

Message from the CFO



Maximizing Shareholder Value

Taro Unno

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

Financial Targets of “integration 1.0”

In the fiscal year ended March 31, 2025, the first year of our new three-year management plan “integration 1.0,” consolidated net profit attributable to owners of the parent increased 18% year-on-year, rising ¥4.3 billion to ¥27.5 billion. This marks the fourth consecutive year of profit growth and the third consecutive year of record-high profits. Despite the economic slowdown caused by the COVID-19 pandemic during 2020–2021, the Company has maintained a stable upward trend in profits.

The forecast for consolidated net profit for the fiscal year ending March 2026 is ¥30 billion, with a target of ¥35 billion for the fiscal year ending March 2027, the final year of “integration 1.0.” Meanwhile, our financial targets remain on track, with expected efficiency indicators of a

return on equity (ROE) of 16%–18% and a return on invested capital (ROIC) of 8%, and a net D/E ratio of 1.0 times as a safety indicator.

Maximizing Shareholder Value

Under “integration 1.0,” we remain committed to maximizing shareholder value over the medium to long term, focusing on three priority initiatives: improving capital profitability and efficiency, minimizing capital costs, and enhancing the expected earnings growth rate.

To improve capital profitability and efficiency, we will maintain and strengthen a high ROE through focused investment in highly efficient DX-related businesses (actual ROE for fiscal 2025: 16.5%). (Figure 1.)

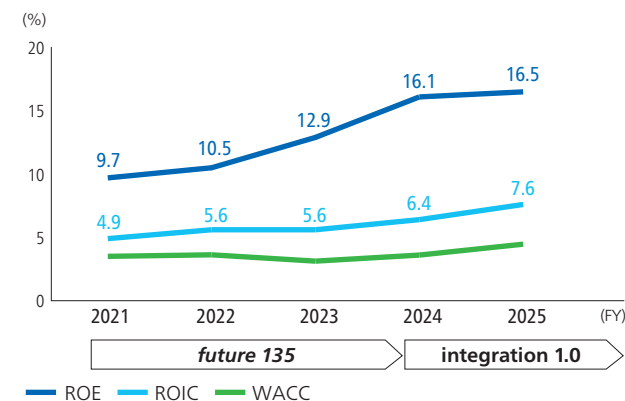
Our business structure is based on a 100% non-re-

source portfolio that is relatively insulated from fluctuations in mineral resource prices. This stability reduces the need for excessive risk buffers. Accordingly, we have set the appropriate leverage level with a debt-to-equity ratio target at approximately 1:1. Using an ROIC target of 8% or higher as a benchmark for business investments, we aim to achieve ROE of 16% or more through 1:1 debt-to-equity leverage.

To minimize capital costs, we will maintain a stable beta value and reduce capital costs by leveraging domestic businesses, including ICT and Mobile, as stable revenue sources supported by our 100% non-resource business portfolio. We will also enhance performance predictability through proactive disclosure and active investor relations. In addition, we aim to expand our base of individual shareholders in response to the reduction in shareholdings by financial institutions, as will be discussed later.

Although we began tracking ROIC as an operational and management indicator under our previous medium-term vision, *future 135*, under “integration 1.0” we are further elevating its importance across the organiza-

Figure 1. ROE/ROIC/WACC



Message from the CFO

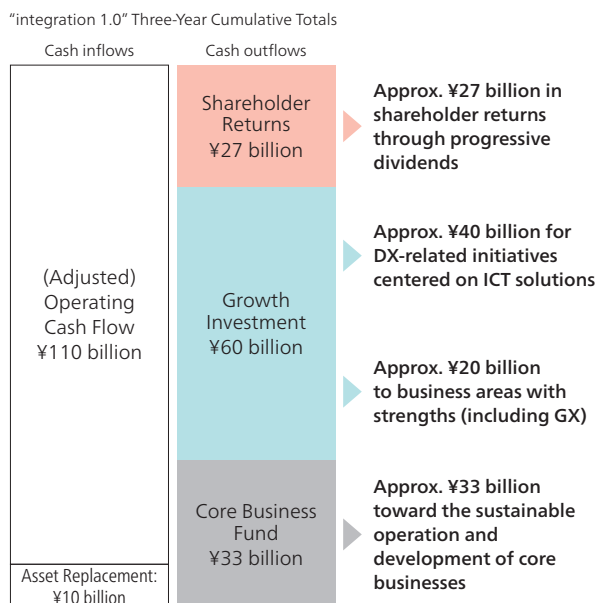
tion. To achieve ROIC exceeding the weighted average cost of capital (WACC), we have set a target of 8% or higher under "integration 1.0" (actual ROIC for fiscal 2025: 7.6%). We will strengthen ROIC-based management through the regular monitoring of each business.

While aiming to maintain and improve ROIC, we also place importance on continuously optimizing our business portfolio and pursue synergies. In addition to quantitative criteria, we have advanced businesses reviews from the perspective of identifying the best owner.

Cash Flow Allocation

Further growth investments and shareholder returns will be funded by operating cash flow generated from both stable core businesses and growth businesses, as well as cash inflows from asset replacement. We anticipate

Figure 2. Cash Flow Allocation Plan



generating ¥110 billion in operating cash flow over the three years ending March 2027. Combined with ¥10 billion in cash inflows from asset replacements, this will create ¥120 billion in cash. Half of this amount, ¥60 billion, will be allocated to growth investments, with ¥40 billion focused primarily on high-return DX-related businesses. In addition, we anticipate using ¥33 billion to support for the sustainable operation and development of our core businesses, and plan to allocate ¥27 billion to a progressive dividend fund for shareholder returns. (Figure 2.)

Although only approximately ¥15 billion, or 25%, of the ¥60 billion growth investment budget was executed or committed in the plan's first fiscal year ended March 2025, asset replacement generated approximately ¥15 billion in cash inflows—exceeding the initial ¥10 billion projection—primarily through the accelerated sale of strategically held shares, a topic discussed later. In addition, dividends of ¥8 billion were paid out as shareholder returns.

In the first year of the plan, while operating cash flow generation and asset monetization progressed smoothly, investment cash flow execution lagged slightly behind schedule, reaching only about one-quarter rather than the expected one-third, of the plan target. Ensuring steady execution of investment cash flow will be a key challenge from the second year onward.

Strategic Shareholding Reduction Policy

As part of our efforts to improve capital profitability and efficiency, we had decided to reduce strategic shareholdings by approximately ¥10 billion through the liquidation of listed shareholdings by March 31, 2027, the final year of the plan. In the fiscal year ended March 2025, we sold approximately ¥12 billion of these strategic shareholdings and conducted a secondary offering of Company shares held by financial institutions. As a result, we achieved the target ahead of schedule, reducing the ratio of strategic holdings to planned consolidated capital from 13.9% at

the end of the previous fiscal year to 8.9%. (Figure 3.)

With nearly all shares previously held by financial institutions sold, the potential downward pressure on the stock price due to the elimination of cross-shareholdings has been resolved. At the same time, we recognize the need to further align our management approach with capital market expectations.

Figure 3. Status of Strategic Shareholding Reduction



Note 1: Excludes shares held for innovation investment purposes and investments in overseas strategic business partners.

Note 2: Excludes shares held for innovation investment purposes (eight issues totaling ¥5,768 million as of March 31, 2025) and investments in overseas strategic business partners such as PT. CISARUA MOUNTAIN DAIRY TBK (¥4,624 million as of March 31, 2025) from the "Total amount recorded on the balance sheet" under "Investment shares held for purposes other than pure investment" in the financial statements.

Total Shareholder Return and Shareholder Return Policy

By the fiscal year ended March 2025, our stock price reached an all-time high, and our five-year total shareholder return (TSR) stood at 262.7% as of March 31, 2025,

Message from the CFO

surpassing the dividend-inclusive TOPIX Total Return Index of 213.4%. (Figure 4.) The price-to-book ratio (PBR) was 1.2 times, while the price-to-earnings ratio (PER) declined to 7.7 times from 9.3 times in the previous year. We recognize that enhancing the expected earnings growth rate, a key initiative for increasing shareholder value, remains a work in progress, reflecting primarily the progress of growth investments during the first year of the plan. We will aim to improve our valuation multiples through the steady execution of pipeline investment projects.

Regarding our shareholder return policy, we fundamentally believe in distributing profits based on performance while maintaining appropriate internal reserves for growth investments. Since the resumption of dividend payments in fiscal 2013, we have adhered to a policy of providing stable and continuous dividends. Even

when profits declined due to the impact of the COVID-19 pandemic, we maintained or increased dividends without reductions.

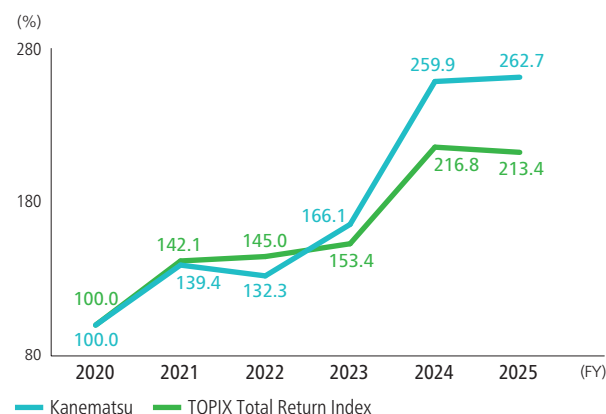
Building on this basic policy, under “integration 1.0” we established a minimum annual dividend of ¥90 per share—matching the dividend paid for the fiscal year ended March 2024—and adopted a progressive dividend policy. The annual dividend for the fiscal year ended March 2025 was set at ¥105 to reflect increased profits. With this ¥105 dividend as the baseline, we plan to raise the dividend by a further ¥10 to ¥115 for the fiscal year ending March 2026. (Figure 5.)

We aim to continue meeting investor expectations by maintaining a consolidated dividend payout ratio of 30%–35%, balancing growth investments with increasing dividends in line with profit growth.

Dialogue with Investors

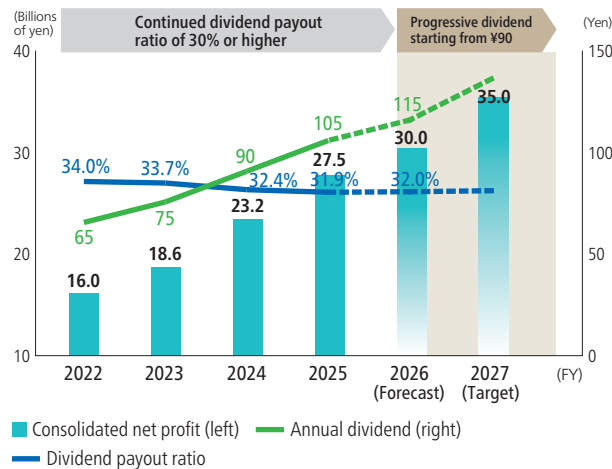
We believe that disseminating information to investors and providing multifaceted analyses and opinions from an investors’ perspectives through constructive and continuous communications are essential for the Company’s growth and remain a top priority. Feedback received from investors is reported to and discussed by the Board of Directors and reflected in our management strategies, supporting medium- to long-term growth and enhancement of enterprise value. We look forward to your continued support.

Figure 4. Total shareholder returns



Note: The values above represents fiscal year-end total shareholder returns relative to the values as of March 31, 2020, which is set at 100

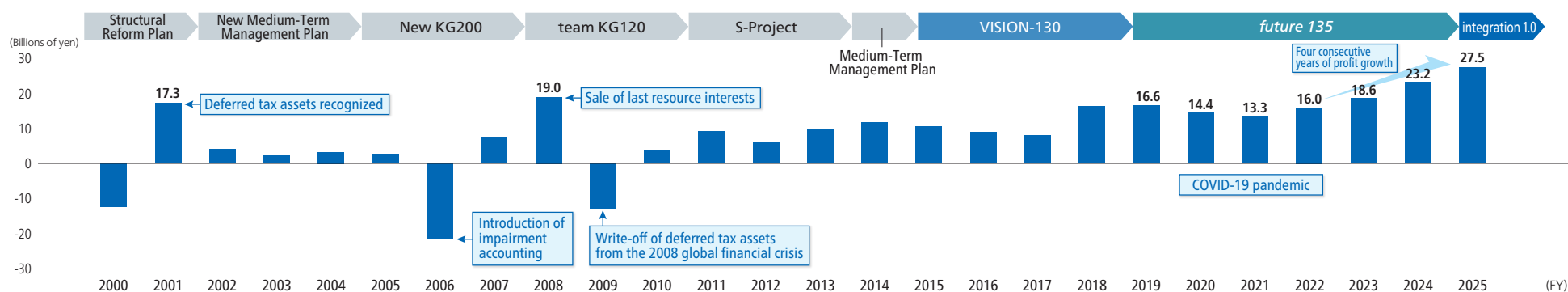
Figure 5. Consolidated net profit and dividend payout ratio



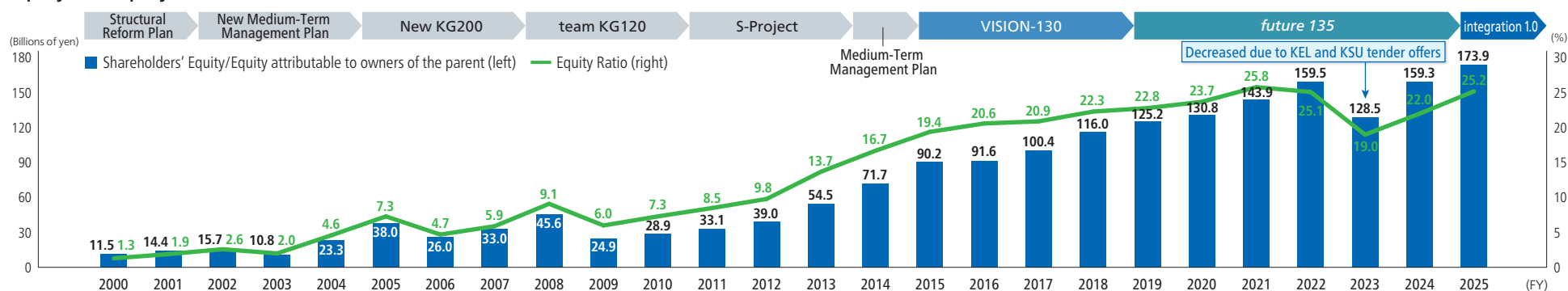
Message from the CFO

Profit Attributable to Owners of the Parent

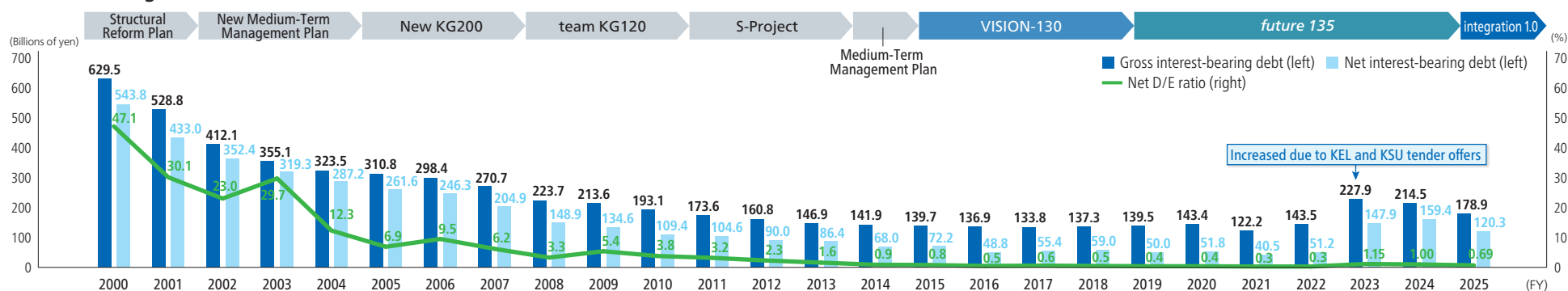
Note: JGAAP for the year ended March 2014 and earlier and IFRS for the year ended March 2015 and after



Equity and Equity Ratio



Interest-Bearing Debt and Net D/E Ratio



Message from the Chief Officer of Human Resources



Mutual Trust Builds Businesses

Hiroshi Yamashina

Senior Executive Officer,
Chief Officer, Human Resources

In my late twenties, I was stationed in France, working on the supply of electronic circuit board products. The delivered products frequently had defects, and each time a problem occurred, I would make the 400-kilometer trip to our business partner's factory alone, conducting re-inspections and repairs from morning to night. Our business partner's purchasing manager was particularly strict. Every time a defect was reported, he would call and demand someone to "come fix it immediately." Harsh reprimands usually awaited me and I would apologize profusely. Even so, running away was not an option. I had no choice but to face him with sincerity, no matter how uncomfortable it was.

Several months passed, and one evening when the defective product incidents had finally begun to subside, the purchasing manager invited me over to his place, where he had prepared a home-cooked meal and wine. It

was only then, sitting with him at the table, his expression calm, that I felt I could finally relax in his presence. "I've been tough on you, but I appreciate your attitude. You've faced everything head-on, never shying away. I look forward to continuing our business relationship with Kanematsu." Hearing these words, I felt my struggles had been rewarded, and my heart swelled. Since then, our relationship has transcended mere business partnership, evolving into a bond of mutual trust and understanding. This experience is essentially the core of who I am today. In a corner of that French factory, I learned firsthand the importance of maintaining integrity for our business partner and that business is built on relationships of trust between people.

By nurturing human connections—mutually investing time and passion toward shared goals and building trust—businesses can create value beyond mere transactions.

This philosophy represents a universal value passed down within the Kanematsu Group since its founding. The Kanematsu Group regards human capital as its most important asset and the driving force behind creating new businesses and value. Securing and developing Kanematsu Persons who are loved and chosen by our customers and business partners and building an organization in which each employee's capabilities is maximized, forms the core of the Company's human capital management. The overarching aim of this approach is to achieve the sustainable enhancement of enterprise value.

Under "integration1.0," our medium-term management plan, we have defined our vision as becoming a "solutions provider leading the transformation of efficient and sustainable supply chains." To cultivate human resources capable of designing optimal solutions rooted in in-depth field knowledge and delivering the best solutions to our business partners, we have established various key themes and human capital KPIs. To accelerate the implementation of initiatives by aligning business strategy with human capital strategy, we have established the Human Capital Management Committee. This committee is engaged in ongoing discussions aimed at strengthening human capital and building an organization that maximizes the abilities of each and every employee.

Furthermore, we remain committed to promoting well-being management in order to create a workplace environment in which employees can work in good physical and mental health. Our efforts have been recognized, earning us selection for the Human Capital Management Excellence 2024 (Silver) award and certification as one of the "White 500" in the Large Enterprise Category of the 2025 Certified Health & Productivity Management Outstanding Organizations Recognition Program.

As "Kanematsu Persons," we will continue to cherish our connections with our business partners, build trust and empathy, enrich people's lives, and provide solutions that positively impact society as a whole, thereby creating sustainable value.

Message from the Chief Officer of Human Resources

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

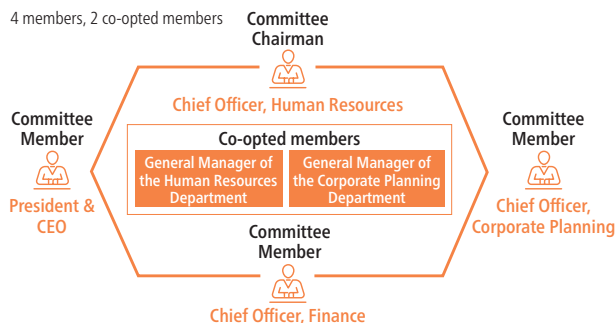
The Human Capital Management Committee, established in April 2024, continues its efforts to align management and human capital strategies and strengthen human capital, the cornerstone of value creation.

During the fiscal year ended March 2025, our first year of operation, a total of 14 Human Capital Management Committee meetings were held, comprising 13 regular sessions and one extraordinary session. Discussions focused on such topics as revisions to the system to promote engagement among senior employees and strategic manager assignments to overseas bases, advancing the establishment of the committee's foundation.

Going forward, the Committee will continue to meet 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

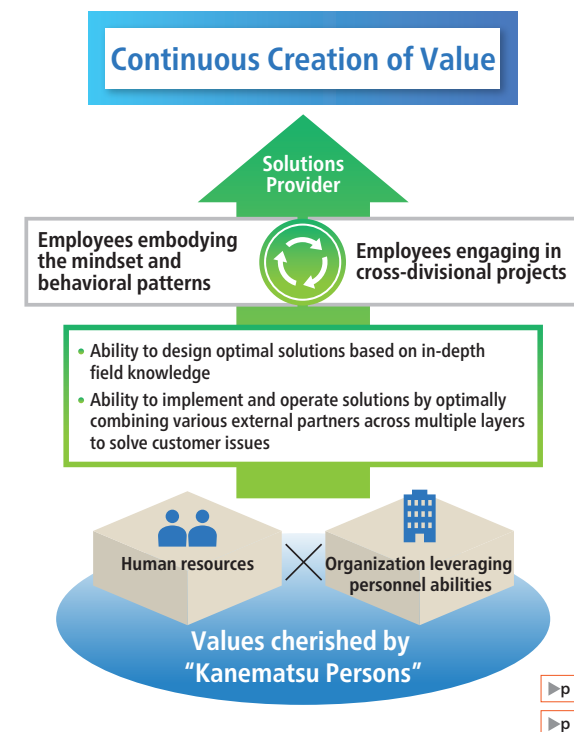
(Policy)

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. 62-71, 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



Driving Supply Chain Transformation through Flexible and Actionable DX Promotion

Akihiko Fujita

Senior Executive Officer
Digital Transformation Committee Chair

In “integration 1.0,” our medium-term management plan launched in April 2024, DX (digital transformation) has been positioned as one of our key areas of focus. As a trading company with a global presence, the Company is driving DX throughout the organization by fully utilizing the diverse industry expertise it has cultivated, trusted relationships with partners, and the abundant resources and specialization of its Group companies. Through Groupwide collaboration, we provide optimal solutions to the complex and diverse challenges faced by our customer companies, aiming to transform the entire supply chain. To achieve this, we are strengthening our DX promotion framework by focusing on the three pillars of training, budget, and practice.

In terms of training, in fiscal 2026, we will launch a new Groupwide DX training program that will focus on

developing each employee’s ability to identify and solve on-site issues, so that they can become drivers of transformation. We will invite external experts to design and conduct the courses and provide a practical curriculum structure with a step-by-step educational program, which will cover everything from basic knowledge to extracting and proposing improvements to workplace issues—and will also regularly incorporate their feedback and opinions. By having DX training participants plan and formulate new DX projects within their respective operational departments, we will accelerate DX throughout the Company. Furthermore, members of Kanematsu Seed Port, Ltd., which was established in April 2025, will also support development through collaboration with the current business division in promoting the development of DX projects.

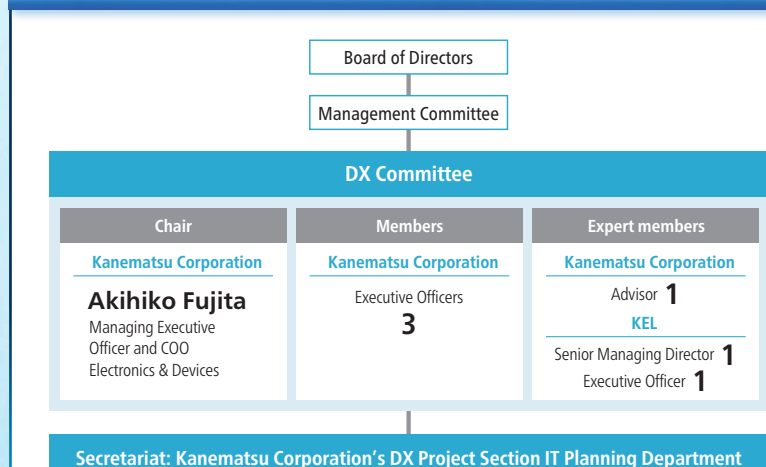
In terms of budget, we have established a DX investment category and execution standards applicable across the Company, separate from the typical departmental and project budgets, creating an environment that encourages new initiatives without hindering the efforts of employees. By significantly reducing financial barriers, multiple field-originated proof-of-concept (PoC) projects and new business creations have been launched without placing excessive burdens on Group companies or sites. This is also fostering a corporate culture where employees are encouraged to take on challenges without fear of failure.

In terms of practice, we are promoting a two-tiered approach consisting of the “DX Dojo,” where diverse operational challenges and ideas submitted from field sites and Group companies can be openly discussed and refined across roles and departments, and the DX Committee that evaluates whether to proceed with proof-of-concept initiatives matured in the DX Dojo. This structure enables us to quickly gather and refine front-line insights and challenges, while members of the IT Planning Department’s DX Promotion Section act as advisors to further shape ideas into practical applications and develop them into PoC projects for technical validation. We have also established the DX Committee Chair Award this fiscal year as a new initiative to encourage frontline employees to actively engage in DX activities on top of their regular duties. By awarding effective DX promotion measures, we provide opportunities to identify issues within our own departments and encourage those on the front lines to take on even greater challenges.

Through mutual reinforcement of efforts in training, budgeting, and practice, we are advancing DX initiatives, enhancing employee and customer engagement, and reinforcing our position as a digital trading company. Going forward, we will continue to work toward further transformation in collaboration with our employees and customers through flexible and effective DX promotion.

Message from the Digital Transformation Committee Chair

DX Promotional Framework



DX Strategy Overview

With the DX Committee at the core, the Company continuously executes a cycle of training, budgeting, and practice to accelerate digital transformation across the entire Group, thereby promoting the creation of a sustainable and competitive organization.

The DX Committee is responsible for deliberating and approving all DX-related investments for the Group, making investment decisions on such DX initiatives as data utilization, selecting SaaS solutions, and formulating strategies for their rollout to Group companies. In addition, it deliberates on DX projects throughout the Kanematsu Group and plays a leading role in horizontally deploying successful examples. Furthermore, by establishing a system to reward teams and employees who have implemented outstanding DX initiatives alongside their regular duties, we are working to further stimulate Companywide DX activities and expand their impact across the organization.

DX Training

Training grounded in practical experience to cultivate "DX core talent" who will drive DX throughout the Kanematsu Group

Target number of participants for fiscal 2026

60

Participants for fiscal 2025

34

DX Project

Steadily drive DX reforms by implementing an autonomous cycle that incorporates business analysis approaches.

Fiscal 2025 Results

Number of initiatives

34

PoC Implementations

8

Actual implementations

4

Utilization of Generative AI

Promoting multiple DX projects by leveraging Kanematsu GPT, a generative AI platform developed exclusively for the Kanematsu Group with a focus on security.

- Streamlining and improving the quality of machine translation, as well as simplifying the acquisition of technical knowledge, through the use of technical term lists and generative AI.
- Verifying the classification and reading accuracy of shipping documents using generative AI

Message from the Digital Transformation Committee Chair

Status of Initiatives

Core System Renewal Project “hibiki”

Currently, the Company is undertaking a core system renewal project dubbed hibiki (Harmonized Integrated Bridging System for Innovative Kanematsu Infrastructure). This project aims to establish a data-driven management foundation that enables faster decision-making and optimal allocation of management resources, as well as to accelerate DX of the Kanematsu Group.



More than a system upgrade; hibiki is being advanced based on the fundamental concept of harmony between system providers and users. The architecture separates stable core systems and strategic functions, and we have adopted Oracle Cloud ERP, a SaaS-based ERP system, to promote business process innovation using cutting-edge technologies. We are actively engaging in DX initiatives by incorporating a “Fit to Standard” approach, aiming to standardize and streamline operations.

Furthermore, we are working to achieve seamless collaboration with external partners via end-to-end business processes, and to improve operational quality and speed by utilizing AI agents. By leveraging the SaaS platform, processes such as database design—previously performed manually—have now been automated through AI. Looking ahead, we envision an era in which AI autonomously develops systems conceptualized by business and IT divisions. This will significantly transform the role of IT departments, with greater expectation for contributions to business design.

Anticipating such a future, hibiki is committed to driving transformation through the use of AI while nurturing human capital capable of providing appropriate AI input and accurately assessing its output—as required by Oracle Cloud ERP. Through these efforts, we aim to achieve sustainable growth and further enhance corporate value for the Kanematsu Group.

Import Management Application “KG Smart Book”

To improve supply chain information management and operational efficiency in our import business, we are promoting the digitization of shipping and contract management. In the past, manual management resulted in the decentralization of information and transcription errors, creating a significant operational burden. In response, we developed KG Smart Book, a proprietary application using the Oracle APEX, AI application platform. This system can interface with both core systems and external services, striking a balance between usability and practicality.



The introduction of this system aims to increase accuracy by database management of information, reduce operational hours, and minimize transcription errors. Additionally, the system contributes to the reduction of human error through automatic tracking, API integration, and utilization of digital forms.

Looking ahead, we will further expand the scope of this system, promote operational standardization, and pursue group-wide optimization. We will continue building a framework that can flexibly adapt to changes in international logistics and strive to create greater service value.

Helicopter Component e-Commerce Site “KG HeliX”

The Aerospace Department has developed KG HeliX, an e-commerce (EC) platform aimed at streamlining helicopter component sales operations. Previously, customer quotation requests and order information were managed on separate ledgers, resulting in complicated workflows and significant time spent on customer response.



With the introduction of KG HeliX, we have achieved centralized information management and automated the quotation and order processes. This has reduced the workload for frontline staff and enabled us to provide customers with the necessary information in real time.

Going forward, we will work to further expand KG HeliX’s user base of and utilize the time gained through improved operational efficiency to create new added value and drive business growth.

Message from the Green Transformation Committee Chair



Transforming Our Supply Chain to Coexist with the Earth

Hiroshi Yamashina

Senior Executive Officer
Green Transformation Committee Chair

In “integration 1.0,” its medium-term management plan launched in April 2024, the Company sets forth its goal of becoming a “a solutions provider leading the transformation of efficient and sustainable supply chains” and promotes GX as one of its key measures. Three years have passed since the establishment of the Green Transformation (GX) Committee, which aims to build businesses that contribute to GX, and GX-related businesses continue to make steady progress.

Achieving GX in food and agriculture operations is an area of particular focus, and we are leveraging our strengths in the food supply chain to collaborate with farmers, fertilizer manufacturers, animal feedstuff manufacturers, meat packers, food manufacturers, retailers, and restaurant companies to develop various GX proj-

ects. For example, we are striving to mitigate methane gas emissions from rice cultivation, creating carbon credits based on this, and improving soil carbon storage and production efficiency through the use of high-performance biochar and biodegradable polymer materials. Through such initiatives, we helping to combat climate change and build a sustainable food production system. These initiatives are being promoted by the Sustainable Business Section, which serves as the secretariat for the committee, and the GX Accelerator Team, which is composed of volunteer employees from across the Kanematsu Group, in collaboration with external partners and business partners.

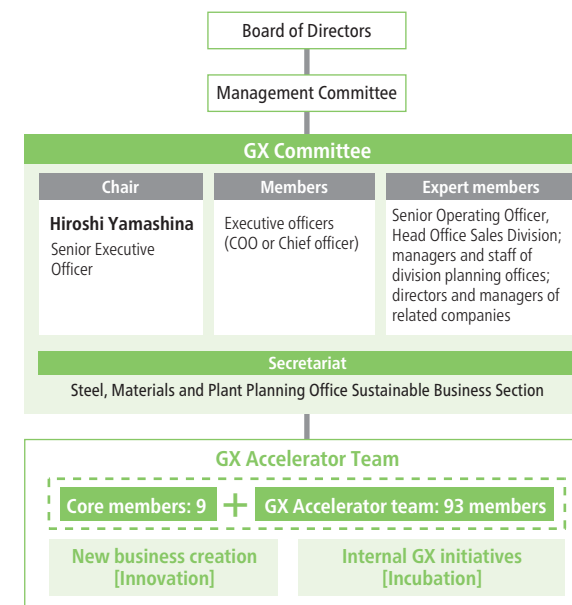
In addition, the number of investment and business partnership projects in other focus areas, such as renew-

able energy, GX for raw materials, and the venous business,* is steadily increasing, and we expect further expansion in the future.

How the environment is perceived is changing on a global scale, with some areas experiencing a backlash against decarbonization and GX initiatives. However, we view this situation as an opportunity to create new value and business models. GX is more than decarbonization and climate change measures. As a general trading company, we aim to become a leader in transforming supply chains to coexist with the earth by rallying the collective strengths of the Group and leading collaboration between industries and companies. Going forward, we will continue to achieve long-term growth by engaging not only our business partners but society as a whole.

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

GX Promotion Framework



Message from the Green Transformation Committee Chair

Status of Initiatives

Investment in Green & AgriTech startup TOWING Co., Ltd. —Solving social issues with high-performance biochar “Soratan” —

In March 2025, Kanematsu subscribed to a third-party allocation of new shares by TOWING Co., Ltd. and acquired shares in the company.

TOWING develops, manufactures, and sells the high-performance biochar Soratan in addition to providing related technical services. It also promotes comprehensive initiatives that contribute to solving social issues, such as launching the world’s first project utilizing a business model patent related to reserve sales and creation in the carbon credit field.



Since signing a partnership agreement in July 2024, Kanematsu and TOWING have been working on joint projects in Japan, the United States, Brazil, and Southeast Asia. In this joint venture, we are analyzing and evaluating the effects of using Soratan in terms of improvements in food yield and quality as well as carbon storage and soil properties, while also verifying the potential for promoting regenerative agriculture that contributes to biodiversity conservation. We plan to transition to a broader demonstration phase on the basis of certain results. Looking ahead, we will help establish a sustainable food production and procurement system and promote the reduction of greenhouse gas emissions across the entire supply chain through actions centered on carbon offsets utilizing Soratan.

Through this investment, Kanematsu will further strengthen its mutual cooperation with TOWING and promote efforts to further advance climate change measures and build a sustainable food supply chain.

Promoting Decarbonization with Biodiesel Fuel for Domestic Vessels

Kanematsu Petroleum Corporation has been conducting mixed combustion tests of “B5A heavy oil,” which is a mixture of heavy oil and 5% biodiesel using its own fuel supply ship at Nagoya Port since November 2022. We have gradually increased the biofuel blend ratio and conducted mixed combustion tests up to a maximum of 24%.



In March 2025, we also refueled an asphalt carrier in Tokyo Port with the same B5A heavy oil using the ship-to-ship method (a method of refueling by connecting a refueling hose from a fuel supply ship to the receiving ship).

Switching to biodiesel is an effective means of reducing CO₂ emissions that does not require large capital expenditures. The Kanematsu Group aims to contribute to the long-term decarbonization of fuel by expanding its supply network to not only ship operators but also factories, construction sites, bus operators, and other users.

Collaboration with Grid Beyond —Promoting the transition to renewable energy through “demand response” —

Kanematsu has entered a business partnership with Grid Beyond, the Japanese subsidiary of an Irish energy IT solutions provider, to promote “demand response” in Japan, an initiative that adjusts the balance between electricity supply and demand and promotes the transition to renewable energy.

Grid Beyond is a company that aggregates efficient electricity trading through demand response, utilizing cutting-edge technologies that include proprietary AI and robots, and has over 10 years of experience in electricity load control. Going forward, we will promote the use of demand response to the Kanematsu Group and our business partners, with the aim of realizing a sustainable society.

Message from the Sustainability Management Committee the Chair



Strategic Sustainability

Kazuo Kondo

Director, Executive Officer

What Sustainability Means to Me

My first encounter with the concept of “sustainability” was over 30 years ago during my college days in the Faculty of Agriculture, in the context of sustainable agricultural development. At that time, changes in domestic and international markets—such as a shortage of agricultural workers in Japan due to population decline and aging, and an expected expansion of the global agricultural market due to population growth overseas—led the government to revise its basic agricultural policy. The new policy emphasized efficient and stable management, aligning prices with market evaluations and promoting exports, signaling a shift from focusing solely on domestic needs to long-term sustainable development.

My initial understanding of sustainability was shaped by Japan’s declining food self-sufficiency and the liberal-

ization of beef and orange imports under the Uruguay Round of GATT (1986–1994). At that time, Japan’s agricultural and livestock industries were widely considered strong, making it difficult to view “sustainability” positively, as the term implied struggling for survival amid dire circumstances. However, the 1987 United Nations report *Our Common Future* highlighted sustainable development as meeting the needs of the present generation without compromising the ability of future generations to meet theirs. Although I only learned this concept much later, the idea of balancing environmental and the economic objectives, rather than seeing them in conflict, was particularly compelling.

Since then, sustainability has become linked to corporate social responsibility (CSR), which gained momentum in the 1990s, and ESG, which originated in investment

practices, providing a framework to reconcile social and environmental concerns with economic growth. The adoption of the 17 UN Sustainable Development Goals (SDGs) in 2015 set a target for achieving a sustainable world by 2030. With 2025 marking the 10th anniversary of their adoption, only five years remain to reach these goals. This raises a key question: what path should the Company pursue, and what legacy will it leave over the next five years and beyond?

Sustainability the Kanematsu Way

Kanematsu’s sustainability initiatives began with the establishment of the Environmental Issues Committee in 2006, followed by the Corporate Social Responsibility (CSR) Committee in 2008. Comprised primarily of support divisions, the CSR Committee emphasized a strong sense of “responsibility” and “management.” In 2020, it was reorganized into the Sustainability Management Committee, which continues to oversee our sustainability efforts today.

At that time, I served as the Company’s secretary-general and was involved in establishing the new committee. I remember struggling to design a system that would promote sustainability from a strategic perspective. A distinctive feature of the current sustainability management system is that executive officers from all seven business areas serve as committee members, while the general managers overseeing each sales division participate as expert members. The involvement of these business area leaders helps foster a sustainability-oriented mindset that is closely aligned with the Company’s operations and interests. Furthermore, with the committee chaired by the planning executive responsible for formulating the Group’s basic management strategy and allocating management resources, the system ensures that the entire Group works collaboratively to advance sustainability without bias toward any particular business area, and the key matters can be communicated directly with the Board of Directors.

Message from the Chair of the Sustainability Management Committee

Supply Chain Sustainability is the Responsibility of Trading Companies

Appointing planning executive as committee chair also strengthens alignment with management strategy. Under “integration 1.0,” the medium-term management plan launched in the fiscal year ended March 31, 2025, we set a goal of becoming a solutions provider leading the transformation of efficient and sustainable supply chains over the next five years. We view DX as representing efficiency, and GX and sustainability as representing sustainability. By leveraging these tools to deliver new added value (solutions) to the supply chain, we aim to collaborate with our business partners to secure revenue sources and improve expected profit growth by making the supply chain itself more sustainable.

In addition, the Company’s portfolio, consisting entirely of non-resource businesses with low volatility, contributes to a reduction in capital costs. Together, these factors form a strategy to enhance market valuation, including an increase in PER. As a company rooted in the trading business, much of our strength lies in the information we gather daily from our business partners. Our strategy is to sharpen this advantage further, building a lasting competitive edge, which we view as a core responsibility of a trading company. I believe that sustainability can be achieved only through strategic planning, enabling everyone to share the same vision.

The Kanematsu Group’s ESG Score

As a result of a three-year plan launched in 2022 to improve our FTSE Russell score, we achieved our target and in 2024 and were included in the FTSE Blossom Japan Index, one of the domestic ESG indices adopted by the GPIF.

	2020	2021	2022	2023	2024
FTSE Russell	1.4	1.4	2.8	2.9	3.4
S&P Global CSA Score	14	27	32	41	45
MSCI	BB	BB	BBB	A	A
CDP (Climate Change)	–	–	B	B	B

Key Issues Discussed by the Sustainability Management Committee (FY2025)

- Disclosure of sustainability initiatives, including human rights, biodiversity, climate change (CDP)
- Reporting and analysis of greenhouse gas emissions for the fiscal year ended March 2024
- Review of progress on initiatives contributing to greenhouse gas emissions reduction
- Compliance with the European Sustainability Disclosure Directive (CSRD)

Sustainability Promotion Framework



(As of June 27, 2025)

Message from the Chairman of the Board of Directors



The Role of the Board of Directors in Increasing Enterprise Value

Kaoru Tanigawa

Chairman and Representative Director

Sustainable Governance Framework

The Board of Directors is responsible for establishing corporate governance systems and continuously monitoring their effectiveness—an ongoing effort that strengthens management capabilities. To enhance agility, the Board has delegated business execution authority to the Management Committee, thereby enabling more responsive and transparent operations while ensuring the Board itself can function efficiently and engage in deeper discussions. In addition, to formal monthly meetings, the Board also convenes monthly supplementary sessions. These serve as forums for open discussions on enhancing enterprise value, incorporating management challenges as well as perspectives shared by investors. They also provide opportunities to gain valuable insights and input from outside directors. Increasingly, initiatives such as embedding the Corporate Philosophy and the strengthening

investor relations and shareholder relations have been initiated and advanced in response to suggestions from outside directors.

Priority Issues for the Board of Directors

Deliberations on how the Company can best leverage its intangible assets—particularly in areas of competitive advantage—are essential for formulating medium- to long-term strategies. Securing human capital capable of managing social capital, such as communication and networks, is especially important given the Company's business model, which relies on deep engagement with customers' supply chains. The Board places significant emphasis on human capital, enhancing system development and improving the working environment through various initiatives, while continuously monitoring its effectiveness. Furthermore, outside directors have identi-

fied the further development of intellectual capital as a key agenda item. Recognizing that global strategy remains an ongoing challenge, the Board intends to continue discussions on establishing mechanisms to enhance operational agility.

Strengthening Internal Controls and Monitoring

The Board of Directors monitors and receives reports on the implementation, evaluation, and execution of internal controls across the Company, including its Group companies. Effectiveness is further verified through regular internal audit reports, and input from outside directors—through questions and advice—and these assessments actively used to enhance these controls. In previous fiscal years, the Board has discussed the role of the management department and the nature of internal controls within new systems, considering the ongoing development and evolution of the Company's core systems over the medium to long term. These discussions have confirmed both progress and the underlying approach. Furthermore, the monitoring methodology itself is continuously reviewed and refined to create systems that are efficient and easy to understand.

Further Enhancement of Enterprise Value

The Board of Directors believes it must support the realization of management's vision and growth strategy by making appropriate judgments from both offensive and defensive perspectives. We rigorously monitor the effectiveness of each function and implement improvements aligned with the times and prevailing business conditions, ensuring that our organizational structure remains consistently effective. We also recognize that an independent Board enhances judgment and creativity by maintaining a constructive tension with management. The Kanematsu Group will continue to strengthen the effectiveness of the Board and the quality of its discussions to achieve sustainable growth and create enterprise value.

We appreciate your continued support and look forward to the Kanematsu Group's ongoing growth.

Message from the Nominating Committee Chair



Harmony without Conformity Building a Strong Board of Directors through Discussion and Agreement

Kazuhiro Tanaka

Outside Director

Discussions Held by the Nominating Committee in the Fiscal Year Ended March 31, 2025

As a company with an Audit & Supervisory Board, Kanematsu maintains a Nominating Committee that serves as an advisory body to the Board of Directors. Reporting to the Board of Directors, the committee is responsible for deliberating on the appointment of and succession plans for directors and other executives, including top management.

The Nominating Committee is charged with maintaining neutrality and transparency in its provision of reasonable and effective recommendations to the Board of Directors. Accordingly, 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).

The Nominating Committee of fiscal 2025 held four

meetings between November 2024 and March 2025 (all with 100% attendance) at which it discussed and reviewed three main agenda items: the Composition of the Board of Directors, the Selection Criteria for Director Candidates, and Specific Selections of Director Candidates. The committee then submitted its recommendations to the Board of Directors.

Regarding the Composition of the Board of Directors, between November and December 2024, we reviewed the following points in consultation with the Board of Directors: (1) the roles and functions of standing directors on the Board of Directors and (2) the ratio of standing to outside directors. From a starting point of four standing directors—a chairman, a president, and directors in charge of corporate planning and finance—we contemplated several different configurations, taking into consideration the propriety of the functions delegated to standing

directors on the Board of Directors in terms of supervision and decision making. Subsequently, we concluded that the optimal structure would continue to include the four standing directors: the President & CEO as serving as the head of execution; the Chairman serving as the head of governance; and the directors of Corporate Planning and Finance, who together are responsible for consolidating information across the entire Company. In view of this, we discussed the ratio of standing to outside directors, taking into consideration the nature of the Company's business, the qualities expected of outside directors (keen insights into society and a wealth of knowledge and experience in their respective fields), and the diversity required of the Board of Directors. After careful consideration, we concluded that the ratio of 4 standing to 3 outside directors would remain desirable.

I discuss Selection Criteria for Director Candidates, which have undergone some revisions in the fiscal year ending March 31, 2026, in a separate section below. Here, however, I wish to address the third agenda item, Specific Selections of Director Candidates. From January to March of 2025, the Nominating Committee held two formal meetings and several informal meetings to choose candidates and submitted its recommendations to the Board of Directors. New directors were subsequently appointed to both the Corporate Planning and Finance departments. These changes were made with the aim of fostering growth within the Company's senior management while maintaining and strengthening the functions of the Board of Directors, taking into full consideration the overall skills matrix of the executives concerned. The new candidates were selected from a pool of candidates under consideration by the Nominating Committee and in accordance with the revised Selection Criteria for Director Candidates. The two candidates selected were chosen based on their backgrounds, abilities, personalities, and previous evaluations. The ultimate decision was reached following interviews of both candidates conducted by all members of the Nominating Committee.

Message from the Nominating Committee Chair

Revision of Selection Criteria for Director Candidates

Regarding the Selection Criteria for Director Candidates, in discussions held among the members of the Board of Directors during the fiscal year ended March 31, 2025, it was decided that in addition to the existing criteria, it would be desirable to include the qualities and attitudes expected of members of Kanematsu's Board of Directors. After sharing and summarizing the desired qualities and attitudes in the course of unfiltered discussion among the directors, the Nominating Committee further reviewed said criteria and issued the following revised Selection Criteria for Director Candidates.

"Candidates should be individuals who excel in terms of personality, insight, and execution, possess the extensive experience, a high level of insight, and advanced expertise appropriate for a director of the Company and who are able to actively contribute to the fulfillment of their responsibilities while maintaining harmony without conformity."

"Actively contribute to the fulfillment of their responsi-

bilities while maintaining harmony without conformity," is the newly added section.

"Harmony without conformity" is taken from Confucius' words in the Analects: "The noble man is harmonious without conforming, while the petty man conforms without being harmonious." Kanematsu's directors value harmony among themselves and focus on constructive discussions while never agreeing blindly with others and speaking frankly when they feel they have something to express. However, rather than simply speaking one's mind, it is important to speak and commit with responsibility and determination, keeping in mind the roles required of standing and outside directors. Our aim is to ensure that the Board of Directors functions effectively, thereby enabling the Company to continue to exist and grow in a healthy and dynamic manner over the long term.

The Board of Directors has long valued a culture of "harmony without conformity," and I am proud to say that in recent years, this has been embodied in frank and con-

structive discussions. This is a culture that I would like to see further nurtured and established. "Harmony without conformity" also serves as a concrete example of the qualities described in the relatively broad expression "to excel in terms of personality, insight, and execution" from the perspective of what is necessary for the Board of Directors to function effectively as a corporate body.

Of course, the selection of directors cannot be based on personality alone. That is why we also seek "extensive experience, a high level of insight, and advanced expertise." However, no matter how outstanding a candidate's experience, knowledge, and expertise may be, they must also be capable of leveraging them in a way that "actively contributes to the fulfillment of their responsibilities." Only then can experience, knowledge, and expertise truly be put to good use.

The added phrases, "Harmony without conformity," and "actively contribute to the fulfillment of responsibilities," embody the above intentions and significance.

Board of Directors Selection Process

Date held	Meeting body	Content of discussion
July 2024	Extra Session of the Board of Directors	Composition of the Board of Directors
October 2024	Extra Session of the Board of Directors	Distance between the Board of Directors and Execution
November 2024	Nominating Committee	Composition of the Board of Directors
December 2024	Nominating Committee	Composition of the Board of Directors and Functions of Standing and Outside Directors
December 2024	Extra Session of the Board of Directors	Composition of the Board of Directors, Functions of Standing Directors, and Selection Criteria for Director Candidates
January 2025	Nominating Committee	Confirmation of Selection Criteria for Director Candidates and Deliberation of Director Candidates
March 2025	Nominating Committee	Confirmation of Director Candidates
March 2025	Board of Directors	Appointment of Directors and Executive Officers, and the Division of Duties among Directors and Executive Officers

Message from the Compensation Committee Chair



Looking back on the First Year of the Compensation System for the Next Stage

Yuko Tahara

Outside Director

The Launch of a New Compensation System

The role of the Compensation Committee is to review the compensation system to ensure it serves as a sound and appropriate incentive in accordance with its regulations, supporting the Company's sustainable growth and enhancement of corporate value. The Compensation Committee meets twice a year in principle to deliberate and report on individual compensation plans for directors and executive officers based on consultations from the Board of Directors.

Effective April 1, 2024, we revised our compensation system in alignment with "integration 1.0," the new medium-term management plan launched that month. Some 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.

The specific revisions were designed to increase the total amount of performance-linked compensation based on business performance, thereby providing an incentive for the achievement of short-term

performance targets. The compensation system has also been linked to shareholder value by incorporating the current target of ¥35 billion in net profit, which has been set in the medium-term management plan as an indicator. The three components of compensation remain unchanged: fixed monthly compensation, performance-linked monetary compensation, and performance-linked stock compensation. However, the adjustment of the fixed portion of 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.

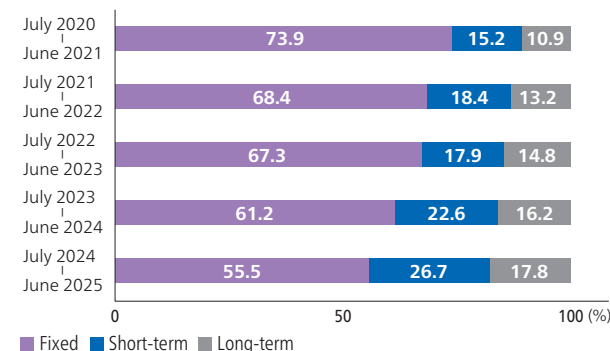
To this end, we are strengthening directors' commitment to increasing enterprise value over the medium to long term.

Looking back on the First Year of "integration 1.0"

Profit attributable to owners of the parent for the fiscal year ended March 31, 2025, rose ¥4,251 million (18.3%) year on year to ¥27,469 million, marking a solid start. The revised executive compensation

system is based on consolidated net profit of approximately ¥32.5 billion with the fixed ratio comprising 50% of the total, short-term ratio 30%, and medium-to long-term ratio 20%. Under the previous system, compensation for executive directors based on the performance for the fiscal year under review would have been 64% fixed, 16% short-term, and 20% long-term. Under the revised system, however, it will stand at 56% fixed, 27% short-term, and 18% long-term, moving closer to a structure that contributes to enhancing enterprise value.

Proportion of Each Type of Compensation for Executive Directors



Initiatives for Sustainable and Progressive Enhancement of Enterprise Value

In terms of incentives to increase enterprise value, it is essential, as indicated by the Corporate Governance Code, to continue to increase the connection between the compensation system and medium- and long-term business performance. With an eye toward achieving a variable ratio of 50% fixed to 50% variable, we will continue to increase the connection between the system and business performance. Furthermore, the Company is actively pursuing human capital management, sustainability, DX, and GX. We also believe it is necessary to consider ESG indicators and other factors in executive compensation.

We will make every effort to create a compensation system that will serve as an engine for the further acceleration of the Company's growth and increase its enterprise value, while prioritizing transparency and objectivity.

Message from the Audit & Supervisory Board Members



Going Beyond Supervision and Monitoring, Contributing to Increased Corporate Value through Operational Audits

Yoshio Tajima

Audit & Supervisory Board member (Presiding Chairman)

Yoichiro Muramatsu

Audit & Supervisory Board member



Role of the Audit & Supervisory Board

As a legally independent body entrusted by shareholders, Kanematsu's Audit & Supervisory Board is tasked with overseeing management from a perspective separate from that of business execution and promoting corrective measures as necessary, thereby ensuring that the quality of the corporate governance system is maintained at a consistently high level.

Beyond maximizing shareholder value, our goal is to ensure the Company realizes its founding purpose, "Let us sow and nurture the seeds of global prosperity," or in more modern terms, "Let us create and operate businesses that promote social happiness and public welfare," through sustainable growth.

Since April 2024, the Company has been working on a three-year medium-term management plan, "integration 1.0," aiming for further corporate growth and actively promote the resolution of issues in the business environment surrounding the Group. The Audit & Supervisory Board also believes in the importance of monitoring the execution of

plans and creating an environment that promotes prompt and decisive decision making in order to achieve the goals we have communicated to stakeholders. We recognize that fulfilling this role is a key priority and are actively working on it.

Functions of the Audit & Supervisory Board

The Audit & Supervisory Board consists of four auditors, including two full-time auditors with experience as directors of affiliated companies in Japan and overseas, and two outside auditors who are experts in law and accounting. This diversity ensures the board is equipped to perform its monitoring and corrective functions in a balanced manner.

Throughout the year, full-time auditors attend important meetings, including those of the Board of Directors, the Management Committee, and the Project Deliberation Committee, as well as those of such key committees as the Internal Control and Compliance Committee, the Sustainability Management Committee, and the Human Capital Management Committee. At these meetings, they

express their opinions to ensure transparent and fair decision making within the Company and to foster an environment that enables prompt and decisive decision making. Outside auditors ask questions and furnish comments and advice based on their specialized knowledge, and experience as auditors at other companies, and the Audit & Supervisory Board discusses a wide range of topics related to the overall corporate activities of the Group.

Preventing a Disconnect between Management and the Front Lines

One of the things that the Audit & Supervisory Board pays particular attention to is ensuring that there is no disconnect between management and those on the front lines. Full-time auditors conduct individual interviews with directors, executive officers, department managers, and presidents of major Group companies in Japan and overseas over 70 times a year. Not only do we review documents and conduct interviews, we work to ensure discussions with man-

Message from the Audit & Supervisory Board Members

agement on significant risks for each business. As auditors operate independently from management, they are often more open to insights regarding the real issues on the ground and are able to impartially weigh honest opinions that employees may find difficult to express directly to management.

Issues related to governance identified through operational audits are shared with external auditors. We hold regular and ad hoc meetings with representatives of the Board of Directors to share findings and make recommendations. Furthermore, in fiscal 2025, we held two meetings with outside directors to discuss various management issues. In all our activities, we pride ourselves on helping directors gain an understanding of the situation and opinions of those on the front lines.

Contribute to Improving the Quality of Board Discussions

We also strive to contribute to improving the quality of discussion at the Board of Directors.

Ten years have passed since the establishment of the Corporate Governance Code, which has brought with it changes in how board meetings are conducted. With an increasing number of outside directors, meeting agendas have shifted from formal approvals to substantive discussions on management issues. In the past, we refrained from speaking at board meetings except in cases where the issues at hand were unreasonable or logically flawed. Recently, however, we have become more proactive in contributing, leveraging our understanding of on-site conditions and specialized expertise to help facilitate anticipatory decision making.

About the Board of Directors

Recently, substantive discussions have increased at board meetings, with outside directors also offering various opinions and raising issues, all of which are thoroughly addressed by the chairman and president. Issues of particular importance or such corporate governance matters

as the composition of the Board of Directors and criteria for appointing director candidates, are discussed at length by the directors and auditors at extra sessions held off-site after Board meetings. The themes of these extra sessions are truly diverse. For example, in one such session regarding “The Board of Directors’ Involvement in Medium-Term Business Plans,” discussions were held exploring various perspectives on the role of the Board of Directors, including monitoring methods used, communications with shareholders and investors, and measures to promote understanding of medium-term management plan policies. Other topics under discussion included basic approaches and goals related to climate change and policy-held shares, leading to specific measures being implemented. Inspired by the auditors’ desire to further foster a culture that values free and constructive discussions and exchanges of opinions, the criteria for appointing director candidates were amended to include “harmony without conformity, and actively contribute to the fulfillment of their duties.”

Going forward, we expect that the Board of Directors will engage in further in-depth discussions on voting standards and the opinions of institutional investors, including the Company’s management policies and strategies, as well as differences from other companies.

I believe that such constructive and deep dialogue will clarify the direction of the Company.

Future Outlook

Traditionally, Audit & Supervisory Board members and Audit & Supervisory Boards have enforced a policy of strict monitoring and supervision of management by maintaining strict independence from business execution. However, the Board of Directors and the Audit & Supervisory Board are currently composed of a diverse group of independent outside directors and auditors, and, as mentioned above, they maintain sound supervisory functions through active exchanges of opinions. Therefore, we do not feel it is necessary to place particular emphasis on monitoring and supervision. The Audit & Supervisory

Board, together with the management team, believes it is important to achieve sustainable growth and create long-term enterprise value for various stakeholders through their respective roles. At the Board of Directors meetings and various other meetings and committees, we strive to create an environment that facilitates prompt and decisive decision making while ensuring transparency and fairness by actively expressing our opinions based on our knowledge and issues identified through operational audits.

As the importance of ESG and sustainability increases in promoting business, we will continue to work to ensure that these issues are fully recognized at the forefront of each Group company through operational audits and cooperation with the Group’s auditors.

In “integration 1.0,” we are aiming to expand the value we offer by promoting DX and GX on a Groupwide basis. In the fiscal year ended March 31, 2025, an operational audit confirmed that the concept of Groupwide management is not limited to Kanematsu’s departments, but has spread widely to Group companies, giving us a strong sense that the Kanematsu Group is being revitalized through the promotion of the current medium-term management plan. On the other hand, we recognize that there are still challenges in promoting efficiency across the entire Group, such as the independent introduction of business efficiency software by each Group company.

We believe that we have a role to play in assessing the innovative convenience made possible by advances in such new fields as AI, as well as the potential risks inherent therein, which is why interviews focused on the use of AI are part of our operational audits. In addition, the Audit & Supervisory Board believes that it should strive to improve the efficiency of audits by using AI to save time that could be used to focus on matters related to management decision making. Although AI is still limited to certain areas, we will continue to contribute to the sound and sustainable development of our group by quickly responding to new growth opportunities and risks involving AI and other technologies.

Governance Roundtable Discussion



Yuko Tahara
Outside Director

Kazuhiro Tanaka
Outside Director

Hiroyuki Sasa
Outside Director

DIALOGUE

Kanematsu's Evolution and Hopes for the Future

A roundtable discussion was held among three outside directors who, drawing on their expertise and experience, shared their thoughts on governance, the changes and challenges the Board of Directors face, and the future of the Kanematsu Group from an independent, outside perspective.

Yuko Tahara
Outside Director



Kazuhiro Tanaka
Outside Director



Hiroyuki Sasa
Outside Director

What is your impression of the culture and functions, and changes within the Board of Directors?

Sasa

Since my appointment as an outside director in 2022, I have found Board discussions to be very clear and steadfast in the best possible sense. What I appreciate most is the clear indication of support or opposition within each deliberative section. The review process is transparent, arguments are well-defined, and all necessary factors for judgment are covered, which instills confidence. This can be attributed to the progress made in delegating authority. In 2022, the Rules on Delegation of Authority were revised, significantly transfer-

ring business execution authority to the Management Committee. This has led to more efficient Board operations and deeper discussions, while also dramatically increasing the speed of management decisions.

Tanaka

When I first took this position in 2020, I felt there was a tendency to discuss management solely in terms of numbers, perhaps due to the lingering effects of a previous focus on selection and specialization. Since then, as discussions have progressed on the current medium-term management plan, "integration 1.0," we've been able to articulate our value creation story and our vision for the future. Over time, I have felt

a gradual increase in such strategic discussions. This evolution stems not only from the Board of Directors' input but also from a shift in mindset among the executives actually formulating strategy. I believe this shift—which began with the executive team approaching the Board with a proactive stance toward the Group's future—led to a tangible improvement in the quality of discussions at Board meetings. In that sense, in addition to the "steadfastness" Mr. Sasa mentioned I feel there is also what might be called a "driving force." There is a conscious effort to sincerely engage with discussions and opinions raised in meetings and consistently translate them into improvements.

Governance Roundtable Discussion

DIALOGUE

Tahara

I am the Company's longest serving outside director, having assumed the position in 2019. As such, I have observed significant changes. Initially, the Board of Directors focused solely on deliberating the agenda items. However, currently, discussions go beyond the agenda items raised and delve deeply into the medium- to long-term growth of the Kanematsu Group. In addition, extra sessions are held to discuss important topics and issues. These discussions also serve as a bridge between management and operations, providing a vital means of exchanging opinions and deepening understanding as we move toward decisions on important matters. Furthermore, executive officers now present thoroughly vetted and well-defined agenda items to the Board of Directors. Alongside this evolution, the atmosphere within the Board itself has changed significantly.

Tanaka

While diversity among the Board of Directors is expected, what truly matters outside of attributes as gender or expertise is a fundamental diversity of thought. To avoid focusing solely on increasing value for specific stakeholders, we believe the sounder approach is to value diversity in corporate philosophies and management perspectives on what a company should be and, within that diversity, to explore what we should aim for.

Tahara

In terms of the composition of the Board of Directors, we will implement a skills matrix to identify the skills and individuals needed to complement the existing team, and then discuss our options accordingly. Using this as a baseline, I believe we are able to appropriately discuss the kind of individuals we are seeking in order to adapt to a rapidly changing society.

Tanaka

I feel the same way. Standing directors are selected from the key management areas of finance, which handles financial resources, and planning, which oversees strategy. These decisions are based on how well they serve as "information hubs." I

believe this makes it possible to discuss what kind of individuals are needed to adapt to a rapidly changing society.

What are your thoughts on "integration 1.0"?

Tahara

As the name "integration 1.0" suggests, the Group's integration through unified management is progressing day by day. The previously hierarchical organization is steadily transforming, with strengthening human capital and organizational functions as its pillars. Furthermore, 2024 was a year of great excitement, marked not only by the establishment of the Human Capital Committee, but also by such initiatives as the culture design project TANEMATSU, the Hitotsubu Club community that promotes such challenges as generating and advancing new business ideas, and the first major sports festival in a decade. There were also a number of times when the determination among our employees and the Group to take on challenges and embrace change as one united force was palpable.

Tanaka

The fundamental significance of "integration 1.0" is that it encompasses capabilities. The next step requires deepening discussions to clarify the Company's true strengths and determine how to turn them into "winning" capabilities. Six basic policies have been established, but I believe discussion is needed to develop these into a cohesive narrative—using each as a valuable building block to create a more three-dimensional story.

Sasa

When I assumed my current position, *future 135*—the medium-term vision at the time—included a globalization theme. However, "integration 1.0" deliberately omitted that wording, which I remember appreciating. This is because I felt that there were other more pressing matters to attend to. Globalization involves more than just placing functions abroad; it must be driven by the business itself. The next step will be to



establish an organizational structure that can effectively manage the business. I believe that this will also be the next theme. The matrixing of functions across the entire Group, including overseas operations, is another issue I would like to discuss. Looking at the Company's internal control framework and the actual activities of the Internal Auditing Department, they are very well established. On the other hand, I feel there is a slight lack of horizontal connections between corporate departments, including within Group companies. Resources should be shared across the Group to enhance capabilities and accelerate management speed and efficiency. Within that context, I believe it is crucial to effectively instill our Corporate Principle throughout the entire Group, including overseas operations. As I experienced at my previous employer, Olympus Corporation, this is truly a difficult task. The mobility of human capital is increasing domestically, and the importance of instilling the Corporate Principle is growing ever greater as a way to unify the Group. Therefore, as top management, it's crucial to continue engaging with the entire Group.

Tahara

That is the role played by the TANEMATSU project I mentioned earlier.

Tanaka

In August of this year, TANEMATSU is set to announce its Mission and Values as reinterpreted for the modern era to

Governance Roundtable Discussion

DIALOGUE

strengthen the permeation of Kanematsu's founding purpose. To my knowledge, there are not many action guidelines or management philosophies that have been so thoroughly articulated and taken to heart. We expect this grounded approach to serve as the glue that binds the Group together in its integrated management going forward.

What are your thoughts on communication and governance?

Sasa

Communication between the Company's directors and outside directors is smooth, and I feel that there are opportunities for discussion and interaction. It is also important to maintain a sense of distance and clear boundaries from a supervisory standpoint regarding business execution. Therefore, I feel that the current level of communication and information sharing is just right.

Tanaka

I wholeheartedly agree. That said, having seen and heard about the difficulties encountered and hard work on the part of those carrying out the work, I also feel like I, personally, want to support them and talk to them more. It would be great to hear firsthand from our employees about their honest thoughts and feelings each day—what they think about the Company and their own work, and how they hope to be rewarded by the Company.



Tahara

I occasionally discuss human capital with members of the Human Resources Department. I'm always impressed by how the information shared, opinions exchanged, and brainstorming sessions during those discussions inevitably take shape and evolve into tangible changes later on.

Also, from the perspective of collaboration with each committee, necessary reports are provided at the appropriate times. When deeper discussion is needed, direct conversations with the executive team are held, or supplementary sessions convened. Discussions are never left unresolved; they are consistently addressed to drive improvement and evolve.

Sasa

Indeed, the fact that Board meetings consistently include discussions and proposals for improvements based on the medium-term management plan's monitoring items and that opinions from outside directors are also reflected, gives me a sense of reassurance that the cycle is functioning well. I have always wondered what condition a board of directors must be in to be considered functional, and what steps should be taken to enhance its management capabilities. Beyond the level of discussion and decision-making processes, I believe we must ultimately delve deeply into what Kanematsu as a company aims to achieve, idealizes for itself, and what kind of Board of Directors the executive leadership seeks to establish.

Tanaka

I would say the Board of Directors serves the function of ensuring that management does everything it should do and refrains from doing anything it should not. Those responsible for execution often lose sight of the bigger picture—whether they're getting bogged down in details or what their true purpose really is, namely, to offer opinions from a removed perspective on whether the Company is properly contributing to society as a public institution, beyond mere profit and loss considerations. I approach my role with the conviction that the Board's persistent guidance—particularly the objective insights from outside directors—is what drives the executive team's thinking forward, and that this guidance must help the executives accomplish what they need to do. Therefore, we must also discuss the necessity and nature of the medium-term management plan itself going forward. When a medium-term management plan is established, there is a tendency to become overly fixated on measuring its degree of achievement.

Sasa

Yes, that's true. Medium-term management plans are created as a way to unify the Company by establishing a clear direction—essentially, to provide a set of benchmarks for monitoring progress. I believe Kanematsu is now ready to discuss how to enhance its management capabilities. Therefore, when creating a medium-term management plan, I believe we should take a backcasting approach from a long-term perspective, such as a decade. The Company has yet to announce a long-term vision, having only discussed its envisioned goal as a desired state following the current medium-term management plan. As the pace of business accelerates and the expansion of the Company's intangible assets progresses, I intend to continue emphasizing the necessity of uniting the entire Group to aspire toward a common goal. This will enable us to leverage these assets and further enhance our enterprise value.