



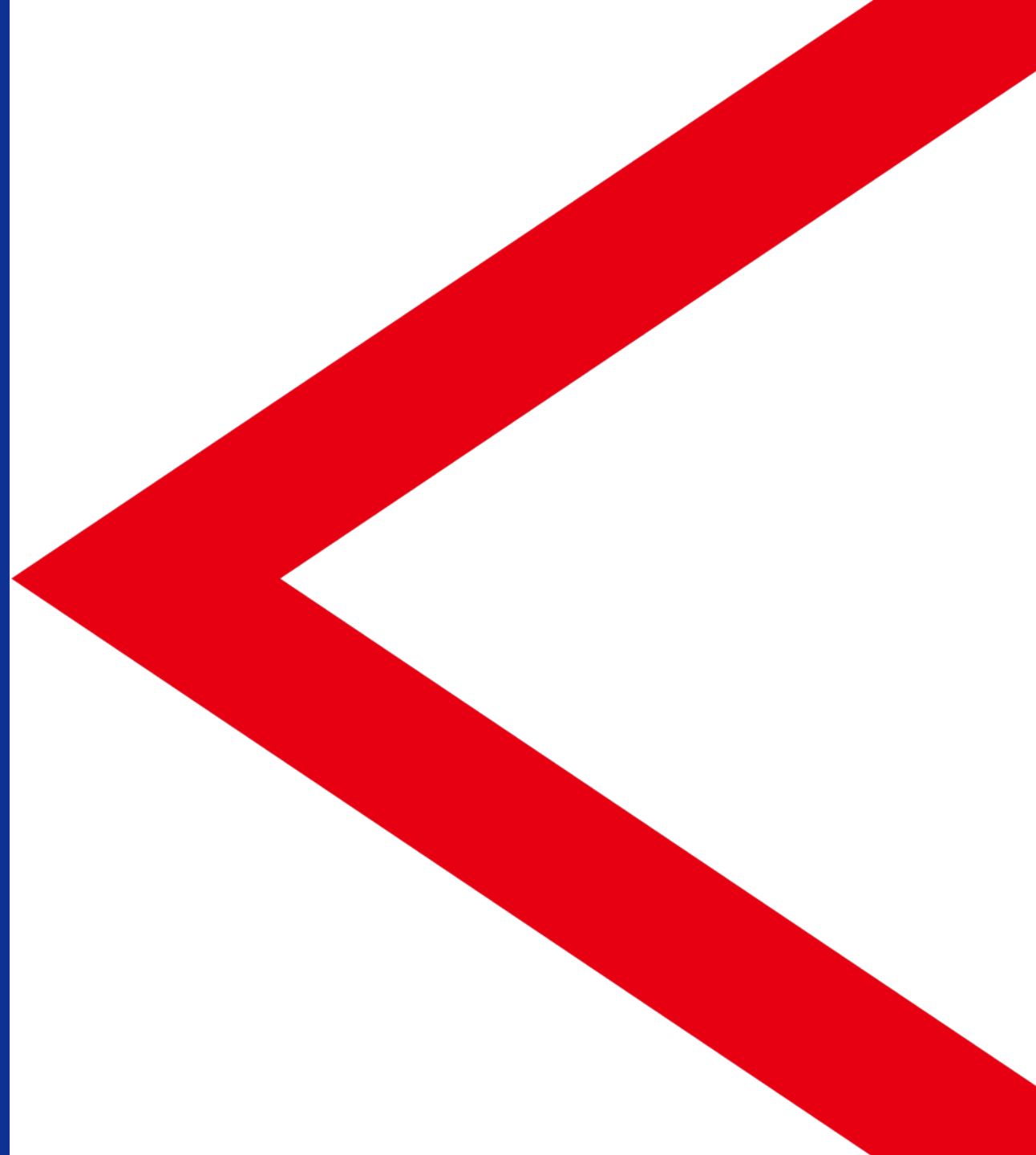
KANEMATS

Medium-Term Management Plan

FY2025 – FY2027

integration 1.0

April 16, 2024



Kanematsu's Values

Founding Purpose

“Let us sow and nurture the seeds of global prosperity”

- Fusajiro Kanematsu (1889)



Since our founding, Kanematsu has prioritized the pursuit of economic growth along with human prosperity through the creation of social values that emphasize fairness and public interest as fundamental values.

We believe that striking a balance between hard work and passion in our business endeavors leads to profitability. The Kanematsu Group conducts business as a unified entity while adhering to organizational rules with sincerity, fostering a spirit of dedication to the company and respect for interpersonal relationships.

With our 100% non-resources business portfolio built up over the years as a foundation, our mission is to pursue sustainable social, environmental, and economic values concurrently.

As a trading company building a sustainable society for both the present and the future, we strive to be a preferred choice for our customers and business partners by swiftly adapting to changes and innovating new business ventures.

Guided by these corporate principles, we will continue to actively pursue the creation of business, aiming for sustainable growth and returns, while fulfilling our responsibility to society and contributing to a better future.

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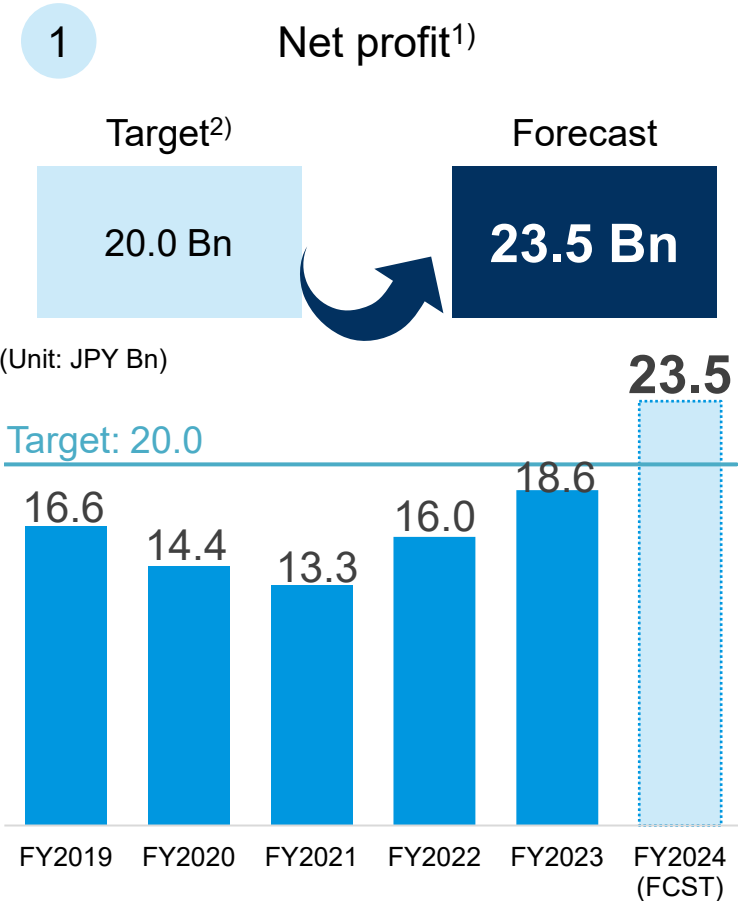
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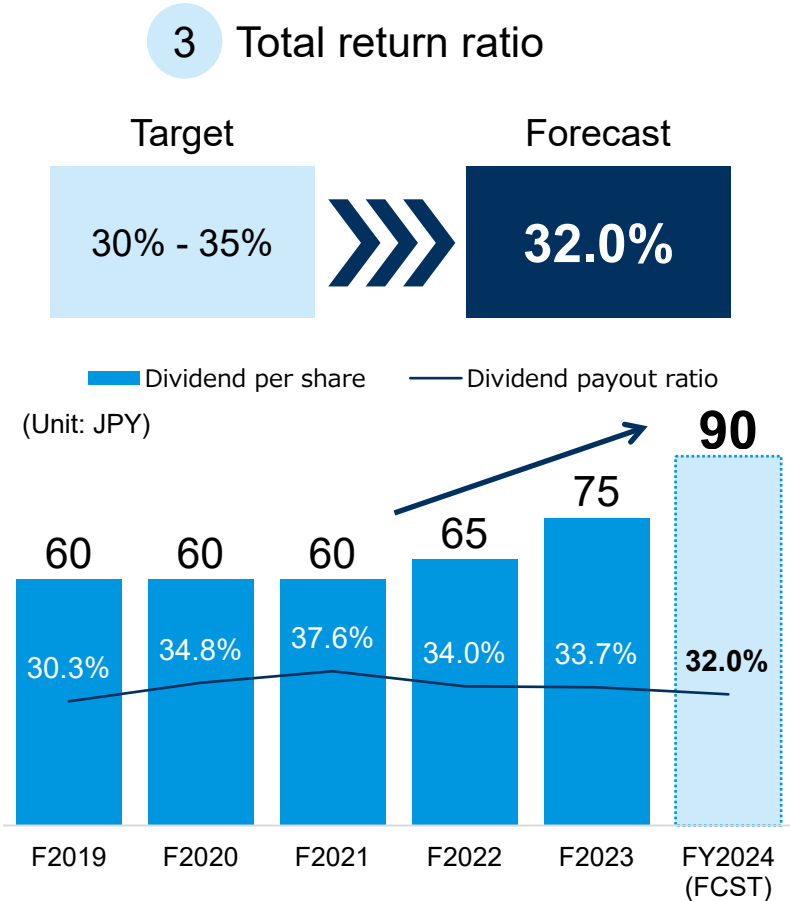
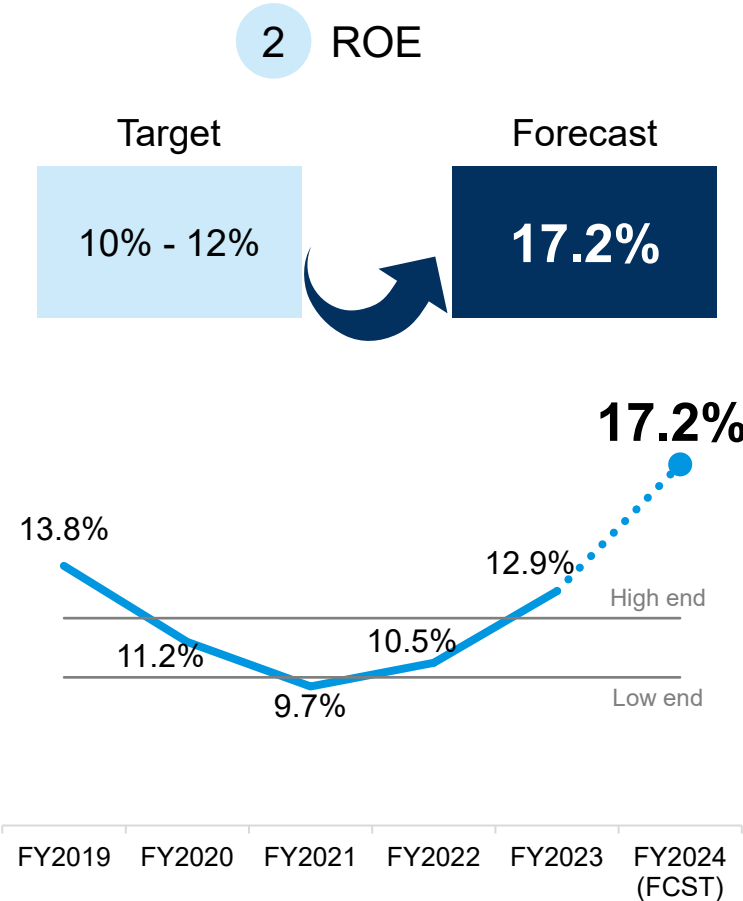
1. Previous Medium-Term Vision, “*future 135*”

Achievement of Targets

- Sustained growth in fundamental businesses, coupled with the expansion of scale and the enhancement of added values, remains our primary focus.
- We expect to achieve all revised quantitative targets.



1) Net profit = Profit attributable to owners of the parent
2) Target after revision of the medium-term management plan in May 2021



Key Initiatives

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

KEL

KANEMATSU ELECTRONICS LTD.

1) Acquiring KEL and Kanematsu Sustech



Kanematsu Sustech Corporation

Developing new business models and transforming existing businesses through digital technology



Skyports

SIERRA
SPACE

Credit to Sierra Space



Spiber

2) Acceleration of innovation investment



CARBON FLY



samsara eco

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

DESIGN CONCEPT

besign



3) Human capital investment to achieve sustained growth

Improved employee engagement through relocation of the headquarters

Kanematsu University:
A program for human capital development

4) Initiatives to enhance corporate value

Introduced segment-level ROIC

Performance-linked stock compensation for directors

Acquiring KEL and Kanematsu Sustech

- KEL leverages its expertise in the ICT solutions business, while Kanematsu Sustech employs environmentally-friendly technologies for decarbonization.
- The Group structure has been established to propel DX and GX to the next stage.



Abundant industry knowledge and strong competitiveness in the ICT solutions business

Implement DX initiatives throughout the supply chain to enhance value



Build a stable and sustainable supply chain and realize a decarbonized society



Prioritize sustainability and foster an environmentally-friendly society through business activities

- DX
- Allocate medium to long-term management resources to the growing IT sector, focusing on meeting the demand for security measures, operational efficiency, and potential demand for supply chain DX.
 - Strengthen and expand application domains that complement our robust infrastructure construction business and securing IT human resources through M&A.
 - Promote business collaboration through personnel exchange and information sharing within the Group.
 - Evolve into a trading company specializing in developing DX business models.

- Optimal allocation of management resources
- Utilization of M&A
- Corporate initiatives

- GX
- Invest in R&D to expand business areas and develop new technologies and construction methods.
 - Implement medium to long-term investment and business reforms to bolster the non-residential sector.
 - Strengthen and expand the customer base and R&D capabilities through M&A.
 - Promote Groupwide GX and strengthen sustainability initiatives.

Enhanced corporate value for the Kanematsu Group through Groupwide management and the promotion of DX/GX initiatives

1) DX (Digital Transformation): Harnessing data and digital technology to innovate new business models and revolutionize existing business.
2) GX (Green Transformation): Transforming the entire socioeconomic system to achieve carbon neutrality by reducing greenhouse gas emissions, including CO2, and actively contributing to CO2 reduction to reach net zero total emissions.

Acceleration of Innovation Investment

- Implemented an innovation investment system to foster the next-generation businesses.
- Invested in various startups and business models with long-term growth potential.

Space



- A US-based company specializing in the design, development, and manufacture of aerospace equipment, with involvement in space exploration and commercial space transportation.
- Focusing on development of Dream Chaser®, a next-generation spaceplane, and a commercial space station, offering pioneering technologies and services.

Mobility



- A British company that develops and operates landing infrastructure for the Advanced Air Mobility, as well as uses drones for a variety of business requirements.
- Engaging in Dubai's vertiport project, which involves establishing and operating vertiports.
- Operating drone services for logistics and surveillance purposes in multiple countries.

Materials



- An Australian environmental technology startup that develops proprietary enzyme technology capable of selectively breaking down plastic into its original monomer components.
- Aiming to utilize the technology to reduce plastic waste and contribute to the transition towards a circular economy.



- An emerging company specializing in the development and manufacture of Carbon Nanotubes (CNTs).
- CNTs are anticipated to be utilized in various industries such as aerospace, automotive, and electronics for their remarkable physical and chemical properties.
- Expanding the application range of CNTs is expected to benefit industries pursuing a sustainable future.



- A Japanese biotechnology company engages in the development and production of Brewed Protein™ materials created through a microbial fermentation processes.
- The sustainable material Brewed Protein can be processed into diverse forms including textiles and films.

2. Kanematsu's Envisioned Goal

Business Environment and Kanematsu's Mission

- Our management environmental issues include labor shortage, the need for expediting management, and addressing sustainability.
- Our mission is enhancing the efficiency and sustainability of the supply chain.

Kanematsu's mission



Issues to be resolved



• Labor shortage

Decline in the labor force due to the shrinking population, logistics and supply chain delays caused by the 2024 problem¹⁾, and rising labor costs and per capita labor burden.



• Expediting management

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



• Addressing sustainability

Movements towards decarbonized society, resource circulation within society and the economy, as well as commitment to corporate social responsibility.

For companies and society involved in the supply chain,

Kanematsu's mission is to make supply chains more efficient and sustainable.

- Age of VUCA²⁾, with rapid changes and uncertainty.
- Issues confronted by companies operating within the supply chain.

¹⁾ A general term for the issue stemming from Japan's work-style reforms, capping truck drivers' annual overtime at 960 hours.

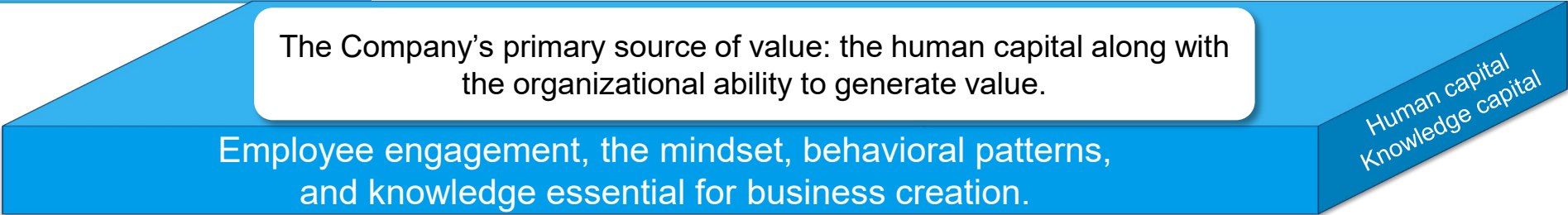
²⁾ An acronym stands for Volatility, Uncertainty, Complexity, Ambiguity. It refers to a state of uncertainty and unpredictability, where the business or organizational environment is increasing volatile, dynamic, and complex.

Kanematsu After the Medium-Term Management Plan

- Becoming a trading company as a solution provider offering new value to the supply chain.

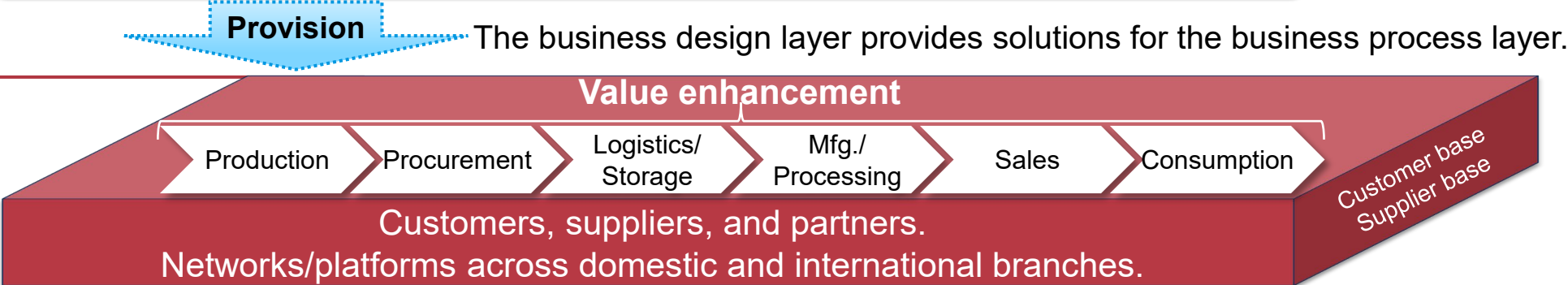
Business design layer

- The layer demonstrating the knowledge, skills, and behavioral patterns of our human capital in driving business.
- The layer refers to intangible assets of the Company.



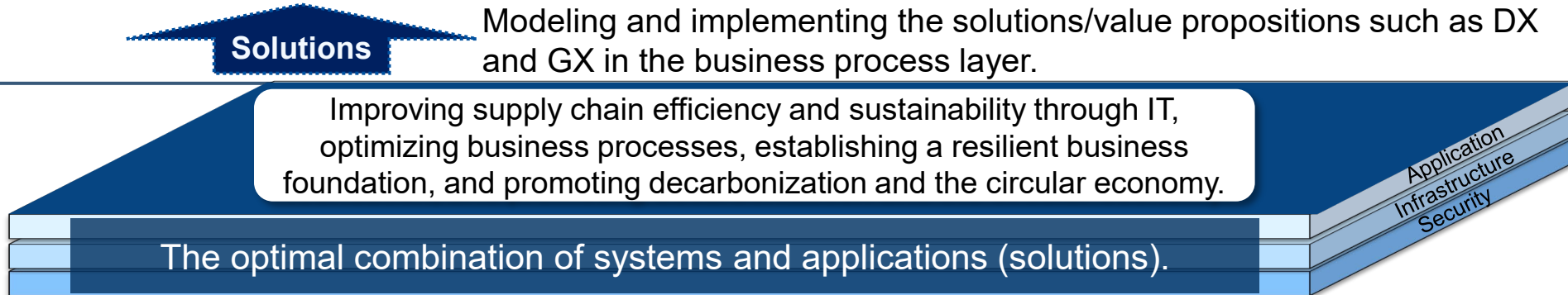
Business process layer

- The layer representing the network and logistics infrastructure cultivated over 130-year history as a trading company, encompassing 20,000+ customers and suppliers.



Solutions layer

- The layer where solutions and values are offered beyond traditional trading on the value chain converge.
- The layer Includes DX and GX.



3. Basic Policies of the integration 1.0

Overview of the Six Basic Policies

Envisioned
goal

A solution provider leading the transformation of
efficient and sustainable supply chains

Basic Policies

1

Promotion of Groupwide management

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

2

Expansion of value proposition

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

3

**Strengthening
organizational capabilities**

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

4

Strengthening human capital

- Nurturing human capital as the source of value creation.

5

**Enhancement of
management functions**

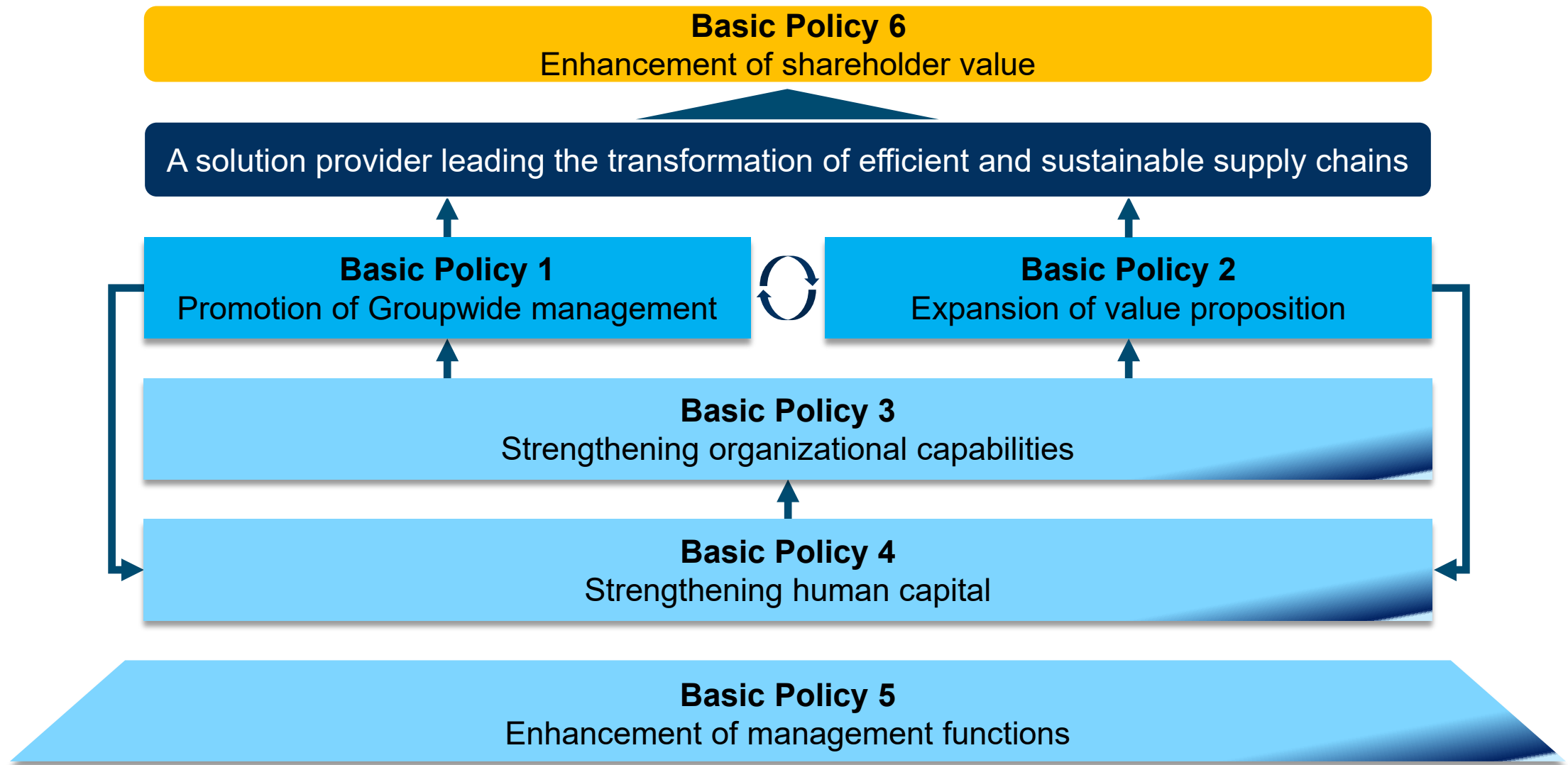
- Strengthening management functions to achieve sustainable growth.

6

Maximizing shareholder value

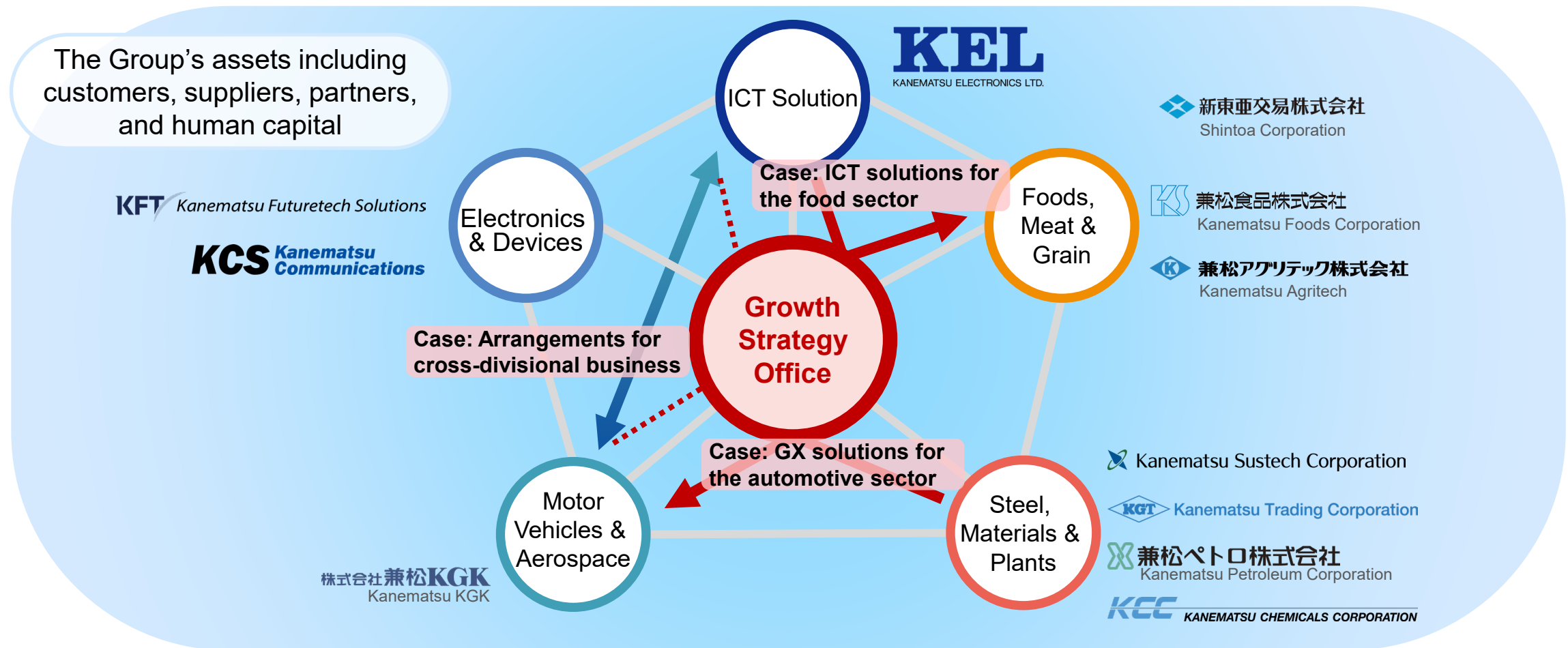
- Committing to enhancing shareholder value over the medium to long-term.

Structure of the integration 1.0



Key Initiative 1: Promotion of Groupwide Management

- Promoting Groupwide management to provide new value and solutions.
- Establishing the Growth Strategy Office as a core organization to lead cross-divisional business.



Key Initiative 2: Expansion of Value Proposition – Three Key Areas

- DX, GX, and innovation remain our primary focus.
- Through the value propositions in these areas, Kanematsu addresses both the current and future needs of the economy and society.

1

DX

- Enhancement of ICT solutions.
- Maximization of group synergy.

2

GX

- Decarbonization and creation of a circular economy.

3

Innov.

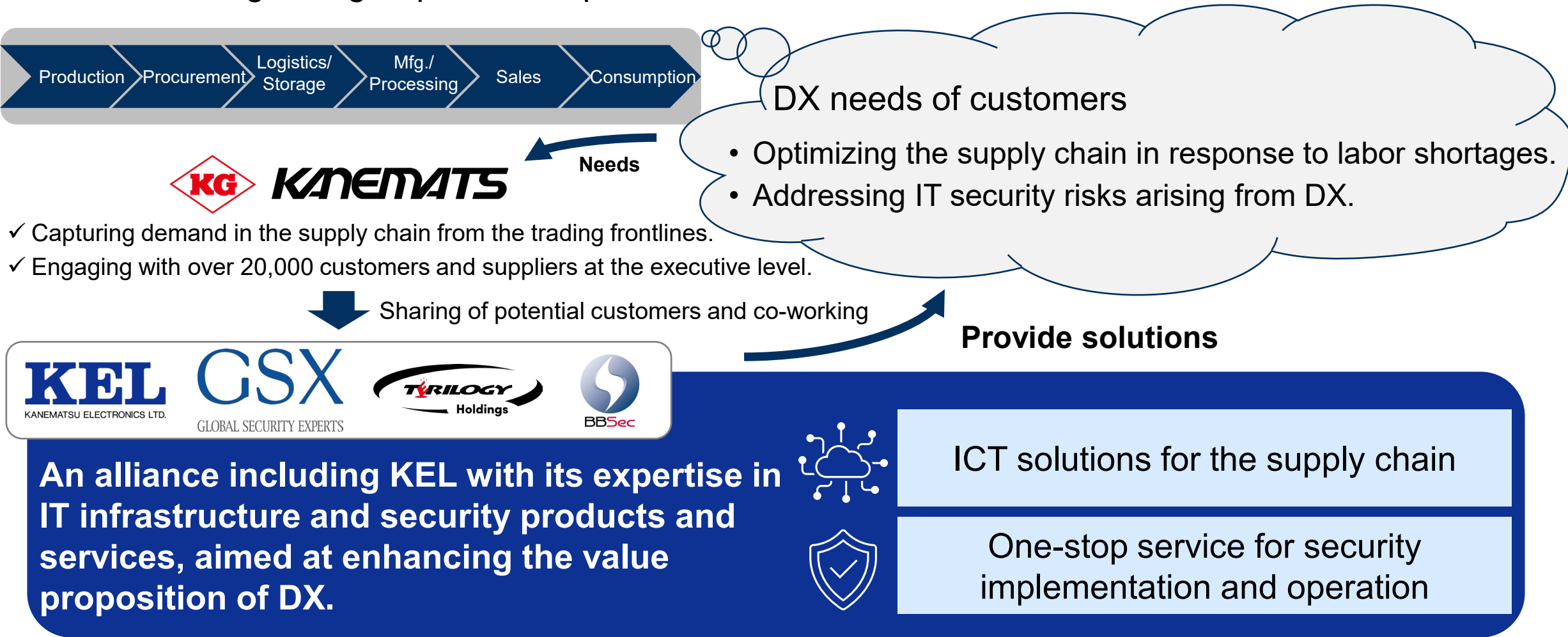
- Exploration and implementation of advanced technology and business models.

Discovering needs,
delivering optimal solutions

= Transformation and
innovation of the supply chain

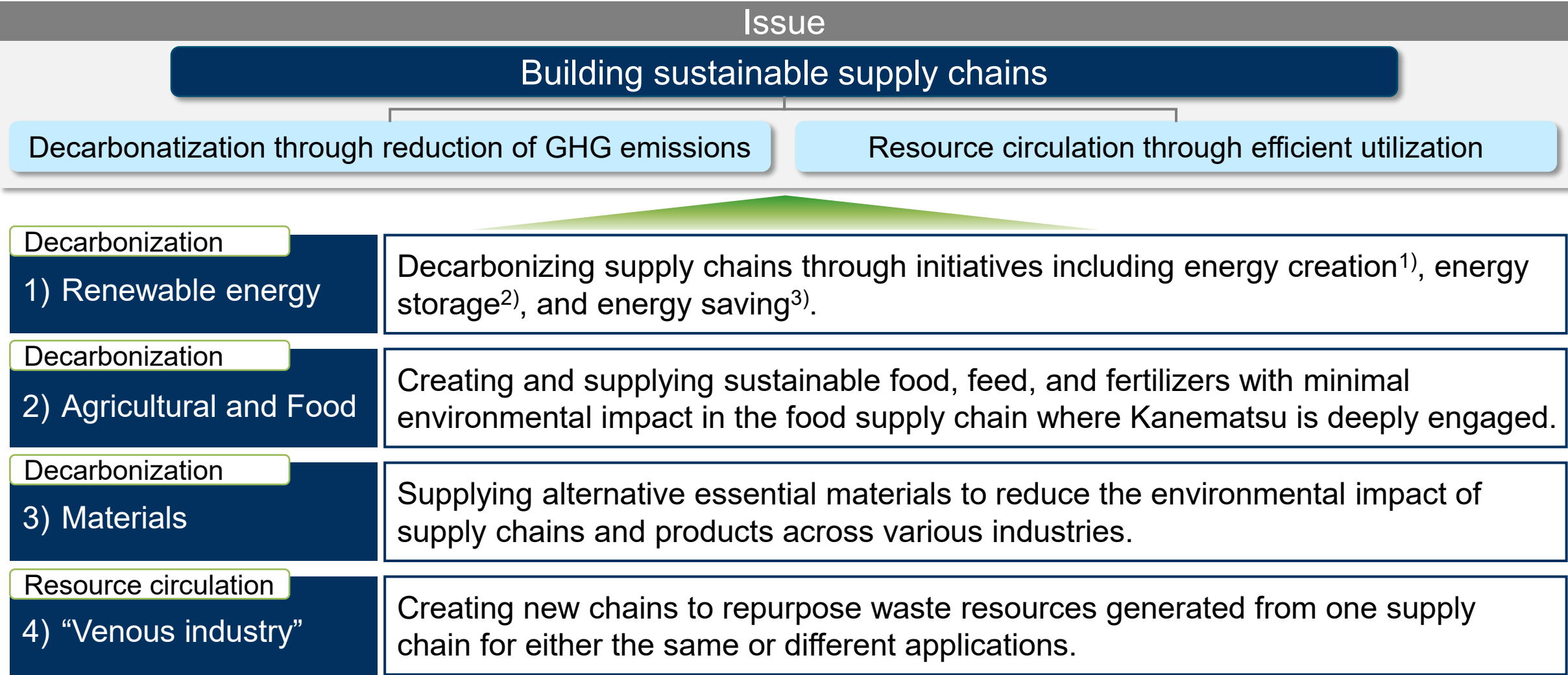
Key Initiative 2: Expansion of Value Proposition – DX/ICT Solutions

- Optimizing the supply chain involves addressing customer needs related to DX and IT security.
- Collaborating as a group to develop and deliver solutions to address the needs.



Key Initiative 2: Expansion of Value Proposition – GX

- Promoting decarbonization and resource circulation within the four focus areas.



1) Energy creation: Initiatives to deliberately create energy by oneself, such as solar power.
2) Energy storage: Initiatives to store energy for use when needed.
3) Energy saving: Initiatives to reduce energy waste and use efficiently.

Key Initiative 2: Expansion of Value Proposition – Innovation

- Continue to explore and sow the seeds of business innovation.
- Enhancing value through group synergy to pursue future commercialization and profitability.

Seeds

Sowing the seeds based on innovativeness, business feasibility, and profitability.

Value enhancement

Creating value as a group.
Nurturing seeds of innovation.

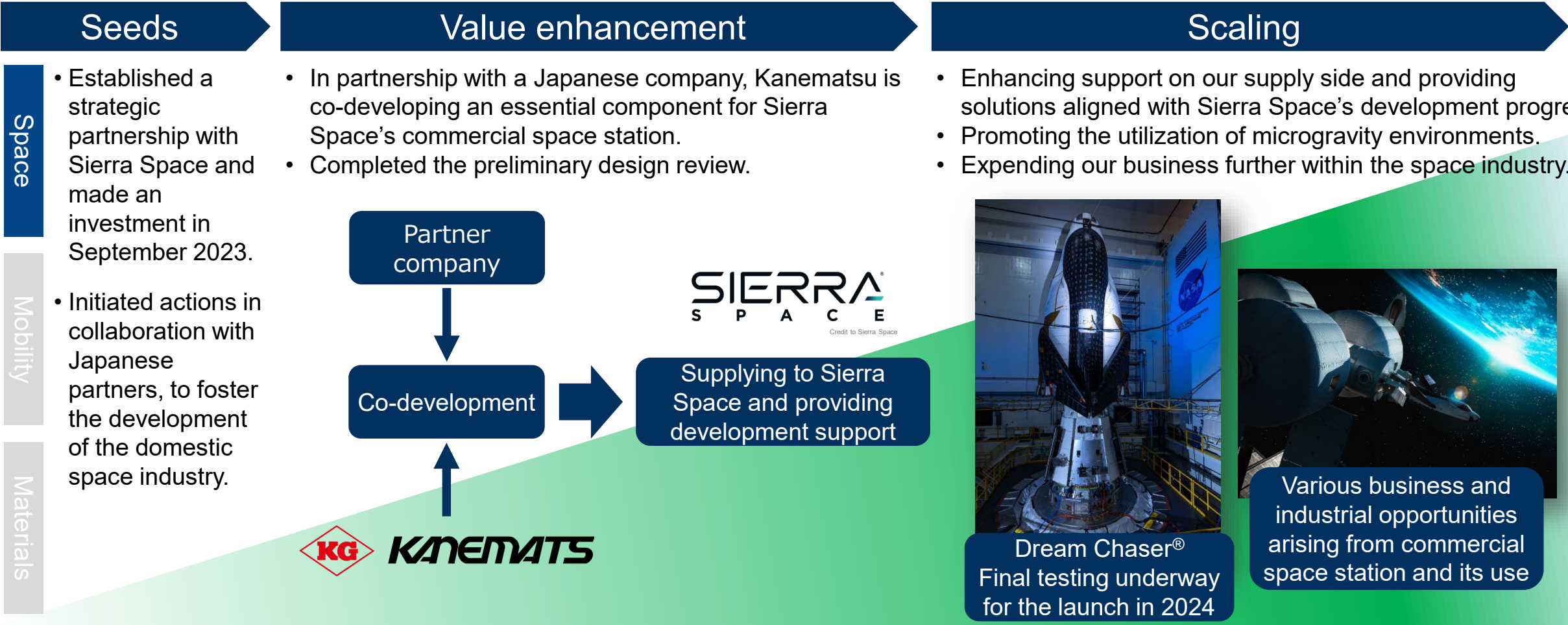
Scaling

Scaling business across the Group.
Commercializing and monetizing.



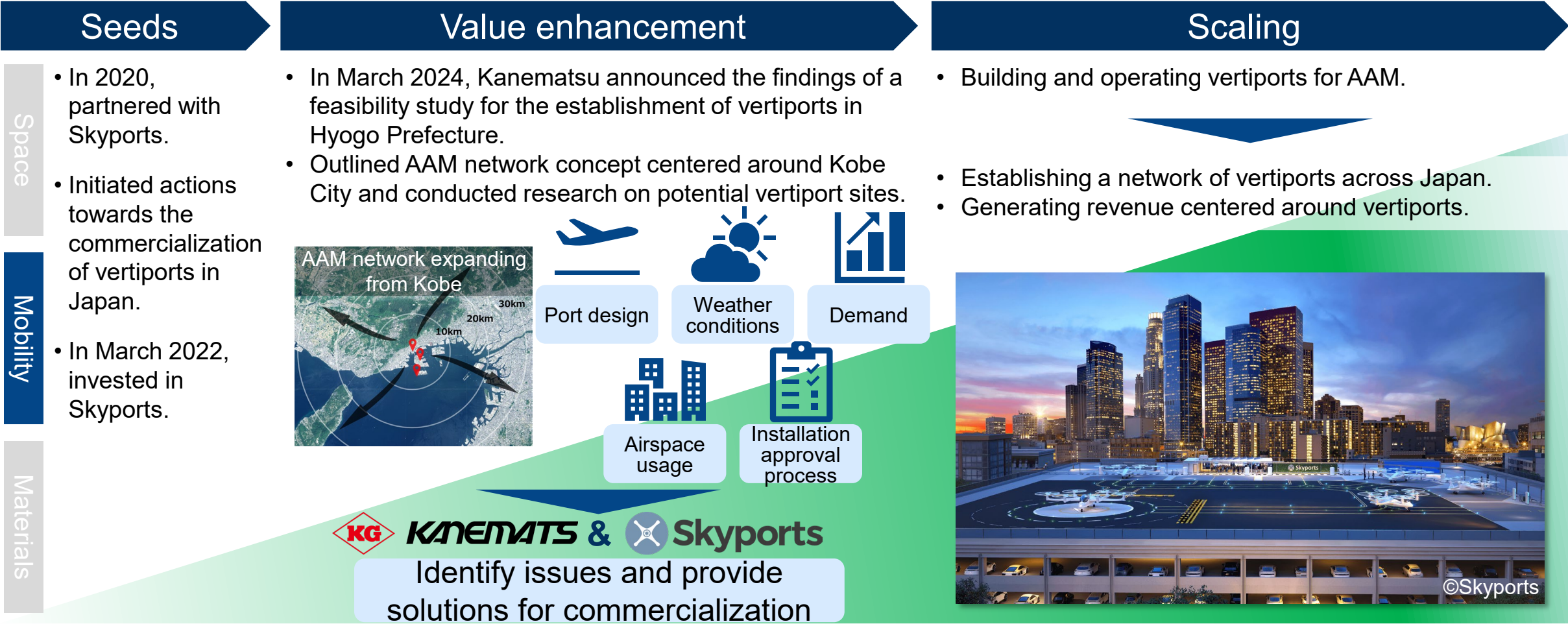
Key Initiative 2: Expansion of Value Proposition – Innovation (Case 1)

- Developing an essential component for Dream Chaser® and the space station in collaboration with a Japanese partner company and supplying it to Sierra Space.



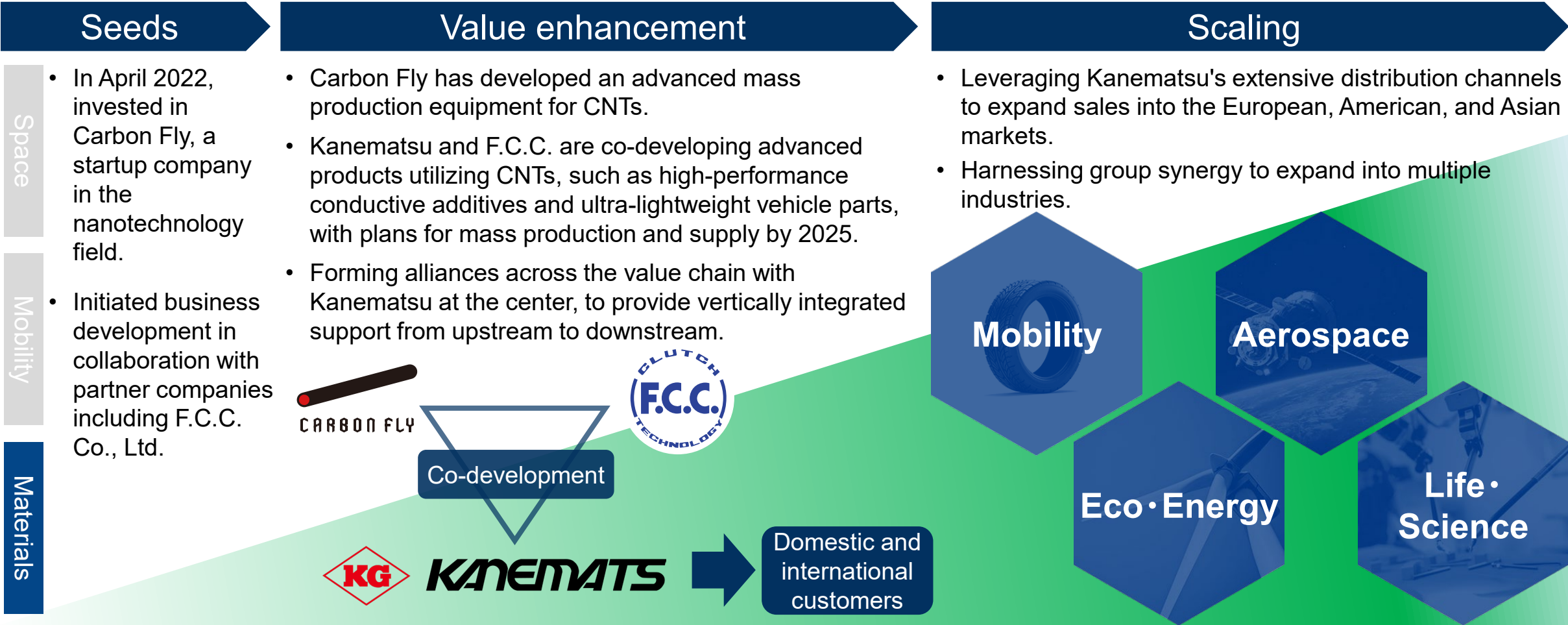
Key Initiative 2: Expansion of Value Proposition – Innovation (Case 2)

- Advancing business development for the implementation of Advanced Air Mobility (AAM).
- Conducting a feasibility study for the development of vertiports on the waterfront in Kobe City.



Key Initiative 2: Expansion of Value Proposition – Innovation (Case 3)

- Invested in Carbon Fly, a manufacturer of Carbon Nanotubes (CNTs).
- Targeting mass production and business expansion, with a focus on conductive additives for batteries and automotive parts.

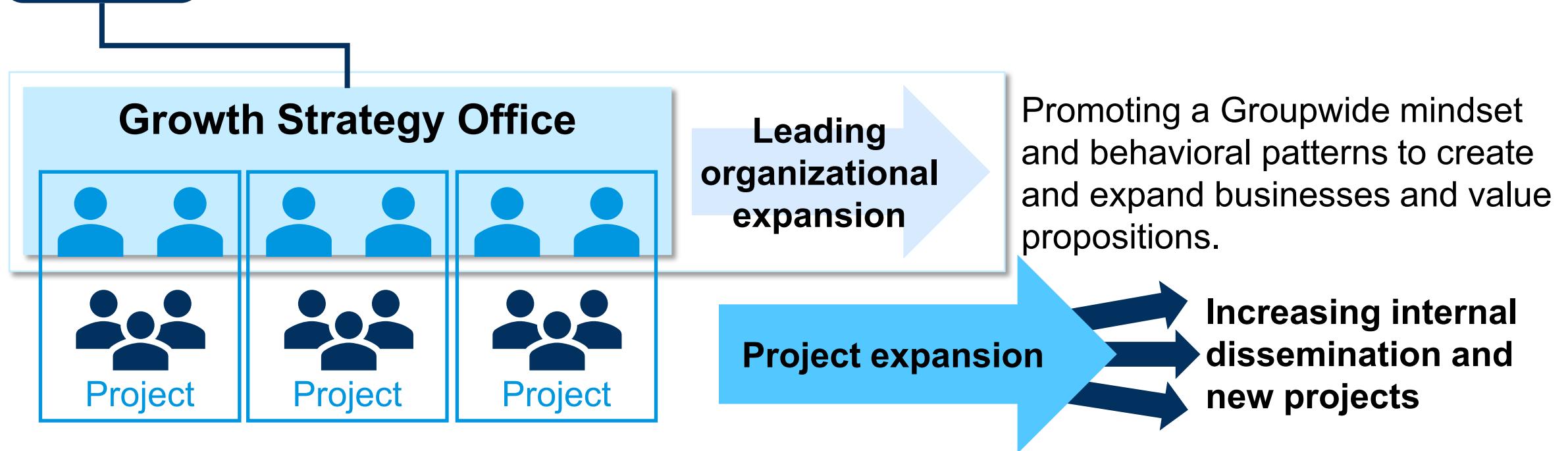


Key Initiative 3: Strengthening Organizational Capabilities

- Strengthening organizational capabilities to foster and disseminate a mindset and behavioral patterns conducive to new value creation.
- Consolidating knowledge developed within individual divisions and promoting cross-divisional collaboration by breaking down barriers.

President

Under the leadership of the president, the **Growth Strategy Office** takes the lead in formalizing the mindset and behavioral patterns essential for realizing the envisioned goal, disseminating them throughout the Company via practical project implementation.



Key Initiative 3: Strengthening Organizational Capabilities

- Forming and expanding an ecosystem for co-creation with partners.
- Enhancing organizational capabilities for co-creation beyond the constraints of the Group to provide optimal solutions.

An ecosystem for business co-creation
with partners and affiliated companies

Nippon Cyber Security Fund 1

Waseda Innovation Fund



Kanematsu Ventures

GX Accelerator

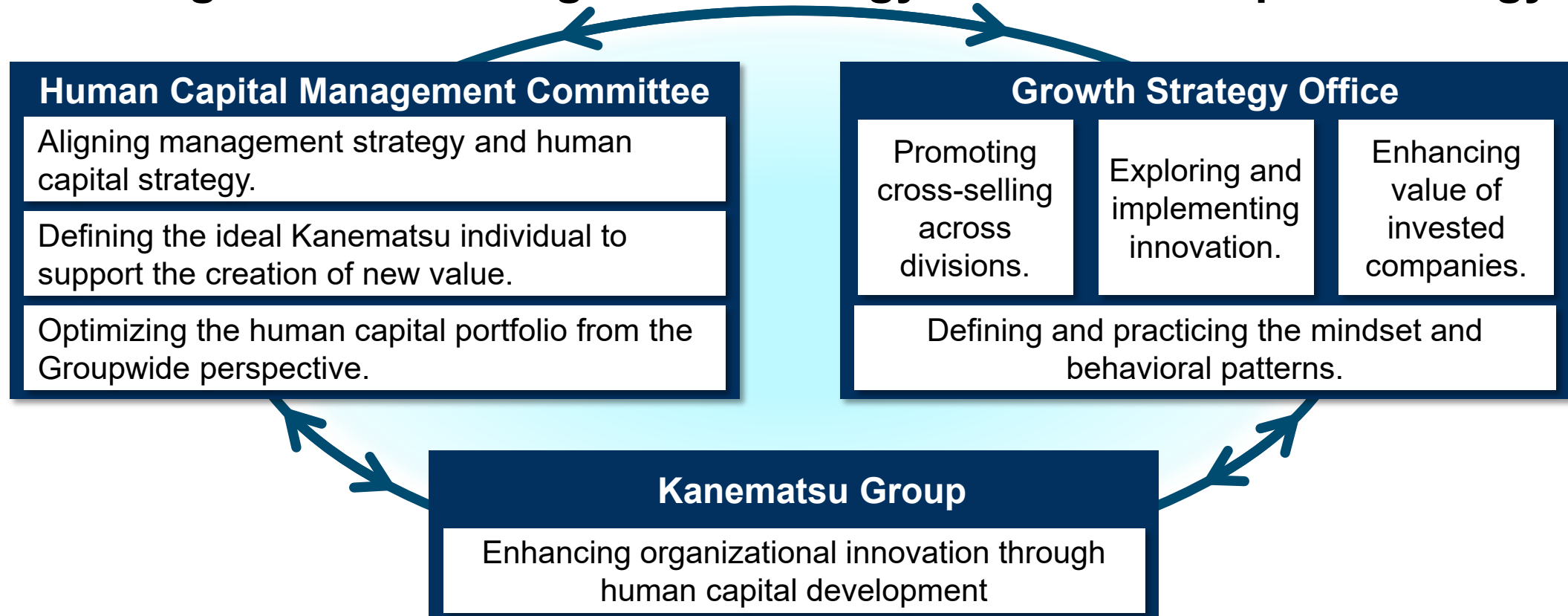


**Acquiring new customers, technologies, and
business opportunities**

Key Initiative 4: Strengthening Human Capital – Alignment of Strategies

- Aligning management strategy with human capital strategy.
- Leveraging the collaboration between the Human Capital Committee and the Growth Strategy Office to accumulate and expand organizational assets and capabilities.

The alignment of management strategy and human capital strategy



Key Initiative 4: Strengthening Human Capital – the Committee

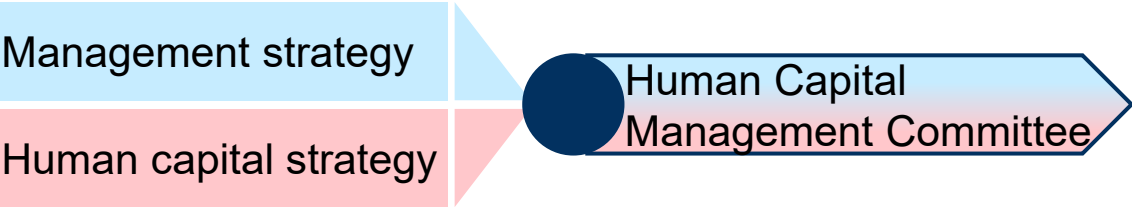
- Establishing the Human Capital Committee to strengthen human capital, the cornerstone of Kanematsu’s value creation.

Objective

Strengthening human capital, the cornerstone of value creation, by aligning management strategy with human capital strategy.

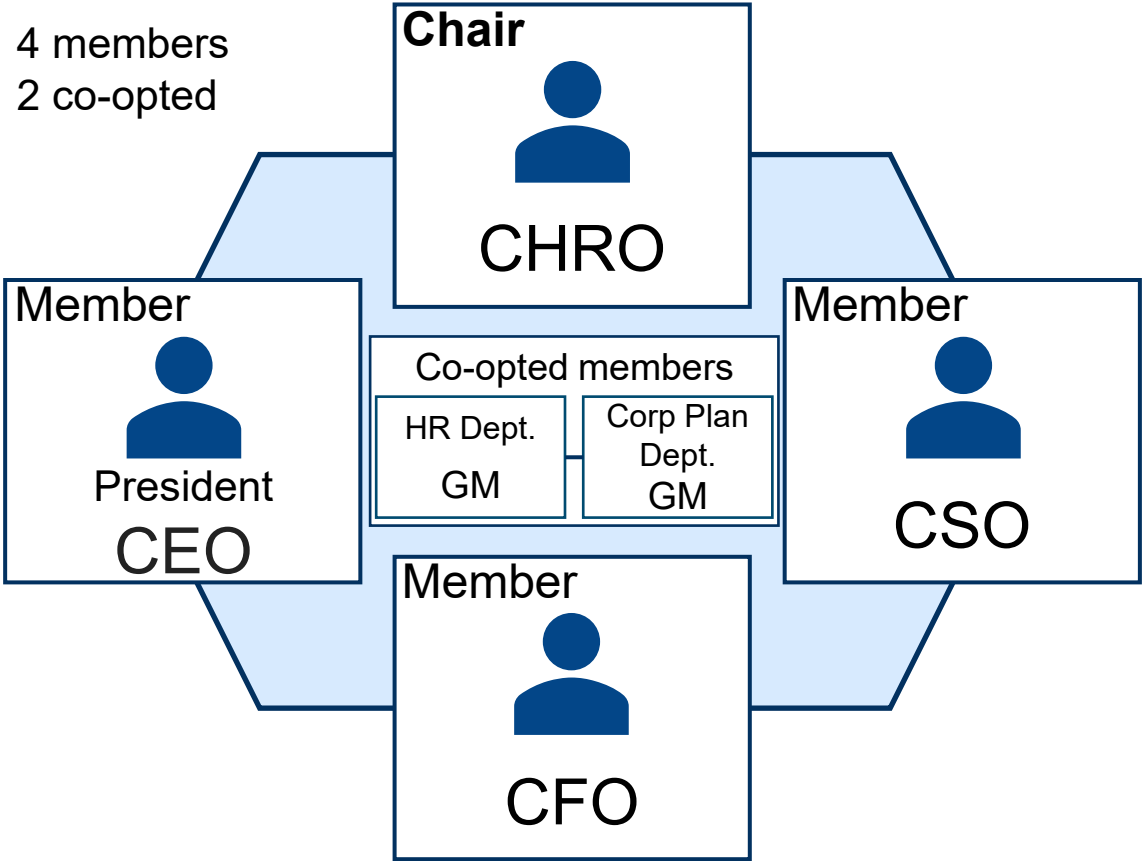
About

- Established on April 1, 2024.
- Monthly committee meetings.
- Implementing measures based on management strategy and human capital strategy



Committee Members

4 members
2 co-opted



Key Initiative 5: Enhancement of Management Functions

- Reorganizing the structure to centralize ICT solutions business across all divisions.
- Establishing a new division and appointing key individuals to ensure effective management and foster growth.

New Divisional Structure

Optimal organizational structure for providing solutions to customers across each department

Electronics & Devices Division

KEL

Kanematsu Sustech

Newly established
ICT Solution Division

KEL

Foods, Meat & Grain

- Foods Div.
- Meat Products Div.
- Grain Oilseeds & Feedstuff Div.

Steel, Materials & Plant Division

Kanematsu Sustech

Kanematsu KGK

Motor Vehicles & Aerospace Division

Kanematsu KGK

Key Individuals



Akira Watanabe
President of KEL

Appointed as the Executive Officer and COO of ICT Solution Division.

Creating synergy with KEL and providing strong leadership to advance the Group's ICT solutions business and DX.



Yoichi Mori
Accenture Japan Ltd.

Appointed as an advisor.

Leveraging his expertise as a professional with a comprehensive view of IT strategy. With specialized knowledge in data utilization and IT human capital development, he will play a key role in guiding our initiatives.

4. Maximizing Shareholder Value

Initiatives Towards Realizing the Envisioned Goal

- The Board and management are committed to the pursuit of maximizing shareholder value.

Improve Capital Profitability and Efficiency

- 1
 - Increase profitability by **prioritizing investment in ICT solutions business** with high ROIC.
 - Maintain and elevate **ROE between 16% and 18%, surpassing industry benchmarks.**
 - Maintain financial soundness with a targeted net D/E ratio of approximately 1.0, while pursuing efficiency through optimal leverage levels.

Minimize Capital Costs

- 2
 - **A business portfolio of 100% non-resources** with minimal volatility.
 - Prioritize the five key materiality issues¹⁾ to achieve capital cost reduction and mitigate ESG discount.

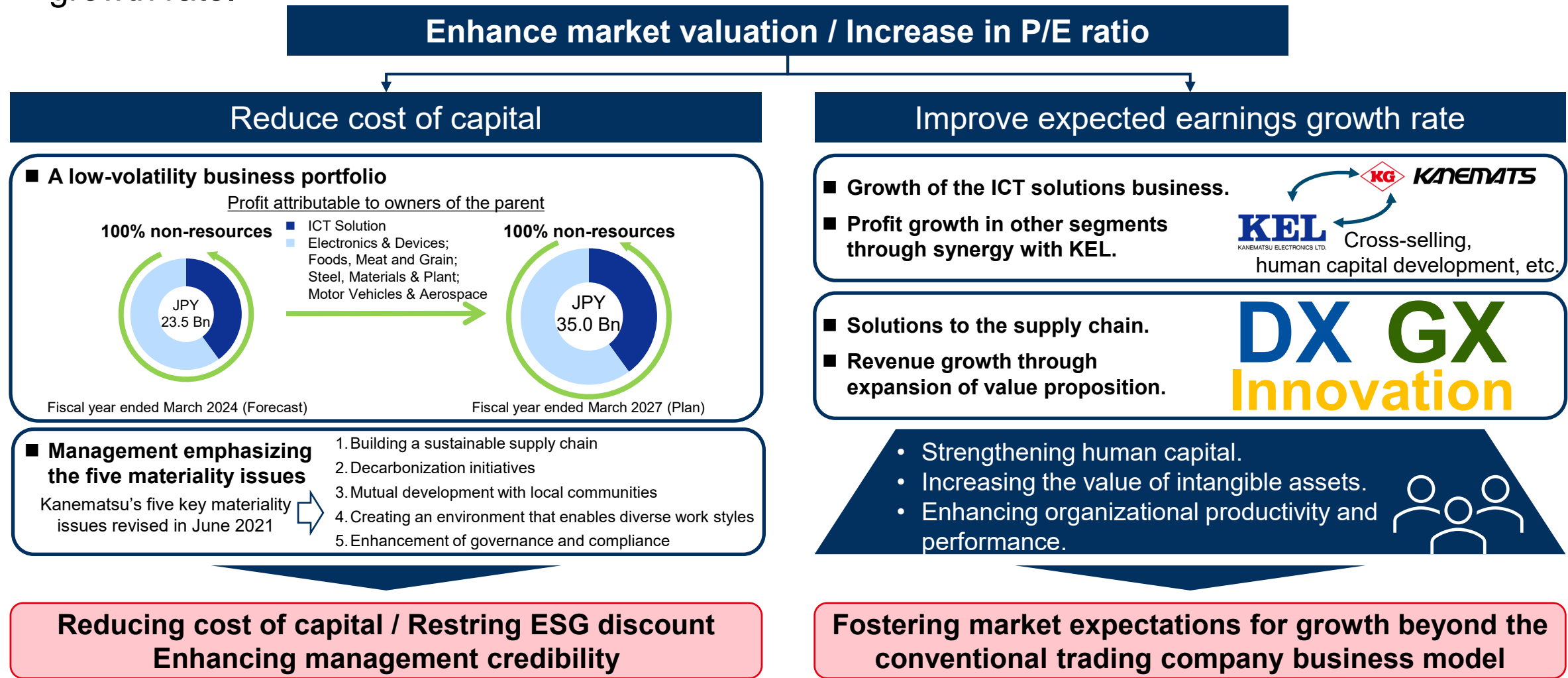
Enhance Expected Earnings Growth Rate

- 3
 - Increase revenue through **organic growth and M&A in the ICT solutions business**, along with **expansion into other segments.**
 - Generate revenue by offering **new value proposition and solutions to the supply chain.**
 - **Elevate the value of intangible assets** through cultivation of human capital, leading to **enhanced organizational productivity and performance.**

1) Five key materiality issues are; building a sustainable supply chain, decarbonization initiatives, mutual development with local communities, creating an environment that enables diverse work styles, and enhancement of governance and compliance. (revised in June 2021)

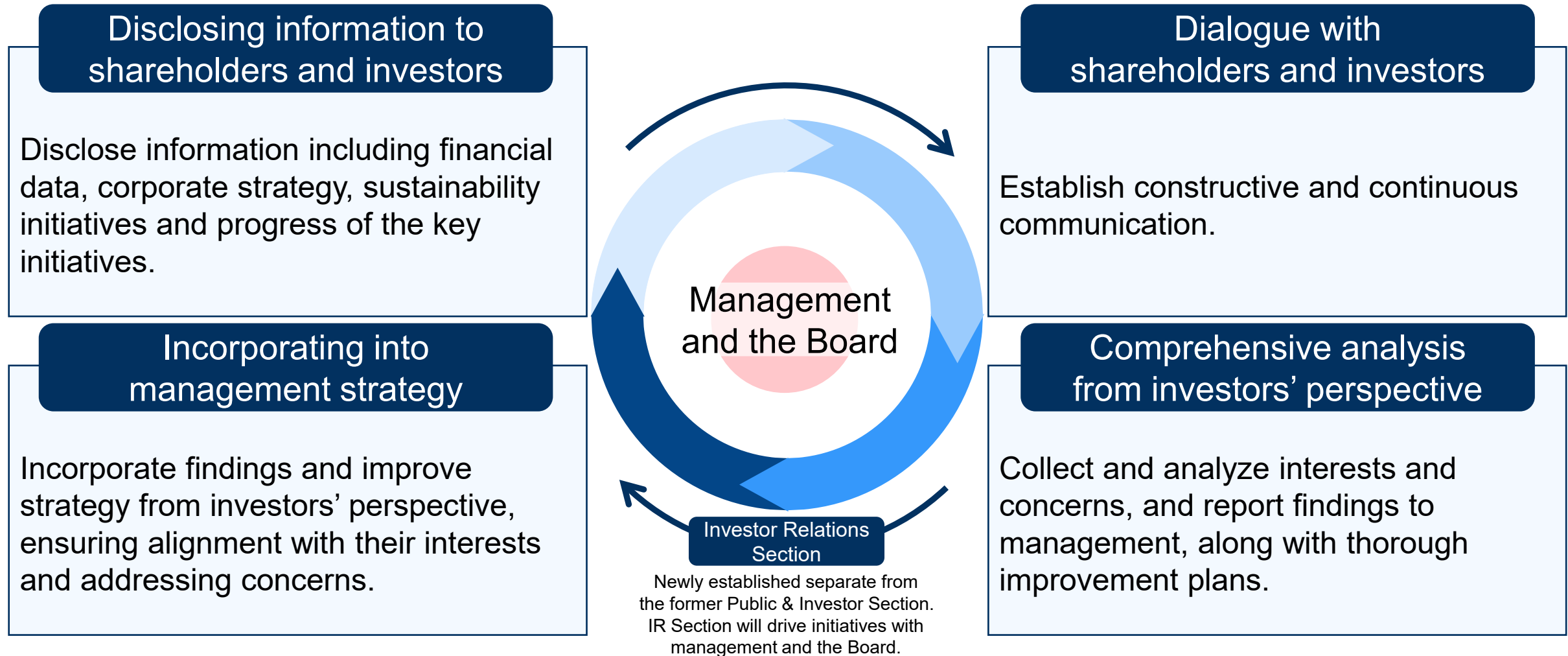
Reduce Cost of Capital and Improve Expected Earnings Growth Rate

- Enhancing market valuation through reducing cost of capital and improved expected earnings growth rate.



Communication with Shareholders and Investors

- Leading medium to long-term growth and enhancement of corporate value by management and the Board.



5. Targets

Financial Targets

Financial Targets (final fiscal year of the integration 1.0)

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

- 1

Net profit¹⁾
JPY
35.0 Bn
- 2

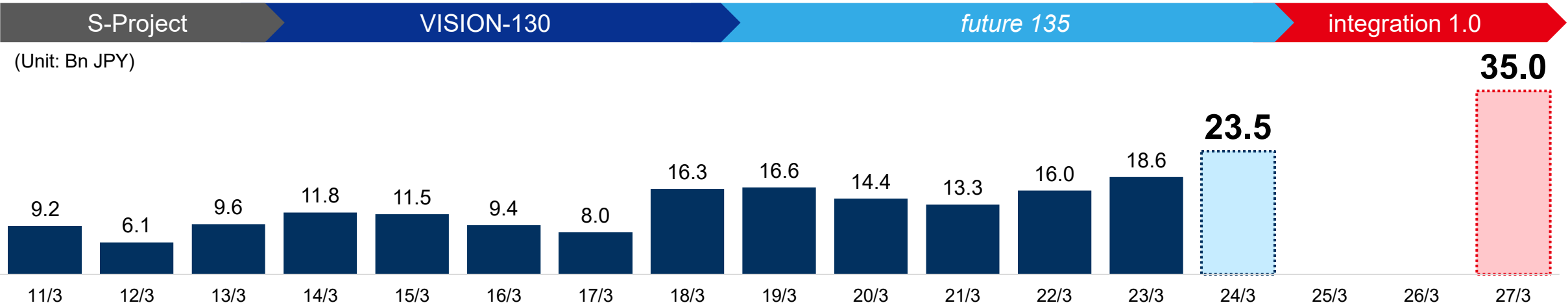
ROE
Approx.
16 - 18%
- 3

ROIC
Over
8%
- 4

Net D/E ratio
Approx.
1.0

1) Net profit = Profit attributable to owners of the parent

Net Profit Trend



1) Net profit = Profit attributable to owners of the parent

Strategic Targets

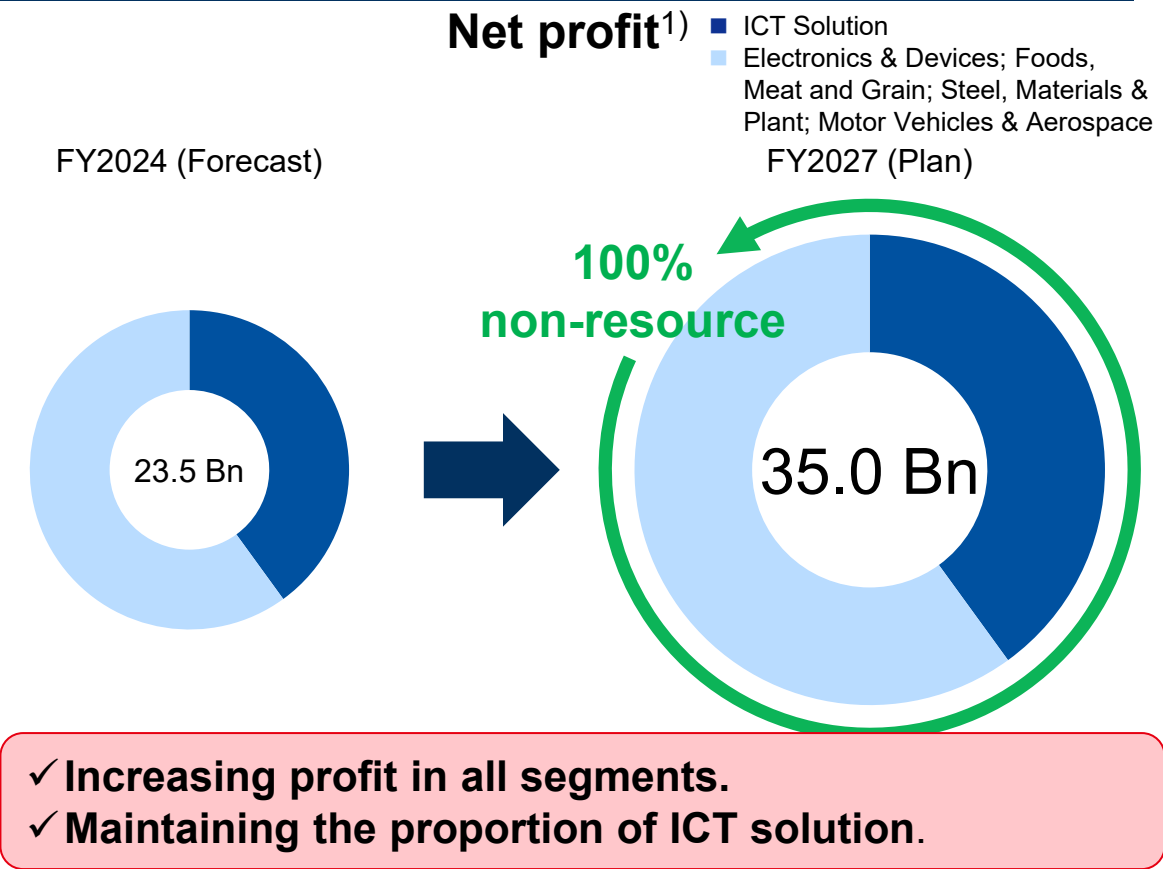
- Setting strategic targets as indicators to monitor progress towards achieving the envisioned goal.

Basic Policy	Goals	Strategic Target
1 Promotion of Groupwide management	Cross-divisional activities are becoming more active, with the Growth Strategy Office serving as the hub.	Number of sales initiatives driven by the Growth Strategy Office
2 Expansion of Value Proposition	More solutions are being provided to enhance supply chain efficiency, decarbonization, and circularity.	Number of solutions leading to supply chain transformation
3 4 Strengthening Organizational Capabilities and Human Capital	Growing number of employees embodying the mindset and behavioral patterns expected of individuals at Kanematsu.	Number of employees embodying the mindset and behavioral patterns, or engaging in cross-divisional projects
6 Maximizing Shareholder Value	Increase in market valuation or P/E ratio driven by the enhancement of expected growth rate and the reduction in cost of capital.	Profitability/ROIC at the business unit level Contribution to CO2 reduction across the supply chain

Business Portfolio and ROIC

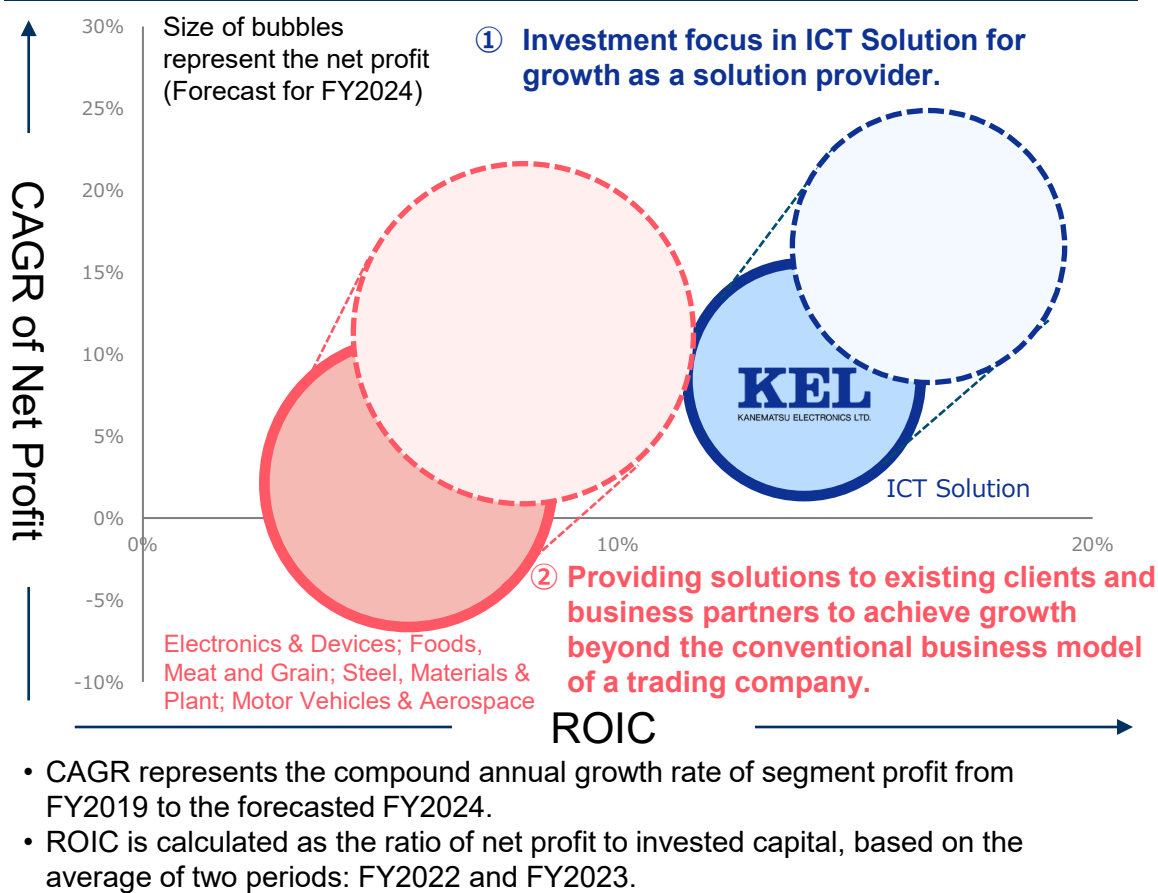
- Focusing investment on the ICT solutions business to achieve an optimal business portfolio that drives business growth and enhances shareholder value.

Targeted Business Portfolio Outlook



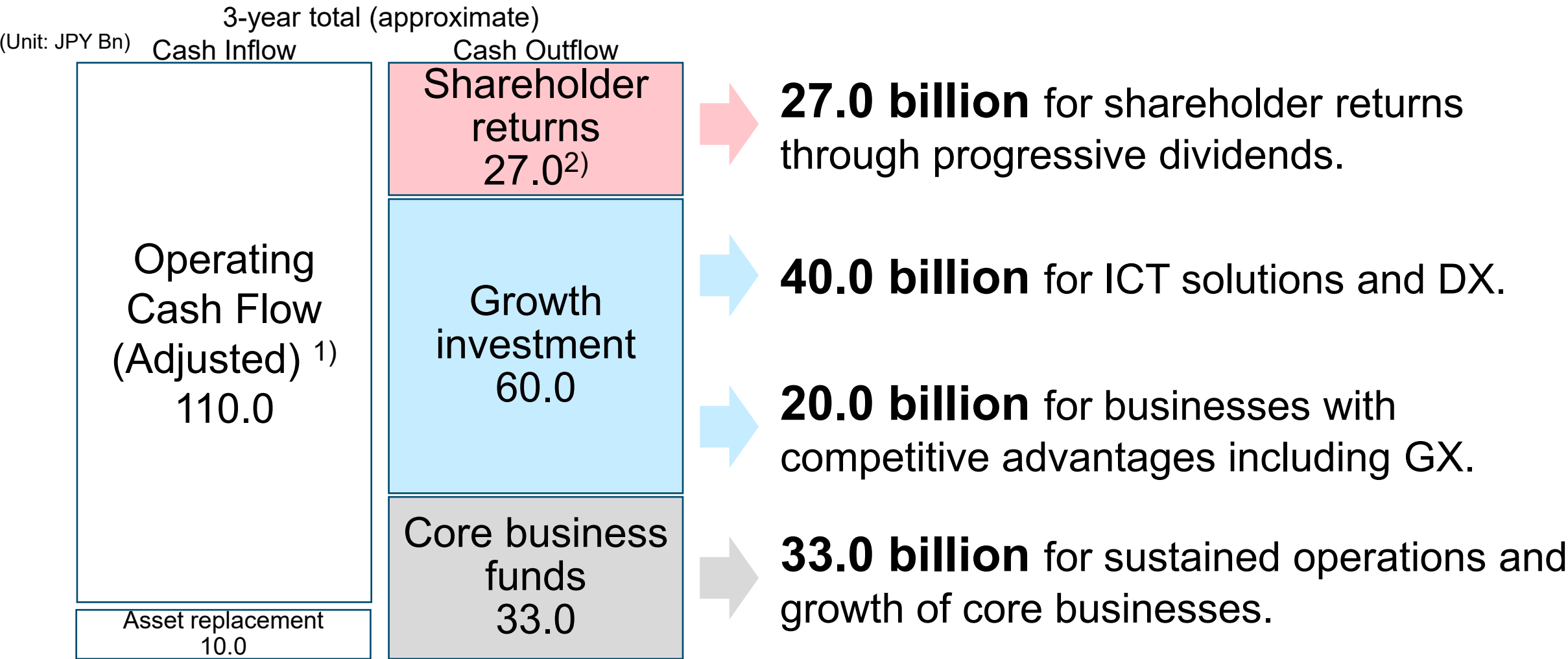
1) Net profit = Profit attributable to owners of the parent

Growth Trajectory for Net Profit and ROIC



Capital Allocation Policy

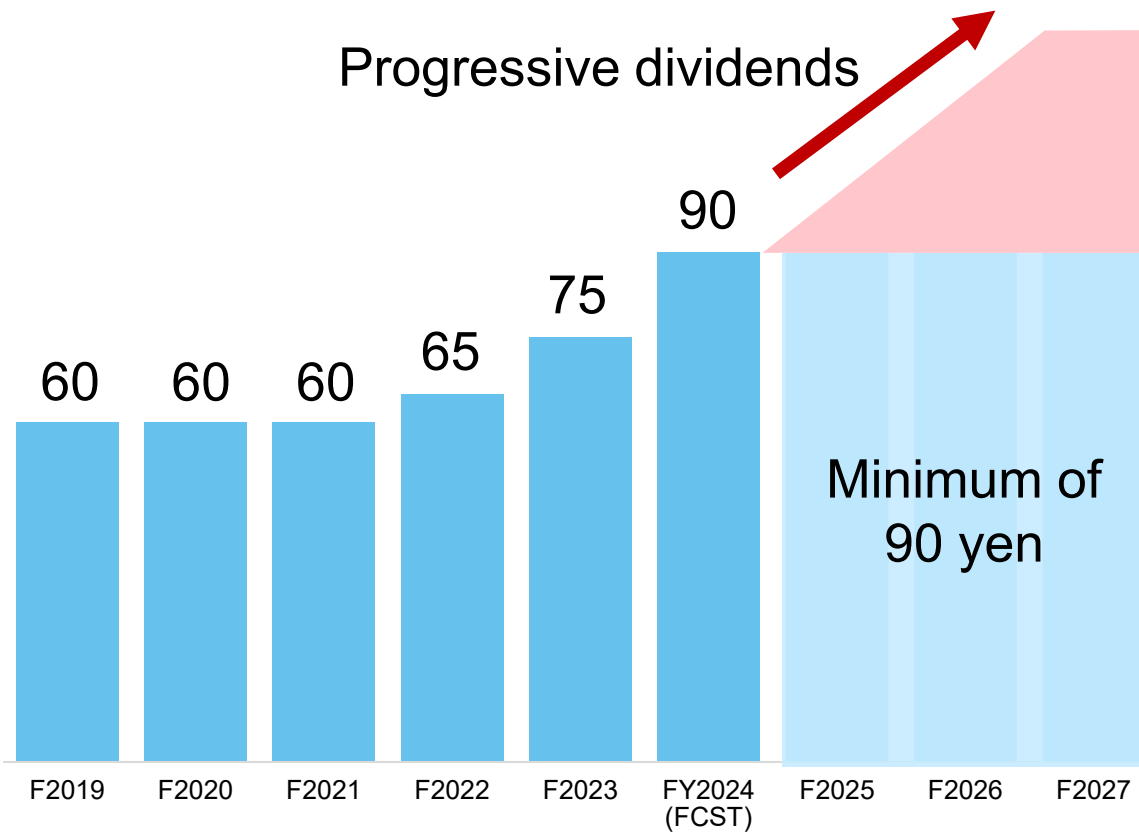
- Executing further shareholder returns and growth investment based on operating cash flow generated from both stable core businesses and growth businesses.



1) Operating Cash Flow (Adjusted) = Operating Cash Flow ± Change in working capital – Repayment of lease liabilities
2) The amount of shareholder returns represents the actual cash outflow of projected dividends from the year-end dividend for FY2024 to the interim dividend for FY2027.

Shareholder Returns Policy

- An annual dividend of a minimum of 90 yen, with progressive dividends.
- With a target total return ratio of 30-35%, the policy is to increase dividends in accordance with the growth of net profit¹⁾.



1) Net profit = Profit attributable to owners of the parent

✓ Implementing
progressive dividends

✓ Minimum annual dividend
90 yen

✓ Total return ratio
30-35%



integration 1.0

Disclaimer:

The forward-looking statements, including results forecasts, provided in this document (and its appendix) are based on information obtained by Kanematsu Corporation (the Company) and certain reasonable assumptions made by the Company. The Company does not guarantee their achievement, and actual results may differ from forecasts due to various factors. This information is subject to change without prior notice, and users are advised to utilize this document alongside information acquired through other sources and exercise their own discretion. The Company bears no liability or responsibility for any loss or damage resulting from the use of this material. Additionally, as the figures presented are rounded off to the nearest 1 billion yen, the total may not precisely match the sum of each item.