Message from the President & CEO

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The Group's Path to Becoming a Solutions Provider

President & CEO

Yoshiya Miyabe

Carrying Our Pioneering Spirit forward into the Future

"Returning to our fundamentals" is a concept that I have used as a compass to chart a course toward sustainable growth since taking office as President & CEO in 2021. However, rather than return to the ways of the past, my focus has been on revitalizing Kanematsu's founding spirit within today's context. Integrity, innovation and passion remain at the heart of our Corporate Principle, "Let us sow and nurture the seeds of global prosperity," which was bestowed upon us by our founder and, through the pursuit of trade, continues to shape our decisions and actions, providing unwavering direction regardless of changing times and environments.

A few years ago, there was a growing sentiment among our employees that the Company needed a purpose. Concerns arose that the founding purpose established in 1889 might not necessarily resonate in the contemporary internal environments. Furthermore, there was a desire for a unifying guide for employees in today's era of diversifying work styles and increasing individualism. Over approximately two years of careful consideration, which included conducting surveys, interviews, and discussions with everyone from junior employees to executives, a strong conviction emerged—the founding purpose had taken root as a core value within each and every employee.

Subsequently, this initiative evolved into a Companywide project aimed at fostering a corporate culture in which individuals and organizations can enjoy constant evolution as existing businesses are renewed and new businesses created one after another. This culminated in the launch of the TANEMATSU ▶p 68 project.

A group of mid-career and junior employees voluntarily took the initiative to launch this project. They reinterpreted our founding principles within a modern context and redefined our future-oriented Mission, Vision, and Values. Each employee approaches everyday challenges with the curiosity and sincerity of an explorer, and I feel confident that these values are being reliably passed on to the next generation.

A briefing session for individual investors

Reexamining our founding purpose, we have become more keenly aware of how this purpose encompasses environmental, social, and economic perspectives, connecting directly to contemporary sustainability-oriented management. Adeptly addressing social issues is an area in which we excel. For example, sustainability in the face of stemming from extreme weather events and heightened geopolitical risks is one key social issue that we face. Contributing to the resolution of such social issues is our mission and the very essence of our work. By diversifying production bases, advancing smart agriculture, modernizing defense equipment procurement, and exploring and implementing cutting-edge technologies in the fields of aerospace and cybersecurity, we will continue forging ahead to further expand a world that creates future value rooted in social value.

Deepening the Intangible Assets Supporting Kanematsu's Competitiveness

The Company's competitive edge stems from its human resources, the vital information gained daily from its business partners, and the strong relationships it has built over many years of working with those partners. In other words, it lies in three intangible assets: human capital, intellectual capital, and social and relationship capital. Based on these intangible assets, we prioritize transparency and public benefit, with our founding spirit as a core value, and develop our business through the creation of social value. Since our founding, we have accumulated business expertise (tacit knowledge) over many years by developing diverse businesses worldwide. Over our 136-year journey, we have weathered difficult times and undergone major corporate transformations, yet we have steadily achieved recovery. Moving forward, deepening these intangible assets represents a crucial growth strategy that will underpin the Group's sustainable growth.

When discussing the future of the Group, **human capital** is of particular importance. Centered around the Human Capital Management Committee, established in April 2024, ▶p 25, we are advancing the construction of our human capital portfolio through the visualization of skills and the promotion of a talent management system via DX. These efforts support the development and enhancement of human resources that will sustain our mid- to long-term growth. Currently, 60% of Group employees belong to the ICT Solution Division or Electronics & Devices Division, which are involved in IT-related fields and boast a high concentration of IT-literate personnel. However, the Group is actively working to enhance the IT literacy of all employees through training programs and the systematic development of DX professionals. We are also promoting personnel exchanges between Group companies, such as Kanematsu Electronics Ltd. (KEL) and Kanematsu Communications Ltd. (KCS), looking to cultivate human resources with diverse experience and skills. By deepening these human capital assets, we will achieve our evolution into "a solutions provider leading the transformation of efficient and sustainable supply chains"—the vision we have set forth as our goal following the completion of "integration1.0," our medium-term management plan.

Kanematsu operates across a wide range of industries, along the way accumulating **intellectual capital** in the form of knowledge, experience, and business expertise. Strengthening organizational capabilities, one of the basic policies of "integration 1.0," involves consolidating such tacit knowledge as accumulated customer needs and success stories from the sales field and elevating it into explicit knowledge that can be shared across departments under the Growth Strategy Office. This enables rapid problem-solving and new business development. This year also saw the establishment of Kanematsu Seed Port, Ltd., with which we will build a knowledge management foundation utilizing IT on a Groupwide basis.

The 30th Anniversary Commemorative Ceremony for Morinaga Aloe Yogurt

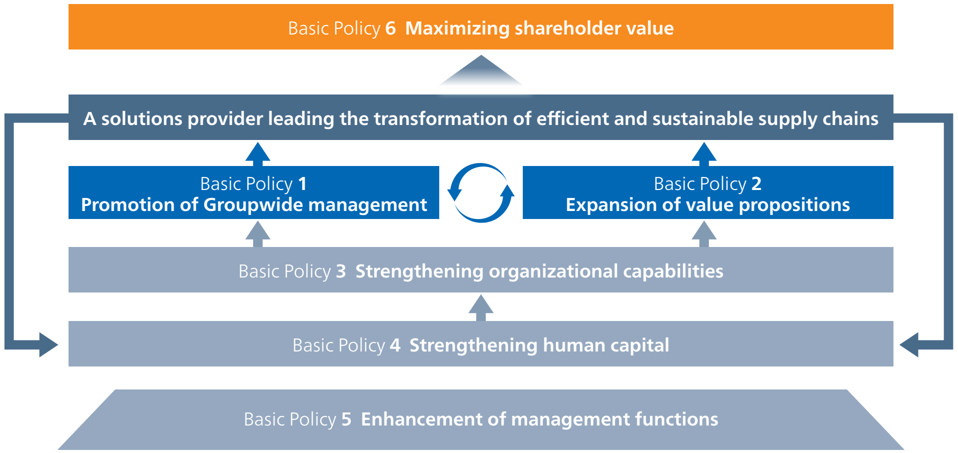
Furthermore, the Group's **social and relationship capital** is structured in such a way that trust arises from mutually beneficial relationships, leading to the expansion of networks. Although we are living in an era that demands efficiency, we are committed to meeting face-to-face. Doing so helps us understand others' desires and true intentions as revealed by expressions and actions. Furthermore, this approach drives the sharing of challenges and the creation of new business opportunities, fostering genuine connections. Cross-divisional collaboration is on the rise, particularly with the ICT Solution Division, which specializes in assisting other divisions in resolving their issues. In addition, we have placed great value on our investments in academic fields that contribute to economic development, particularly in commerce, since our founding. We view our contributions to universities, such as offering business know-how courses and supporting research in economics and management, to be crucial assets for fostering globally-minded human capital and generating new business opportunities through networking. These connections with society embody the public-spirited ethos inherent in our founding purpose and represent another facet of our social and relationship capital.

First-Year Results of "integration1.0"

For the fiscal year ended March 2025, net profit reached ¥27.5 billion, achieving the first-year target and setting a new record high. We believe we have solidified our foundation and taken a solid step toward the final-year target of ¥35 billion.

Under "integration 1.0," six basic policies drive both "**promotion of Groupwide management**" and "expansion of value propositions." In terms of the promotion of Groupwide management, the establishment of the Growth Strategy Office has accelerated initiatives that leverage extensive resources across the entire Group, including human capital, expertise, and networks with business partners. This has resulted in concrete cross-selling opportunities and new solutions utilizing cross-divisional expertise.

Six basic policies and structures of "integration 1.0"



DX is increasingly becoming a challenge across all industries, and the establishment of an independent ICT Solution Division in April 2024 has enabled us to engage in cross-divisional collaboration and given rise to new business models. For example, defense-related business projects for Japan's Ministry of Defense can require not only procuring hardware such as aircraft fuselages and components but also building ground-based training systems. To facilitate such projects, the Motor Vehicle & Aerospace Division and the ICT Solution Division collaborate. Kanematsu is also strengthening Groupwide collaboration in terms of human resources. In addition to seconding Kanematsu employees to KEL starting in 2024, In 2025 we will begin welcoming employees seconded from Group companies to the Growth Strategy Office starting in 2025 ▶p 7 with an eye to creating forums for discussion across the entire Group that will, in turn, foster new business creation. Furthermore, gathering the division heads in a single office makes interdepartmental communications naturally swifter and more frequent. This deepening of cross-divisional collaboration fosters an expectation that new business opportunities will emerge.

With regard to **the expansion of our value proposition**, as we aim to become a solutions provider leading the transformation of efficient and sustainable supply chains, we are enhancing the deep field knowledge and expertise we have cultivated through trading, along with the various DX, GX, and innovation initiatives developed under our previous medium-term vision, *future 135*. Regarding DX, we established Kanematsu Seed Port, Ltd., a Group company dedicated to advancing the Group's DX initiatives ▶p 26 and undertook an associated upgrade of core systems. Beginning with the upgrading of the Group's core systems, we will establish a foundation for Groupwide data-driven management leveraging AI. Looking ahead, we aim to cultivate such management into a core organizational capability within the Group's IT domain and pursue plans to explore external sales of DX solutions.

The GX Committee, the Sustainable Business Section, and the GX Accelerator team, which operates on a Groupwide basis, collaborate to create and advance new environmental businesses. These businesses find ways to bring together GX initiatives that contribute to decarbonization and resource circulation with our existing operations.

In the realm of innovation, we are promoting collaboration and open innovation with external startups and venture capital firms, with efforts centered around Kanematsu Ventures in Silicon Valley. Furthermore, by integrating Kanematsu Ventures into the Growth Strategy Office, we are accelerating the commercialization of projects that previously would have been relegated to the exploratory phase indefinitely. We are strategically focusing on key areas—healthcare, agri-tech and food tech, aerospace, and robotics—to drive innovation implementation.

Key Issues for the Second Half

Under "integration1.0," we have earmarked ¥40 billion of the ¥60 billion in growth investment for DX-related initiatives centered on ICT. We have teamed up with KEL to evaluate the DX investment projects the funding will go to. To date, we have been directing investment toward developing human resources who will advance digital transformation, but as of yet cannot claim to have secured a sufficient number of engineers. Therefore, we are also considering M&A. We plan to proceed cautiously with this review, focusing primarily on projects in the pipeline and carefully assessing potential synergies.

On the other hand, locally driven **global strategies** remain both a challenge and an area with room for growth. At present, domestic sales account for the highest proportion of our overall sales and it is it is essential that we look toward increasing the contributions of overseas sales to secure further growth. We are exploring ways to expand existing overseas businesses as well as striving to discover new opportunities, with efforts including pursuing growth in our steel tubing business in the U.S., printer business in Canada, industrial machinery business in Poland, and aircraft components business in Ireland and the U.S as well as considering M&A to increase scale and add new capabilities. Also, the Kanematsu Group positions the overseas expansion of its Group companies—which have traditionally focused on domestic business—as a key pillar of future growth. With Group boundaries and hierarchical cultures now being dismantled, we aim to pool the collective wisdom of the Group and establish operating companies worldwide to expand our business globally.

Commitment to the Future and Resolve for New Challenges

Kanematsu aims to become a true solutions provider that creates new business models for the future and addresses social issues. To achieve this, we are accelerating efforts to foster an environment that values innovation across the entire Group, cultivating a corporate culture in which every employee is encouraged to boldly take on challenges.

To reiterate, our greatest strength lies in identifying social issues with sensitivity and engaging with supply chains. In this era of rapid change, sustainability is the paramount challenge, and we consider it our duty to contribute to making it a reality. The Kanematsu Group will continue to evolve as an enterprise dedicated to solving contemporary social issues.