," we aim to create sustainable value.

Kanematsu's Values

- A sense of purpose and responsibility for solving issues faced by customers, business partners, and society
- Imagination, ingenuity, and ambition to sow new seeds
- Sincerity in valuing mutual prosperity with customers and business partners
- Team spirit to work toward common goals with enthusiasm

▼ Human Resources Strategy

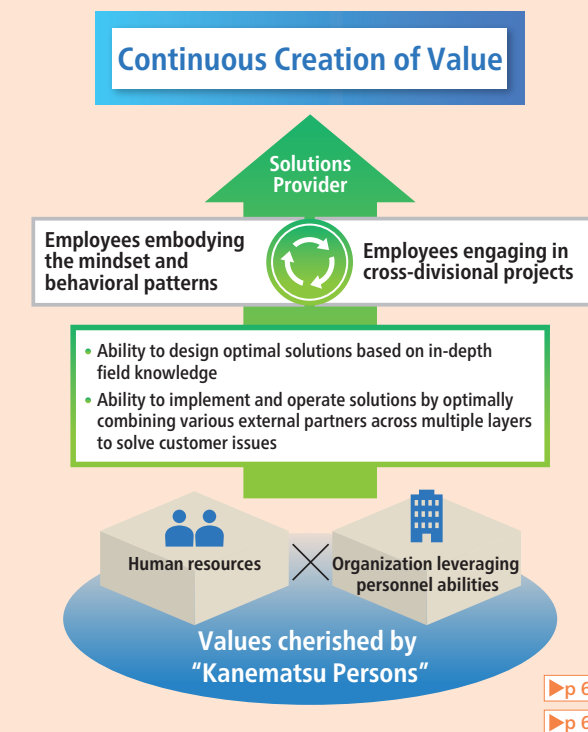
(Policy)

Secure and develop human resources who can play an active role in securing our envisioned goal (Solutions Provider), and create an internal environment that allows our human resources to fully demonstrate their abilities.

Overview

In our medium-term management plan, "integration 1.0," the Company has set forth its envisioned goal for Kanematsu: to become "a solutions provider leading the transformation of efficient and sustainable supply chains." To become a solutions provider, one must have two major skills: 1. the ability to design optimal solutions based on in-depth field knowledge, and 2. the ability to implement and operate solutions by optimally combining the resources of various external partners across multiple layers to solve customer issues.

We believe that by implementing initiatives based on the Human Capital Development Policy and the Work Environment Policy described on pp. 60-69, we will increase the number of employees embodying the mindset and behavioral patterns as well as engaging in cross-divisional projects—the monitoring indicators specified in "integration 1.0" our medium-term management plan.



Message from the Digital Transformation Committee Chair

Taking the Kanematsu Group to a New Stage with DX

Under “integration 1.0,” the new medium-term management plan introduced in April 2024, DX is a priority target. Through the enhancement of ICT solutions and maximization of Group synergies, Kanematsu aims to transform and create supply chains by identifying customers’ issues and needs and providing them with optimal solutions.

As part of this effort, the ICT Solution Division, centered on Kanematsu Electronics Ltd. (KEL), was newly established in the fiscal year under review. By leveraging KEL’s strengths in IT infrastructure and security products and services, which it has been supplying to the Kanematsu Group’s broad network, the division aims to expand the Group’s customer base, increase revenues, and expand overseas operations. In addition, the division will promote the realization of supply chain digitalization solutions by appointing key personnel with expertise in DX and IT strategies.

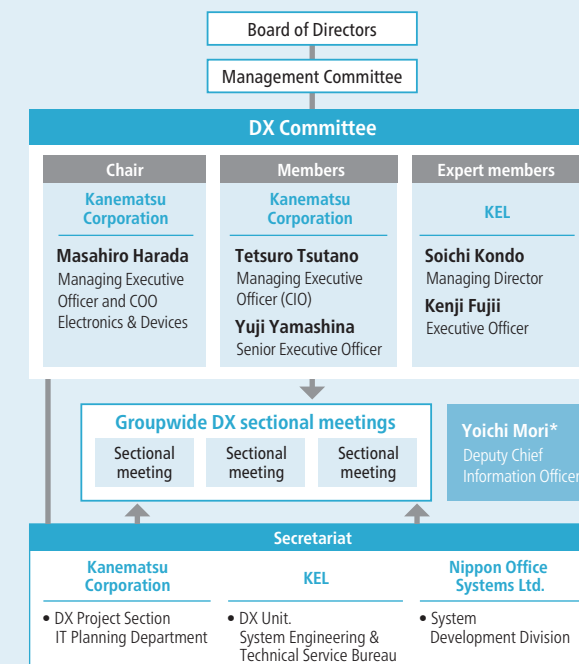
The Digital Transformation (DX) Committee established a subcommittee this fiscal year to further advance the use of generative AI and data analysis. Furthermore, it is promoting the business application of the latest technologies through the establishment of new DX investment limits and execution criteria. This is in addition to supporting those undertaking the challenges of the demonstration phase for projects that meet certain criteria throughout the Group.

In order to strengthen the Group’s lineup of human and intellectual capital capable of DX promotion, the DX Committee is also focusing on improving employee IT literacy. The entire Group is engaged in DX-focused human resource development, supporting those pursuing various public qualifications such as IT Passport and undertaking personnel exchanges with KEL. Furthermore, in response

to the increasing frequency of cyberattacks, the KEL Group provides security training and is strengthening its own corporate cybersecurity initiatives.

We at Kanematsu believe that the burden of DX promotion should not be undertaken by a single department working alone, but rather that the entire Kanematsu Group, transcending divisional and corporate boundaries, should work together to promote DX. True change can be achieved only if all employees understand the importance of DX and incorporate it into their daily duties. With the cooperation and support of all, Kanematsu will further accelerate DX promotion and become a solutions provider and trading company that offers new value throughout the supply chain.

DX promotional framework



* From July 2024, Yoichi Mori, former Special Advisor to Accenture Plc with expertise in data utilization and IT human resource development, has been appointed as Deputy Chief Information Officer (CIO) as a professional who will oversee all aspects of the IT strategy.

Masahiro Harada

Managing Executive Officer
Digital Transformation Committee Chair

Message from the Digital Transformation Committee Chair

Status of Initiatives

Digital Transformation of Livestock Supply Chain Operations

Kanematsu launched the beef e-commerce website for wholesalers, “Dokodemo Beef,” in 2023, with the aim of digitally transforming operations in the livestock supply chain. On this website, clients can easily order Kanematsu’s carefully selected beef from around the world 24 hours a day, 7 days a week, 365 days a year from their smartphones or computers. With a user-friendly interface, the site offers a wide range of search functions, such as by region of origin, cut, and planned preparation method, allowing clients to quickly and easily find products. The latest products and product recommendations can be downloaded for use in business negotiations and proposals to retailers and the food service industry. After logging in, the My Page function allows clients to easily check past purchase history as well as a list of frequently ordered products, so that repeat orders can be placed smoothly. For companies with multiple persons in charge, the order history can be shared and managed, making clients’ companywide information sharing more efficient.



In addition, shipment instructions, traditionally transmitted by fax, can now be completed on site through integration with warehouse systems. The system has improved our clients’ work efficiency and reduced clerical errors, contributing greatly to improving the accuracy and speed of their operations. Utilization of the service has steadily progressed and the number of companies adopting it has been increasing.

Future plans include expanding into pork and other food products. Kanematsu will continue to be a solutions provider offering groundbreaking digital innovation in the supply chain to meet the diverse needs of its customers. Going forward, our commitment to customer satisfaction and sustainable growth will continue through technological innovations and service improvements.

Promotion of In-House Data Utilization with Japan Data Exchange Inc.

Japan Data Exchange Inc., a Kanematsu Group company, has begun utilizing data from Kanematsu and other Kanematsu Group companies to promote Groupwide cross-selling and up-selling to the Kanematsu Group’s more than 20,000 domestic and overseas customers. Through analysis incorporating both internal and external data, such as sales data and customer information, the company aims to improve the quality of the Group’s sales activities by understanding the needs and purchasing trends of individual business partners and making optimal proposals. In the future, the company will look to utilize AI and machine learning technologies to discover new business opportunities, forecast market trends, and formulate growth strategies.



Japan Data Exchange employs a data utilization and analysis platform built in cooperation with the Group companies Kanematsu Electronics Ltd. and Nippon Office Systems Ltd. This platform takes every possible measure to ensure security and personal information protection, minimizing the risk of information leaks. By establishing a safe and effective data operation system, risks associated with the use of data are thoroughly safeguarded. Through the utilization of data held by the Kanematsu Group, Japan Data Exchange will strive to further enhance Groupwide competitiveness and increase the value that the Group provides to its customers.

Message from the Green Transformation Committee Chair

Accelerating GX Promotion by Involving Society as a Whole

Two years have passed since the establishment of the Green Transformation (GX) Committee. Although initially established for the purpose of building a business that would contribute to GX, too much of the committee's time is spent on trying to keep up with rapid changes in society, the environment, values, and so on, to achieve its original purpose. At the same time, the Company is gradually increasing its environment-related investments both overseas and in Japan and is looking forward to future developments.

As an entity directly under the Management Committee, this committee operates on a quarterly reporting basis, planning, proposing, promoting, managing, and supervising projects that contribute to GX, and conducting other activities based on the PDCA cycle. The GX Accelerator Team, a subordinate body of the GX Committee comprising approximately 90 volunteer employees from across the Kanematsu Group, has been generating many commercial seeds that will contribute to GX, and we expect that efforts to commercialize these seeds will be accelerated in the future. In addition, the Steel, Materials, and Plant Division, which I serve as division head of, has originated a number of projects that contribute to GX, such as the creation of credits from renewable energy and the use of lumber that has a low environmental impact. In the fiscal year ended March 31, 2024, Kanematsu Sustech Corporation, which is involved in many GX-related businesses, became a wholly owned subsidiary, creating a structure that allows the Kanematsu Group to work together as one.

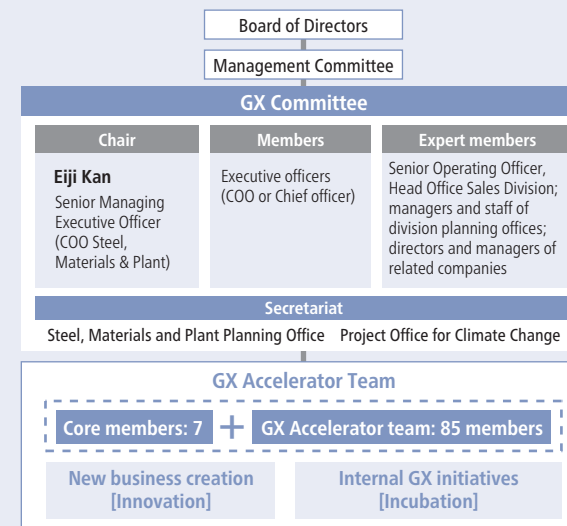
One of the basic policies of the "integration 1.0" medium-term management plan is to promote Groupwide management that will facilitate the more effective utilization of Kanematsu Group assets. The Growth Strategy Office, which leads business development beyond divisional and corporate boundaries, is set to serve as the Group's core organization. A person in charge of GX-related matters

has been appointed within this organization to work closely with the GX Committee toward the creation of new value, thereby strengthening organizational capabilities. Furthermore, the Company has identified renewable energy, GX for agriculture and food, GX for raw materials, and the venous business* as its four key focus areas. We believe each of these to be highly promising and hope to steadily reap the rewards over the current plan's three-year period. Rather than simply taking the easy way out by focusing on making reductions in items that can be accounted for in purely numerical terms, like credit transactions, we will endeavor to give back to the world by building and developing businesses, especially in our key areas of focus, while leveraging all the assets of the Kanematsu Group, including human, intellectual, and social and relational capital.

The GX Committee's vision is —through the collective efforts of the Kanematsu Group and as a leader of inter-industry and inter-company collaboration—to become a leading light in the transformation of the supply chain into one that coexists in harmony with the Earth. Together, the Kanematsu Group, its business partners, and society as a whole will achieve long-lasting growth.

* Refers to industries that turn solid industrial waste into reusable resources.

GX promotion framework



Eiji Kan

Senior Managing Executive Officer
Green Transformation Committee Chair

Message from the Green Transformation Committee Chair

Status of Initiatives

Agricultural GX

Kanematsu has an edge in the food supply chain, serving many entities, including farmers, fertilizer manufacturers, animal feedstuff manufacturers, meat packers, food manufacturers, retailers, and food service companies, and is leveraging this strength to add value to GX.

As part of producer efforts to promote GX, the Company is working with Green Carbon Inc. on the creation of carbon credits by reducing methane gas emissions from rice cultivation, and selling environmentally friendly rice in local markets. In addition, we are collaborating with TOWING Ltd. and EF Polymer Private Limited, utilizing these companies' respective products, high-performance biochar and biodegradable water-holding polymer, in line with our efforts to work with suppliers and customers to contribute to climate change countermeasures and sustainable food production systems by storing carbon in the soil, reducing chemical fertilizer use, and improving production efficiency. For livestock, we are also working on creating carbon credits for livestock farmers and promoting sales of low-carbon meat.

As for GX at the manufacturing stage, we are building a system to make use of vegetable waste and substandard products by converting them into vegetable powders, and we are also working on upcycling other food wastes.

In the Japanese market, we are also promoting the use of food ingredients produced using sustainable methods, such as sustainable pork in cooperation with Danish Crown A/S of Denmark, sustainable coffee in cooperation with Brazil-based coffee company Daterra Atividades Rurais Ltda., and plant-based meat in cooperation with DAIZ Inc.



Collaboration with Spiber Inc.

Developing applications for Brewed Protein™, a structural protein material

In 2024, together with bio-venture company Spiber Inc., we began developing applications for Brewed Protein™, a structural protein material. Brewed Protein™ is an innovative new material that is produced from plant-derived biomass through a microbial fermentation process and is expected to find applications as a substitute for synthetic fibers, resins, synthetic leather, adhesives, and functional films derived from fossil fuels, as well as in the food industry to create meat substitutes, and in the medical field to produce biocompatible materials.

As the material is environmentally degradable, it may, depending on the design of the final product, contribute to solving the problem of microplastic emissions, which are caused by products derived from fossil fuels. Also, as it is possible to incorporate properties not found in conventional plant-derived materials, the material is expected to earn a place as a next generation material.



Biomass fuel

In 2017, the Kanematsu Group entered the biomass fuel supply business for biomass power generation, one of its renewable energy projects, a business that continues to expand. Our share of biomass fuels handled by Kanematsu Energy Department has grown to approximately 25%. Through this business, we aim to expand our share to 40% by 2030, and contribute to an environmentally friendly society.



Message from the Sustainability Management Committee Chair



Tetsuro Tsutano

Director, Managing Executive Officer

Beyond “profit is just a by-product of business”

Task Force on Nature-Related Financial Disclosures (TNFD)

In February 2024, the Company endorsed the recommendations of the TNFD and announced its participation in the TNFD Forum.

Although climate change has long been a pressing global issue in terms of controlling greenhouse gas (GHG) emissions, the Earth is now in a state of profound negative impact, with organism extinction rates having increased 10- to 100-fold compared to average rates seen over the past 10 million years. As an organization dedicated to realizing a more sustainable society, the Group is also committed to contributing to the realization of Nature Positive, defined as the halting and reversal of biodiversity loss in order to put nature on the path to recovery.

Through the analysis of nature-related issues using the TNFD framework, we reaffirmed the fact that among our Group's diverse businesses, the Foods, Meat & Grain Segment, which includes many products such as beef and feedstuff materials, of which the Company is a top importer, is highly dependent on ecosystem services that connect a wide variety of organisms in various ways and in various relationships.

In July 2024, we disclosed the nature-related risks and opportunities of our beef and coffee businesses, which are estimated to have a significant impact on the environment.

Profit is just a by-product of business

In the words of our founder, Fusajiro Kanematsu, “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 prosperity.” This philosophy continues to serve as the foundation of all the Group's corporate activities.

Fusajiro was a man who, at the age of 44, took the giant step of entering into trade with Australia, founding what is now the Kanematsu Corporation at a time when life expectancy was estimated at 50 years. His approach was to treat life as a series of challenges with a view toward the future of Japan. Despite already being a successful businessman in the Kansai region at the time of the Company's founding, Fusajiro made a leap of faith and devoted his entire fortune to advancing the Australian business. At that time, those in the Kansai business community believed “Kanematsu was out of his mind” for his reckless pursuit of the challenge and ideal of restoring to Japanese hands the trading rights that had been monopolized by foreign trading houses since the unequal treaties of the end of the Edo period.

Just what was it that motivated Fusajiro? As a man who held that “profit is just a by-product of business,” this was not about personal gain, but rather about enabling the Japanese people to prosper by espousing fair business practices and thereby ensuring the ongoing enrichment of their way of life. This integrity resonates with us today as we strive to ensure the continued sustainability of our planet by maintaining and revitalizing biodiversity and natural capital.

Under “integration 1.0,” the medium-term business plan that kicked off in April 2024, we have defined our mission as “making supply chains more efficient and sus-

Message from the Sustainability Management Committee Chair

tainable," incorporating the philosophy that has been passed down from our founder, while establishing "becoming a solutions provider leading the transformation of efficient and sustainable supply chains" as our vision. We intend to promote sustainable businesses that can put the planet's natural environment on a recovery track and pursue the common good of society as a whole.

Improving ESG Scores

The table on the right depicts the changes in the Group's ESG scores over the past four years. Although these scores have improved year by year as a result of enhanced disclosure in line with Task Force on Climate-related Financial Disclosures (TCFD) guidelines and human rights initiatives, there is still room for further increase in the Group's current ESG score. By accelerating our ESG initiatives and ensuring appropriate information disclosure and engagement, we will continue our efforts toward sustainability management and increasing our corporate value as a company that contributes to a sustainable society in line with the aspirations of our founder, Fusajiro.



The Sustainability Management Committee

Kanematsu Group ESG scores



	2020	2021	2022	2023
FTSE Russell	1.4	1.4	2.8	2.9
S&P Global	14	27	32	41
MSCI	BB	BB	BBB	BBB
CDP (Climate Change)	—	—	B	B

Key issues discussed by the Sustainability Management Committee (for the fiscal year ended March 31, 2024)

- Report on the expansion of TCFD disclosures
- Report on GHG emission reduction efforts and Scope 1+2 results and analysis of changes
- Discussion of subsidy programs for the introduction of renewable energy
- Report on progress of human rights due diligence
- Report on efforts toward disclosure based on TNFD recommendations

Sustainability promotion framework



(As of April 1, 2024)

Message from the Chairman of the Board of Directors



Kaoru Tanigawa

Chairman and Representative Director

Creating a management structure and stimulating discussions

Role and structure of the Board of Directors

The Company's Board of Directors is responsible for governance and risk management. Specifically, it deliberates and passes resolutions on key management decisions and supervises and monitors their execution. Currently, the Board of Directors consists of seven directors—three of whom are outside directors with abundant knowledge and insight thanks to backgrounds that include experience as corporate executives, in academia, and as experts in their respective fields—contributing to the quality and liveliness of discussions. Furthermore, a clear separation of duties and functions is maintained between the Board of Directors and the Management Committee, which comprises executive officers responsible for business execution, enhancing the agility of business promotion. In 2014, we expanded the executive officer system while downsizing the Board of Directors, transferring authority for business execution-related issues to the Management Committee, which comprises executive officers and standing directors. And, in 2022, based on a thorough review of important matters, the Board of Directors moved to delegate significant authority to the Management Committee, revising the "Rules for Delegation of Authority." This not only improved the efficiency and depth of discussions undertaken by the Board of Directors, but also prompted ambitious challenges on the business front

in the execution of operations.

At the same time, we take a unique stance among trading companies in that we believe in the importance of proper decision making that takes into account both "offensive" and "defensive" perspectives in the Board of Directors' meetings.

In a trading company that encompasses many different areas of business, a board of directors that completely distances itself from execution will have difficulty distinguishing the specifics of the business and making appropriate decisions. An eye well-versed in the realities of execution and able to precisely discern potential risks is necessary. In my current role as chairman of the Kanematsu Group Board of Directors, I am able to draw on my previous experience as a president and chairman and put forth alternative considerations that facilitate the clarification of issues. I believe that the more animated the Board of Directors' discussions are, the better the quality of governance will be.

Traditionally, the Company has cultivated a vigorous exchange of ideas. And, to capitalize on the skills of both internal and external directors, we encourage them to voice views backed by a thorough application of their expertise and experience. In addition, we try to avoid a formal atmosphere and instead create an environment in which opinions and questions can easily be expressed.

Facilitating substantive discussions by providing a forum external to the Board of Directors

Every month, in addition to the formal monthly meeting, members of the Board of Directors meet for extra sessions. Such meetings provide an opportunity for standing and outside directors to frankly share their thoughts and questions on ways to improve the Company's enterprise value, and to discuss these issues

Message from the Chairman of the Board of Directors

separately from matters to be decided. Opinions expressed in these extra sessions are occasionally highlighted later as management issues, and through further deliberation and movement toward resolution of these issues, important projects may emerge. In the first half of 2023, we conducted a review of our human capital, the effectiveness of the Board of Directors, our management philosophy, and management issues. The latter half of the year was devoted to a months-long exchange of views on the foundation of the new medium-term management plan, “integration 1.0,” as well as a wide range of topics that included governance structure and executive compensation as well as responses to issues surrounding sustainability. Outside directors often have specific opinions and questions on matters that standing directors may fail to recognize as issues. For example, the question was raised as to whether the Corporate Principle was truly being instilled in management on a Groupwide basis. In response, an executive officer and I agreed on the necessity of establishing a project team to promote behavioral change through the dissemination of the Corporate Principle, an issue that evoked similar concerns among young and mid-career employees. Six months later, an internal project to impart the Corporate Principle was born.

As important business matters are formally brought to the Board of Directors only at the final stages, we use “extra sessions” to discuss the direction in which the Board of Directors aims to take the Company, as well as to make requests of the executive officers and determine their views on proposals submitted by the

executive officers. This process of careful discussion has resulted in a virtuous cycle of carefully constructed agendas and improved the effectiveness of the Board of Directors meetings.

Consistently striving for the best, without fearing change

We are continuously reviewing our governance structure to determine whether it is evolving appropriately, to this end listening to the opinions of our outside directors and gathering information from external organizations, experts, and other trading companies as well as academic organizations.

In addition, we continually work to further enhance the discussions of the Board of Directors, constantly refining our system of gathering insights and input from our outside directors. Assessing the skills of the members of the Board of Directors and continuously improving their placements and the body’s overall composition to better suit the Company’s situation is critical. Although we strive to enhance the skills matrix, that is not our primary objective, and we will continue to strive to determine the most appropriate structure for the Group’s operations. Succession plans are mainly the purview of the Nominating Committee, which keeps an eye on the future. We provide this committee with a skills matrix of managers, including executive officers, while focusing on creating a structure that compensates for shortfalls and further develops strengths by appropriately allocating staff, etc., with the help of the Human

Capital Management Committee.

In addition, the Company recognizes the need to further upgrade its governance to accommodate cross-border business and global mergers and acquisitions. The constraints of corporate governance apply also to Group companies as a key element of the “Rules on Delegation of Authority.” Moving forward, we will be entering an even broader area of the supply chain and working to seamlessly establish governance mechanisms for such upstream areas as intellectual property, manufacturing, and procurement, including human rights issues.

I have always felt that it is important to cultivate a slight sense of concern as it indicates a certain level of situational awareness. Going forward, we will continue to strive to enhance the effectiveness of the Board of Directors to further enhance our enterprise value as well as our management and governance.



The Board of Directors
(as of the time of publication of this Integrated Report)

Message from the Nominating Committee Chair



Kazuhiro Tanaka

Outside Director

Ensuring the continued strength of the Board of Directors, the cornerstone of corporate governance

Role of the Nominating Committee

As a company with an Audit & Supervisory Board, Kanematsu maintains a Nominating Committee that serves as an advisory body to the Board of Directors and is responsible for deliberating and reporting to the Board of Directors on proposals for the General Meeting of Shareholders concerning the appointment and dismissal of directors and the basic policies, rules, and procedures necessary to make such resolutions. In conjunction with selecting director candidates, this committee is charged with deliberating on succession plans for directors and other executives, including top management.

The Nominating Committee is required to ensure neutrality and transparency in the appointment of directors and to provide the Board of Directors with highly appropriate and effective reports. With this in mind, the Company's Nominating Committee currently consists of three outside directors, one of whom serves as chair, and one standing director (the Chairman of the Board of Directors). Furthermore, in order to enhance discussions at committee meetings, information is collected as needed from directors, executive officers, and employees of related departments who are not members of the committee, and each committee member is given the opportunity to candidly express their opinions.

Turning point: fiscal year ended March 31, 2022

The Nominating Committee was established back in the fiscal year ended March 31, 2017. Initially, the committee's role was solely to deliberate and report on director nominees as part of the process of preparing candidate proposals for the General Meeting of Shareholders, but as demands surrounding corporate governance in Japan evolved, the topics the committee handles expanded and the frequency of its meetings increased.

The turning point came in the fiscal year ended March 31, 2022. From the perspective of achieving *future 135*, our medium-term vision at the time, as well as the Company's subsequent long-term development, discussions began with the question how the Board of Directors, the cornerstone of corporate governance, should be constituted. Among the key themes discussed, the two main topics were a skills matrix for directors and the appropriate ratio of standing directors to outside directors.

What skills does the Board of Directors need to enhance the Company's enterprise value over the medium to long term? Our journey to answer this question led us to identify a total of nine skills from three different angles: increasing enterprise value over the medium to long term, business investment, and the promotion of sustainability and DX (currently, sustainability, DX, and GX). Of these angles, business investment represents a key element of Kanematsu's strategy as, in line with its established approach of building a stable revenue base through trading, the Company began full-scale efforts to add new value and expand the scale of its operations with the launch of *future 135*. Thus, experience in investment-related decision making and knowledge of finance came to be listed as skill items.

Message from the Nominating Committee Chair

Another of our concerns when developing the skills matrix was to not merely display a list of individual skills, but also to clearly state in its preamble how these skills were selected and how they relate to the current medium-term management plan.

Concerning the Board's composition, as of 2021, when this discussion was conducted, there were four standing directors and two outside directors. While some have expressed the view that the majority should comprise outside directors, others have stressed the importance of maintaining a sufficient proportion of standing directors in order to ensure the Board's effectiveness at any given point in time. After vigorous debate, a conclusion was reached that the number of standing officers would be at four while the number of outside directors would be expanded to three, the current count.

After identifying the qualities required of the additional outside director and taking into account the aforementioned skills matrix, we began the selection process for a specific candidate. As a result, we welcomed a new outside director with experience as a top executive at a listed company, who has a track record of navigating management through difficult circumstances and, as of June 2022, our current composition is four standing directors and three outside directors.

Recent discussions and meetings

Two of the main topics of discussion for the fiscal year ended March 31, 2023 and beyond are the mandatory retirement age and succession plans for Board members.

Of these, the most time-consuming part of the Nominating Committee meeting for the fiscal year ended March 31, 2024 was laying out the current situation and working out the ideal succession plan.

Regarding the Succession Plan for Directors, after confirming the selection criteria for director candidates, the committee 1. organized the screening process, 2. developed a skills matrix for executive officers and counselors, and 3. discussed the nature of the human resource management system as it applies to executive officers, the pool from which candidates for standing directors will be selected.

In addition, we continually reexamine our existing policies to ensure adaptability to the Company's current situation, medium- and long-term strategies, and changes in the environment in which the Company operates. For example, with the conclusion of *future 135* and the introduction of the new medium-term management plan "integration 1.0" in the fiscal year ending March 31, 2025, the aforementioned preamble to the skills matrix was revised, as well as a discussion regarding the excesses and deficiencies of the required skills.

During the fiscal year ended March 31, 2024, the Nominating Committee held four meetings, all of which were attended by 100% of the members.

Future outlook

From a medium- to long-term development perspective, determining not only who the next Board members should be, but also how future Board member candidates

will be selected and nurtured will become increasingly important. While the Nominating Committee does not, in and of itself, "nurture" future generations of Board members, there are many things to consider to ensure the continued strength of the Board of Directors, the cornerstone of corporate governance.

Similar statements could be made by replacing the above "executive officer" with "president," who serves as the head of management. The nominating committees of many companies have an explicit role in the appointment and dismissal of the CEO and formulation of succession plans. In our case, the Nominating Committee has focused on issues related to the composition of the Board of Directors as a whole, rather than just the office of president. However, given the current trend in corporate governance theory, discussing how the issue of top management succession is addressed will also become necessary.

Diversity should continue to play a key role in terms of the composition of the Board of Directors as a whole. While the skills matrix is a means an end, diversity is not measured by skills alone. In addition to gender diversity, I believe that it is also extremely important to have, for example, diversity in the management and corporate views held by individual directors. Although ensuring diversity along various axes is not easy with a relatively small number of Board members, we must ask how to best we create a Board of Directors capable of contributing to the Company's development. That is the essence of our responsibility as the Nominating Committee.

Message from the Compensation Committee Chair



Yuko Tahara
Outside Director

Aiming for a compensation system that serves as an engine for increasing enterprise value

A compensation system that emphasizes transparency and objectivity and serves as an engine for increasing enterprise value

The role of the Compensation Committee is to review the compensation system as a sound and appropriate incentive for the Company's sustainable growth and enhancement of corporate value.

In accordance with its regulations, the Compensation Committee deliberates, reports, and makes recommendations to the Board of Directors on policies concerning the determination of compensation for individual directors and executive officers, including the content of said compensation and the basic rules and procedures pertaining to the determination of compensation. The committee consists of one standing director who has a good understanding of the history and other aspects of the Company's compensation system, as well as three outside directors with diverse backgrounds, who engage in lively discussions from a variety of perspectives.

I was appointed chair of the committee in June 2022. Having been involved in human resource development for a long time, I believe that people are only motivated when they are evaluated fairly, and that this motivation bears fruit in the form of increased value and performance for the Company as a whole. As Compensation Committee Chair, I, together with my fellow committee members, will

make every effort to serve well.

History, formulation of basic policies, and identification of issues to be addressed

The Company's history of executive compensation indicates a restrained approach, with no executive bonuses awarded during the 1999 restructuring and a gradual increase beginning in 2015, after the reinstatement of the dividend.

In 2021, in light of the revised Companies Act, the Company established as its basic policy that the compensation of directors is linked to shareholder profits to ensure that they fully function as an incentive to sustainably increase corporate value, and that the appropriate amounts of compensation for individual directors are based on their respective positions and responsibilities at the time of determination. Specifically, compensation for executive directors consists of fixed monthly compensation, performance-linked monetary compensation, and performance-linked stock compensation.

In principle, the Compensation Committee meets twice a year to deliberate and report on individual compensation plans for directors and executive officers, based on consultations with the Board of Directors.

Beginning July 2021, the committee increased the frequency of meetings and discussed revisions to the rules and regulations of the Compensation Committee while the chairmanship of the Compensation Committee was transferred from the President to a director to be determined by the Board of Directors. An outside director then began serving as chair in the fiscal year ended March 31, 2023. At the same time, the regulations governing the Nominating Committee were also amended to change the chairperson to a director to be determined by the Board of Directors, and the Articles of Incorporation were

Message from the Compensation Committee Chair

likewise amended by revising the assignment of authority to convene the General Meeting of Shareholders and appoint the chairperson of the Board of Directors.

From July 2022 to June 2023, the Compensation Committee met a total of four times in preparation for the final year of our medium-term vision, *future135*, which concluded in March 2024. In the first two sessions, issues related to compensation for directors and executive officers were reviewed. Taking into consideration the fact that the compensation level for directors and executive officers was low compared to other companies of the same size and that it had not changed for nearly 20 years, the committee discussed and approved a proposal to revise the compensation amount for directors to be submitted to the General Meeting of Shareholders in June 2023, and proposed to the Board of Directors that the annual compensation amount be revised from ¥300 million to ¥450 million. Furthermore, regarding the proposed compensation for directors and executive officers, discussions were held and approved before being submitted to the Board of Directors. Moreover, because the maximum compensation amount for directors remained at ¥50 million based on ¥20 billion in consolidated net profit should the Company achieve its forecast for the fiscal year ended March 31, 2024 (¥23.5 billion in consolidated net profit), the Compensation Committee discussed and approved a proposal to revise the maximum compensation amount to ¥58.75 million based on ¥23.5 billion in consolidated net profit, passing this on as a recommendation to the Board of Directors.

New Medium-Term Management Plan “integration1.0” –a new stage of the compensation system

From July 2023 to June 2024, the committee held a

total of four meetings in preparation for the start of the Company’s latest three-year medium-term management plan, “integration 1.0,” which commenced in April 2024. The Compensation Committee twice discussed the proposed revision of the compensation system for directors and executive officers—referring to the opinions of outside experts in the course of deliberations and eventually approving the proposal—before reporting it to the Board of Directors.

The proposed revision became the new compensation system and is designed to increase the total amount of performance-linked compensation based on business performance, thereby providing an incentive to achieve short-term performance targets with an eye to strengthening directors’ commitment to increasing enterprise value over the medium to long term. The target of ¥35 billion in net profit has been set in the new medium-term management plan and added as an indicator.

This and other proposed revisions are based on the “Key Points and Examples Considering The Investor’s Point of View in Regard to Management Conscious of Cost of Capital and Stock Price” released by the Tokyo Stock Exchange in February 2024 and updated as of April 1, 2024. In addition, two separate committee meetings were held to discuss and approve individual compensation proposals for directors and executive officers, which were reported to the Board of Directors. The three components of compensation remain unchanged: fixed monthly compensation, performance-linked monetary compensation, and performance-linked stock compensation. However, the adjustment of fixed monthly compensation based on the previous year’s performance has been abolished, and the ratio of variable compensation to the total compensation has been increased.

As for our assessment of the fiscal year ended March 31, 2024, although a number of issues remain, such as further increasing the variable ratio of compensation, we believe that we have taken the first step toward a new stage for the compensation system. The Company has revised its personnel and compensation systems for its employees, taking into account the relocation of its head office and the introduction of new work styles in the fiscal year ended March 31, 2023, as well as the evaluation of new initiatives in the fiscal year ended March 31, 2024.

To further accelerate growth and increase enterprise value in a sustainable and progressive manner

In terms of incentives to increase enterprise value, it is essential, as indicated by the Corporate Governance Code, to increase the linkage to medium- and long-term business performance. The Company will also continue to consider how to increase the ratio of performance-linked stock compensation from the perspective of increasing enterprise value over the medium to long term. Under the current remuneration system, the fixed ratio would be 50% of the total, short-term ratio 30%, and medium- to long-term ratio 20% for a consolidated net profit of approximately ¥32.5 billion, and the variable ratio = 50% fixed + 50% variable, and this is the direction in which we should be heading. We also believe it is necessary to consider ESG indicators and other factors in executive compensation.

We will make every effort to create a balanced compensation system that will serve as an engine for the further acceleration of the Company’s growth and increase its enterprise value, including by addressing such issues as sustainability.

Message from the Chairman of the Audit & Supervisory Board



Yoshio Tajima

Audit & Supervisory Board member

Strengthen governance and promote sustainable growth and value creation

Role of the Audit & Supervisory Board

The Audit & Supervisory Board is a legally independent body entrusted by shareholders to audit directors' execution of duties and thereby ensure that the quality of the corporate governance system is maintained at a consistently high level. The board's members are responsible for ensuring that the Company operates under a system that earns the trust of society through sound and sustainable growth and the creation of medium- to long-term corporate value, while giving due consideration to its various stakeholders.

To fulfill this role, we attend important meetings such as those of the Board of Directors to ensure transparent and fair decision making by the Company, strive to create an environment that enables prompt and decisive decision making, and proactively and positively express our opinions to directors, executive officers, and employees.

The Company is embarking on "integration 1.0," its medium-term management plan for the three years starting in fiscal 2025, and it is our belief that the Audit & Supervisory Board will be called upon to play a role in monitoring the execution status and creating an environment that encourages prompt and decisive decision-making in order to achieve the goals expressed to stakeholders.

Activities and discussions

The Audit & Supervisory Board meets monthly to discuss various matters that, by law, must be resolved by the board, including the selection and reappointment of accounting auditors, matters related to remuneration, and the preparation of audit reports on year-end financial statements and business reports. Among these matters, however, the board spends much of the year reviewing audits conducted by its standing members.

The Company appoints two full-time standing auditors to the Audit & Supervisory Board. Throughout the year, the standing auditors audit the operations of the representative directors, executive officers, heads of various departments, representatives of major domestic subsidiaries, and overseas offices, and report the results of these audits at monthly meetings of the Audit & Supervisory Board. Two part-time outside auditors (an attorney and an accountant) provide comments, questions, and advice as appropriate, based on their professional expertise and experience as auditors of other companies, and various discussions are held by the Audit & Supervisory Board. In the current fiscal year, one of the key purposes of the audit of operations is to monitor progress toward the achievement of the goals of "integration 1.0" and to make recommendations for environmental improvements, which is one of the important roles of the Audit & Supervisory Board.

Twice a year, meetings of the Audit & Supervisory boards of Group companies are held to discuss their roles and current issues, as well as to refine the knowledge of their members through lectures on different topics, using these occasions as opportunities to work toward achieving Groupwide management, one of the goals established in "integration 1.0."

Message from the Chairman of the Audit & Supervisory Board

Assessment of activities

The Audit & Supervisory Board, in accordance with auditing standards published by the Japan Corporate Auditors Association, conducts a self-evaluation of its effectiveness based on its own established auditing standards. Based on this evaluation, the Audit & Supervisory Board identifies issues to be addressed and approaches to refine in order to achieve better management.

In addition to continued participation in special as well as regular committee meetings, members strive to enhance the role of auditors and the Audit & Supervisory Board by participating in the Human Capital Management Committee, which was newly formed in April 2024, and in the Sustainability Management Committee, which is growing in importance.

We also view our cooperation with the Internal Auditing Department as important, and coordinate with said department as needed, including when formulating the annual audit plan and at quarterly reporting meetings. While the Audit & Supervisory Board is responsible for overseeing comprehensive

audits of all divisions, major subsidiaries, etc., over the course of the year, the Internal Auditing Department spends a greater amount of time verifying in detail the status of internal controls through reviews of on-site documents and interviews, thus the activities of the two entities are mutually complementary.

Even as the Group's scale expands as a result of the aggressive investments made under the *future135* medium-term vision completed in the previous fiscal year, the Audit & Supervisory Board will continue to contribute to the enhancement of Group governance, sustainable growth, and value creation by effectively utilizing the aforementioned operational audits and Group Company Audit & Supervisory Board Meetings, etc.

Future outlook

The conventional functions of the Audit & Supervisory Board and its members are strictly independent from the execution of business operations, and the board maintains an emphasis restricted to supervising the management team. In addition to the current

demands for sustainable growth and the creation of medium- to long-term enterprise value for various stakeholders, we are now also required to achieve sustainable growth and the realization of medium- to long-term enterprise value.

ESG issues and sustainability are also becoming increasingly important in the promotion of our business. Through operational audits and other means, we will continue to work to ensure that these issues are fully recognized at the front lines of each Group company. In addition, under "integration 1.0," we aim to enhance the value the Group provides by promoting DX and GX. Also, we believe that while actively supporting this goal, we must play a role in evaluating the innovative convenience offered by such new fields as AI as well as the potential risks inherent in such new fields. Therefore, we began conducting meetings on the status of AI utilization in our operational audits in the current fiscal year. We are committed to responding quickly to new growth opportunities and risks and will continue to contribute to the Company's sustainable development.

Governance Roundtable Discussion



Hiroyuki Sasa
Outside Director

Nobuko Inaba
Audit & Supervisory
Board Member (Outside)

Yusaku Kurahashi
Audit & Supervisory
Board Member (Outside)

DIALOGUE

An Outside Perspective on Kanematsu's Governance

At Board of Directors meetings, three outside directors and two outside Audit & Supervisory Board members provide transparent and highly effective supervision and auditing based on their expertise and experience while engaging in lively discussions.

A roundtable discussion was held among three of these individuals to share their thoughts on Kanematsu's governance, including the current state of the Board of Directors from an independent and outside perspective.

Hiroyuki Sasa
Outside Director



Yusaku Kurahashi
Audit & Supervisory Board Member
(Outside)



Nobuko Inaba
Audit & Supervisory Board Member
(Outside)

What is your impression of the culture of the Board of Directors in terms of the nature of the discussions held and how it has changed since you arrived?

Sasa Compared to two years ago, when I first assumed my position, I do not believe there have been any significant changes in terms of the frequency of remarks and the vigor of discussions. In terms of effectiveness, however, I believe there are some differences. With any board of directors, discussions will always devolve into an executive versus board configuration when it comes to questions regarding the balance between execution and oversight. The key is determining how to facilitate high-level discussions that lead to resolutions while the outside directors fulfill their role as problem identifiers. Currently, the Chairman of the Board of Directors serves as the presiding officer and the standing directors frankly address the opinions of outside directors, ensuring a clear exchange of opinions on both sides.

Kurahashi Since becoming an outside Audit & Supervisory Board member in 2019, I don't feel that the environment has changed regarding the free and vigorous expression of opinions. When attending meetings of the Board of Directors, however, I hope to stimulate discussion from an outside perspective, notwithstanding my position as an Audit & Supervisory Board member. With that in mind, I would like to say that the Chairman of the Board of Directors is very respectful of outside opinions and also tries to offer a realistic view of the inner workings of the Company. Rather than the management team and internal staff simply being on the receiving end of comments and questions from outside directors, they are provided with context and clear explanations of necessary information, which I feel has greatly enhanced the effectiveness of the meetings.

Governance Roundtable Discussion

Inaba My perception differs slightly from what you both have shared. I remember that when I first assumed my post in 2021, the agenda was more formal with not much on it that would allow for lively discussions. This was followed by a significant transfer of authority to the Management Committee and lower levels and a narrowing of the Board of Directors' focus to highly important issues, which I believe gradually led to more substantive discussions. I got the impression that not only outside directors, but also people from within the company are now speaking out.

Sasa To offer a little more information on the Board's current effectiveness and governance, I feel that the level of input from the standing Audit & Supervisory Board members is lacking. On the other hand, we have received positive feedback from the outside Audit & Supervisory Board members who approach issues from a completely different perspective. While the main points of discussion at the Board of Directors meetings can often be characterized as dealing with either rational, quantitative issues or abstract social issues, we often see discussions proceeding in a manner that finds a point of congruence between the two. For example, when discussing Companywide policies, we have spent a considerable amount of time discussing the issues at hand, as internal opinions mainly call for rational solutions, while external opinions focus on social aspects, including reputational risk.

How would you evaluate the progress under previous medium-term vision *future135* and the discussions that took place during the formulation process of the current medium-term management plan, "integration 1.0"?

Sasa Although I was not present during the formulation of the previous medium-term vision, I have heard that *future135* was created using a bottom-up approach, rather than the conventional process of formulating a medium-

term management plan, in which the top management formulates the organizational policies, which are then used to generate and verify the measures and numerical values. In that sense, it was a generic strategy, leaving me to wonder, "Where are the Kanematsu-esque qualities?"

Inaba I am of the same mind as the two of you. In retrospect, I also feel that although the previous medium-term vision was commendable in terms of numerical results, there was not enough discussion on the nature of monitoring, as well as the concept of Groupwide management, business portfolio, and recovery measures to be taken in the event of deviation from policy direction or targets. In comparison, the formulation of "integration 1.0" reflects the considerable amount of time spent on devising it and carefully discussing each issue it addresses. There is a story-like quality to its description of our ideal image and management philosophy, which I believe will give employees a better understanding of us as a company.

Kurahashi While the new medium-term management plan does indeed include a process for consolidating targets in each segment, I believe that the strategic aspects that set the direction of the entire Company, such as synergies from the reorganization of Kanematsu Electronics Ltd. (KEL) into a wholly owned subsidiary and from other Group companies, were conceived in a top-down manner or back-cast from the future.

Sasa While I am aware that there is a natural difference between the manufacturing company I was with and a trading company, there have been aspects of my appointment to the Board of Directors that I found quite disconcerting. On several occasions, I have stated my belief that upper management is essentially responsible for creating the medium-term management plan formation policy, and that there is a process for interpreting said policy and incorporating it into the annual plan. Under the new medium-term manage-

ment plan, I believe that the process for reviewing annual plans and the results of the previous medium-term vision has changed for the better. During the formulation stage, the same information was systematically provided to the members of the Board of Directors and an extra session was held to ensure accountability. Also, additional explanations were provided to outside directors, which also allowed for more information sharing and discussion until they reached a satisfactory level of understanding.

Kurahashi The point of emphasis was, first and foremost, the pillars of the basic policy. Of particular significance was determining how to optimize the management resources of KEL by fully leveraging the networks and sales capabilities that Kanematsu has cultivated over its history as a trading company. Another point I felt was a step forward was the establishment of strategic goals, which are now viewed from multiple perspectives in order to achieve group synergies. I commend the Companywide efforts to monitor the basic policies.

Inaba One point of note is that the focus on Groupwide management that fully leverages the customer base is wholly different from the previous approach. Before the formulation of the new medium-term management plan, the Group also created a cross-divisional body known as the Growth Strategy Office to ensure the alignment of its goals. We are aware that the monitoring of this body is of great importance.



Governance Roundtable Discussion

Sasa The new medium-term management plan has two distinctive features. One being that it utilizes Kanematsu's strength as a general trading company that wholly owns KEL. As no other general trading company has a wholly owned subsidiary engaged in this area of business, this status demonstrates Kanematsu's determination to expand its business under the banner of a "DX trading company." However, even if the logic is there, if the potential of this strength goes unrealized, it's not worth discussing, so I believe that only feasibly achievable projects must be embarked upon.

The plan's second feature is its strong emphasis on Groupwide management, which includes KEL. Such management requires input from those on the front lines to ensure that it stays on the right heading. Therefore, we must make preparations from the perspective of how to incorporate input from the front lines, how to best satisfy them, and how to do so in a unified manner. In this sense, the allocation of management resources is also important, and the extent to which the initiative of "Strengthening Human Capital - Alignment of Strategies," which includes securing, training, and efficiently utilizing digital human resources, will be fulfilled will determine its effectiveness in the future.

The Board of Directors also discussed where Kanematsu's true strengths and sustainable competitive advantages lie, and, when President Miyabe made clear his beliefs that "a trading company is its people" and "we serve as a pipeline to our business partners," I felt a strong sense of pride in the human capital and social and relationship capital that have



earned Kanematsu its longstanding reputation, and my expectations for "integration 1.0" rose significantly.

In what ways would you like to contribute from your respective expertise and backgrounds to further enhance the Company's enterprise value?

Inaba As an expert in finance, accounting, and auditing, I hope to contribute my auditing knowledge and practical experience to financial and other issues. Although I believe the financial targets under "integration 1.0" could be a bit more aggressive, I see them as being in a healthy range. Furthermore, I hope to apply the knowledge I have gained from my experience at other companies in areas outside my field of expertise, such as human resources and sustainability. Going forward, I hope to broaden my knowledge of integrated risk management for business, regional, and other portfolios conducted by general trading companies so that I can actively participate in such matters.

Kurahashi As an Audit & Supervisory Board member, I believe that it is important that if something should happen, I work closely with the full-time Audit & Supervisory Board members and keep a close eye on whether the situation is being handled appropriately by the organization. Rather than simply avoiding value being compromised by risks, it is crucial that responses demonstrate resilience and consistent values. Also, as I mentioned earlier, when participating in board meetings, I strive to contribute to the quality of the discussions. In terms of risks for a general trading company, I am unaware of any problems as the Group devotes sufficient resources to internal controls and audits. As such, we are naturally aware of any risks that must be monitored in the course of business, and the proper governance structure has been established and is in place. From a monitoring standpoint, I would like to make it clear that rather than dancing around formalities, it is important for us to determine the



true value of the Company's unique business and to take substantive action regarding opportunities and risks.

Sasa As Kanematsu operates on the basis of trading in a wide range of areas, I was in part expected to contribute to the upstream areas of the supply chain with respect to governance and management, but after two years, I feel that it is my advice on overall management that is actually adding value to the Company. As I mentioned earlier, this includes how to formulate a management plan, how to reflect upon past plans, how to incorporate them into an annual plan, and how to manage progress.

Putting too much emphasis or bias on KEL risks hurting Groupwide management, which serves as a focal point. The issue regarding succession, however, is whether or not there is anyone within Kanematsu's Head Office capable of taking over leadership of the Group. As a member of the Nominating Committee, I study the lists of candidates for upcoming executive management positions and whether the selection process is appropriate. Another issue that we recognize as a current challenge is global governance as it pertains to Groupwide management. I believe that the next major step will be to link the Company's strengths in human capital, intellectual capital, and social and relationship capital on a global scale.