

Materiality

The Key Issues and Our Activities

The Kanematsu Group's five materialities are based on Kanematsu's Corporate Principle, importance to management, and stakeholder expectations while also reflecting the global increase in awareness of the importance of sustainability and ESG management as well as such major trends as the shift toward decarbonization. The three key issues linked by the circle in the illustration are issues to address through business activities, while the two below the circle are key to nurturing the management base supporting said business activities.

Kanematsu's Envisioned Goal **A solutions provider leading the transformation of efficient and sustainable supply chains**



Building a Sustainable Supply Chain

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



Decarbonization Initiatives

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



Mutual Development with Local Communities

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



Creating an Environment That Enables Diverse Work Styles

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



Enhancement of Governance and Compliance

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



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Progress on Key Issues

Materiality	Six basic policies of “integration 1.0”						Risks	Opportunities
	Promotion of Groupwide management	Expansion of value propositions	Strengthening organizational capabilities	Strengthening human capital	Enhancement of management functions	Maximizing shareholder value		
 Building a Sustainable Supply Chain	◎	◎				◎	•Business continuity risk in existing business models due to inadequate response •Decreased competitiveness and trust due to delay in addressing human rights issues in the supply chain •Unbalanced food supply and demand due to global population growth	•Growing demand for sustainable and environmentally friendly products, creation of new markets and services •Strengthening supply chain resilience, gaining customer trust, and creating new businesses by addressing sustainability and human rights issues •Food demand expansion and diversification due to population growth
 Decarbonization Initiatives	○	◎				◎	•Decline in sales of related products due to reduced demand for fossil fuels •Increased burden of carbon pricing and carbon border taxes •Factory damage and supply chain disruptions caused by intensifying extreme weather events •Shifts in food-producing regions due to rising average temperatures	•Introduction of new products and services alongside the development and adoption of new technologies, such as those involving decarbonization and resource circulation (the circular economy) •Increase in new GX-conscious applications and products •Creation of new supply chains through the development of production regions
 Mutual Development with Local Communities	◎	○				◎	•Regulatory changes and business continuity risks arising from legal or political changes •Decline in shareholder trust due to deficiencies in social infrastructure or services provided •Business continuity risks due to human rights issues and insufficient engagement in business regions	•New business creation based on initiatives to solve social issues •Building relationships of trust and stabilizing businesses through operations aligned with the needs of local communities
 Creating an Environment That Enables Diverse Work Styles			◎	◎	○	◎	•Declines in efficiency and productivity due to delays in creating suitable work environments •Loss of talent and business opportunities due to inadequate initiatives to create suitable work environments	•Reinforcing competitiveness and establishing a foundation for stable growth through diversity-oriented management •Sustainable enhancement of enterprise value and the creation of new value and innovation
 Enhancement of Governance and Compliance			○	○	◎	◎	•Business continuity risks due to internal control dysfunction •Decline in enterprise value due to legal violations	•Clarification of decision-making processes through the creation of a robust governance system •Enhancing enterprise value through highly value through highly transparent disclosure •Strengthening relationships with stakeholders

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Key Initiatives

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

Materiality	Division	Notable initiatives (Fiscal 2025)
	ICT Solution	Established the Nippon Cyber Security Fund 1 Investment Limited Partnership (NCSF), Japan's first fund investing exclusively in cybersecurity companies
	Foods	Kanematsu AgriTech Co., Ltd. launched plastic-free and reduced-plastic coated fertilizers
	Foods	Sales volume of Uruguayan beef raised in a rich natural environment increased (up 117% year on year)
	Foods	The Hokkaido Sardine Fishing Improvement Project, a joint initiative by Kanematsu in collaboration with Ikeshita Sangyo, Hamahei Gyogyo, UMITO Partners Inc., and Farmstead Inc., received the 2024 Good Design Award (brand design by Farmstead Inc.)
	Steel, Materials & Plant	KSU's Tohoku Plant introduced an on-site Power Purchase Agreement (PPA), switching approximately 14% of its electricity consumption to renewable energy.
	Steel, Materials & Plant	Signed a memorandum of understanding with Ireland's GridBeyond Limited for the promotion and adoption of demand response in Japan ▶p 30
	Steel, Materials & Plant and Foods, Meat & Grain	Entered a partnership agreement with Green Carbon, Inc. to reduce rice paddy methane emissions and promote environmentally friendly rice (sales volume : approximately 300 tons)
	Steel, Materials & Plant and Foods, Meat & Grain	KG Agri Products, Inc., commenced trial implementation of the high-performance biochar "Soratan" in the United States in collaboration with agri-tech startup TOWING Co., Ltd. to expand its adoption. ▶p 30
	Steel, Materials & Plant	Kanematsu Sustech Corporation's "Eco Wood Pile" Buildings constructed: 4,694 (cumulative total: 52,678) Material used: 26,509m ³ (cumulative total: 271,231m ³), Avoided CO ₂ emissions : 15,260 t-CO ₂
	Steel, Materials & Plant	Signed a memorandum of understanding with Indonesian food manufacturer Cimory Group to promote GX
	Steel, Materials & Plant	Tokyo Head Office obtained ISCC PLUS certification for sustainable products
	Motor Vehicles & Aerospace	The initiative to utilize Oita Airport as a hub for space shuttle operations received the Selection Committee Special Award at the 7th Japan Open Innovation Prize hosted by the Cabinet Office. Awarded organizations: Japan Airlines Co., Ltd., Kanematsu, Oita Prefecture, MUFG Bank, Ltd., Tokio Marine & Nichido Fire Insurance Co., Ltd., Sierra Space Corporation, and Space Port Japan Association. ▶p 57
	Motor Vehicles & Aerospace	EVAR, Korea's No. 1 EV charger manufacturer by sales volume, signed a memorandum of understanding to develop EV charging infrastructure and commenced sales.
	Companywide	Conducted follow-up investigations on human rights due diligence ▶p 59
	Companywide	Osaka Branch relocated; 14 Group companies based in Osaka, including Kanematsu, consolidated operations ▶p 69
	Companywide	Launched the culture design project "TANEMATSU" (Workshops: 13 sessions, total participants: 328 people) ▶p 68
	Companywide	Recognized for the first time in 2025 as one of the "White 500," following five consecutive years of recognition under the "KENKO Investment for Health" program. ▶pp 24, 71
	Companywide	Recognized for its initiatives in human capital management and disclosure, the Company received the Human Capital Management Excellence 2024 (Silver) designation. ▶p 24
	Companywide	Nominating Committee and Compensation Committee: Each comprise four members, of which three, including the committee chair, are independent outside directors ▶pp 34, 36, 72, 74
	Companywide	Percentage of independent outside directors: 43% (three of seven directors)
	Companywide	Announced a policy to reduce strategic shareholdings, achieving ¥11.9 billion in reductions against a target of ¥10.0 billion (8.9% of total consolidated capital achieved against a target ratio of 10%) ▶p 21

NCSF Founding Press Conference

NCSF is Japan's first fund dedicated to investing in cybersecurity, established primarily by WERU INVESTMENT Co. Ltd., Kanematsu, KEL, and Global Security Experts Inc. Its primary purpose is to revitalize Japan's cybersecurity industry and protect the nation from increasingly sophisticated and complex cyberattacks.



Livestock Farming in Uruguay

In Uruguay, livestock farming is carried out in harmony with the natural environment. Cattle are raised under conditions that allocate vast grazing land—equivalent to two soccer fields per animal—ensuring a natural and healthy growth. Demand for our signature premium lean beef continues to grow, and we remain committed to ensuring stable supply and further enhancing brand recognition.



Roof-Mounted Solar Panels

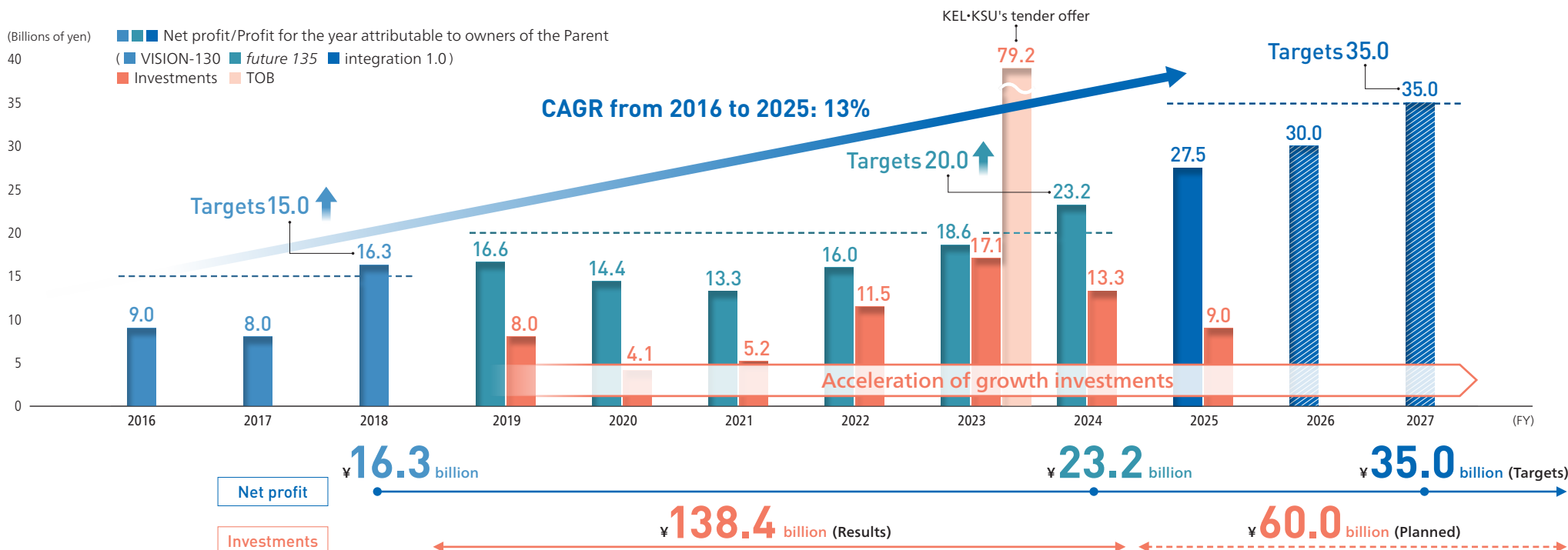
Since July 2024, KSU's Tohoku Plant has been procuring electricity under a corporate power purchase agreement (PPA), a scheme that enables long-term renewable energy supply through direct contracts with power generators. Through this initiative, we aim to contribute to Japan's 2050 carbon neutrality goal.



The Trajectory of Our Medium-Term Management Plan

Under our medium-term vision VISION-130, we set forth the goals of maintaining financial soundness and expanding the earnings base, achieving our net profit target of ¥15 billion one year ahead of schedule. Under the subsequent medium-term vision *future 135*, we focused on two key strategies—expanding scale and acquiring added value within a stable earnings base—and exceeded the revised net profit target of ¥20 billion.

Net Profit and Investments



VISION-130

Fiscal 2015–Fiscal 2018

Under VISION-130, formulated in 2014, we set the management objective of achieving net profit of ¥15 billion, with maintaining financial soundness and expanding the earnings base as the two main pillars of the plan. As a result, we achieved net profit of ¥16.3 billion—exceeding the initial target—one year ahead of schedule, and successfully transitioned to the next medium-term vision.

future 135

Fiscal 2019–Fiscal 2024

Under *future 135*, formulated in 2018, we established two strategic pillars—expansion of scale and acquisition of added value—to further strengthen our stable earnings base. Upon completing the first three-year period, we reassessed the direction of our vision in light of changes in the external environment, including the outbreak of COVID-19. We then revised our targets, setting a new benchmark of achieving net profit of ¥20 billion for the fiscal year.

To achieve this, we made Kanematsu Electronics Ltd. and Kanematsu Sustech Corporation wholly owned subsidiaries and executed innovation investments in companies with advanced technologies and unique business models. These initiatives laid the foundation for the next stage of growth while enabling us to achieve all revised quantitative targets.

integration 1.0

Fiscal 2025–Fiscal 2027

Under “integration 1.0,” formulated in 2024, we articulated Kanematsu’s medium- to long-term vision using a backcasting approach and established six basic policies. We remain committed to steadily implementing various initiatives to achieve further growth in net profit through strategic investments while further strengthening our capabilities as a solutions provider.

Medium-Term Management Plan

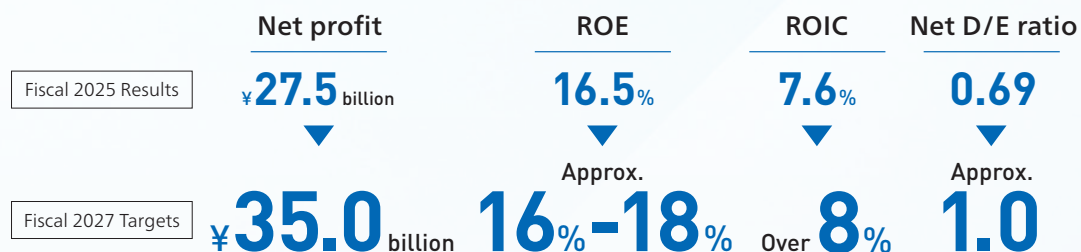
Overview of Medium-Term Management Plan “integration 1.0”

The targets of this plan are positioned three years into the future, backcast from Kanematsu’s medium- to long-term envisioned goals. Covering the three-year period from the fiscal year ended March 31, 2025, to the fiscal year ending March 31, 2027, the new medium-term management plan is named “integration 1.0,” reflecting our commitment to further promoting integrated management across the Kanematsu Group.

Financial Targets

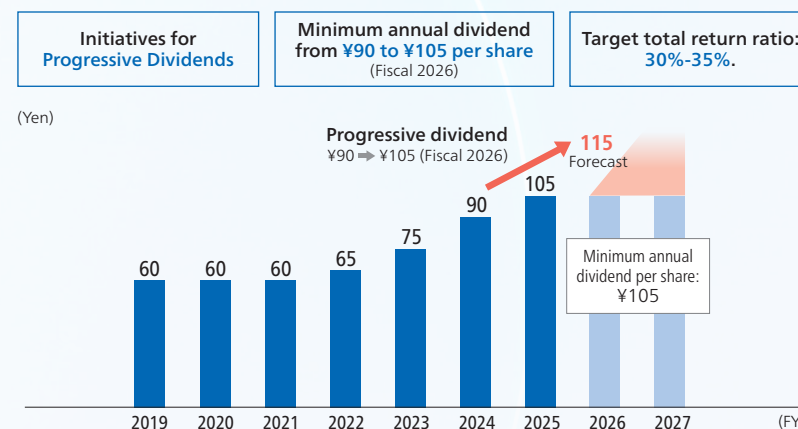
(Fiscal 2027, Final Year)

We aim to achieve the following four goals by simultaneously promoting initiatives to realize Kanematsu’s vision and maintaining and expanding a stable financial foundation.



Shareholder Returns Policy

- Under the “integration 1.0” medium-term management plan, the minimum annual dividend has been raised from the initial ¥90 per share to ¥105 per share, with progressive dividends planned for the period. (Effective from fiscal 2026 onward)
- The policy is to increase dividends in line with net profit growth, with a target total return ratio of 30% to 35%.



First-Year Investment Performance

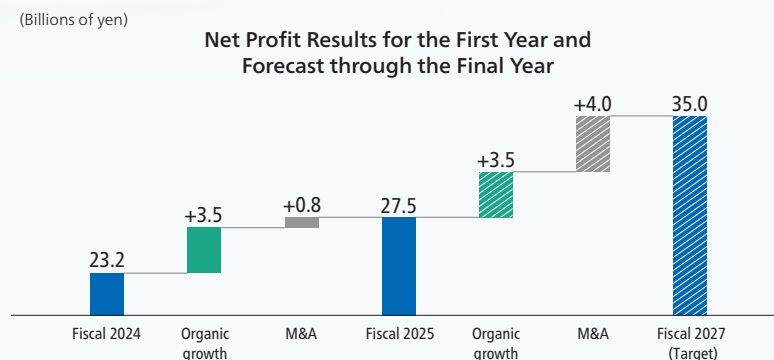
During the first year of the current medium-term plan, we executed approximately **¥9.0 billion** in new investments.

	Fiscal 2025 Investment Performance	Three-Year Cumulative Plan
DX-Related Investments (focusing on ICT solutions)	Approx. ¥0.8 billion	¥40.0 billion
Businesses with Strengths (including GX)	Approx. ¥8.2 billion	¥20.0 billion
Total	Approx. ¥9.0 billion	¥60.0 billion

Major Investment Projects (Investment in Group Companies) * In Order of Execution	Description
Nippon Cyber Security Fund 1 Investment Limited Partnership (Kanematsu, KEL)	Cybersecurity industry-specific fund
CCD CO., LTD. (KCS)	Sales of mobile communication devices such as mobile phones
P.R.A. Co., Ltd. (Kanematsu PWS)	Development, design, and manufacturing of plasma power supplies and equipment required for semiconductor and liquid crystal manufacturing
J REP Corporation (Kanematsu Futuretech Solutions Corporation)	Sales of electronic components such as power semiconductors, equipment, and industrial products
Uruguayan beef suppliers (Kanematsu)	Supply of Uruguayan beef
Zeroichi Corp. (Kanematsu Granks Corp.)	Provides DX solutions
SAITAMA YAEI Industry Co., Ltd. (KSU)	Development, design, manufacturing, and sales of ground improvement machinery and equipment
Getech Automation Pte Ltd (Kanematsu)	Manufacturing, sales, and maintenance services for printed circuit board-related equipment and automation equipment
Others: 6 items	—

* Investments in Electronics and Materials Corporation Ltd., announced in the press release on March 27, 2025, were executed in the fiscal year ending March 2026.

Path to the Net Profit Target



Medium-Term Management Plan

Initiatives towards realizing the envisioned goal

The Board and management are committed to 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
PER

Basic policies

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

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