

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# Kanematsu Corporation

(Stock Exchange No.: 8020)

To avoid the risk of infection of the novel coronavirus (COVID-19), we request that you consider exercising your voting rights in advance in writing or via the Internet, etc., and refraining from attending the meeting in person.

## NOTICE OF THE 128TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Date: June 24, 2022 (Friday) at 10:00 a.m.

Place: Tokyo Head Office of Kanematsu Corporation,  
19th Floor Conference Room,  
Seavans North Bldg., 1-2-1 Shibaura,  
Minato-ku, Tokyo

### Items to Be Resolved:

Item 1: Partial Amendments to the Articles of Incorporation

Item 2: Election of Seven (7) Directors

Item 3: Election of One (1) Substitute Audit & Supervisory Board Member

Item 4: Revision of the Amount of Compensation for Outside Directors

Deadline for exercising voting rights in writing or via the Internet, etc.:

No later than 5:15 p.m. on June 23, 2022 (Thursday)

### CONTENTS

To Our Shareholders _____	2
Notice of the 128th Ordinary General Meeting of Shareholders _____	3
(Attached documents)	
Business Report _____	19
Consolidated Financial Statements _____	43
Non-consolidated Financial Statements _____	46
Audit Reports _____	49

## **CORPORATE PRINCIPLE**

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

“Sow a seed now,” and take action to benefit people around the globe, bade our founder, Fusajiro Kanematsu, setting a standard of public duty that we at Kanematsu continue to uphold through a commitment to ethical business principles and corporate responsibility.

The beliefs and philosophies that inspired Fusajiro Kanematsu in the late nineteenth century Meiji period, a time when Japan was striving to build a national economy, were encapsulated in the document *Our Beliefs: Kanematsu’s Guiding Principles* in 1967, on the occasion of our merger with The Goshō Company.

### **Our Beliefs: Kanematsu’s Guiding Principles**

1. Reflecting the pioneering spirit of our predecessors, we believe that fairness and justice should guide our business dealings and the wise use of creative imagination and ingenuity will bring prosperity.
2. Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all.
3. As members of a corporation, we act not as individuals but as representatives of that organization and as such we are bound by Company rules and attendant loyalties and must work together with a spirit of cooperation while cultivating mutual understanding and respect for fellow members.

## To Our Shareholders



I would like to express my sincere gratitude to you, our shareholders, for your continued support.

The global economy in fiscal 2021 continued to face a challenging situation as COVID-19 spread again with the emergence of variants, despite signs of the infection being under control. Amid concerns of a recession due to high inflation and rising interest rates, the fragmentation of the global economy triggered by Russia's invasion of Ukraine will have a significant impact on the business environment in the future.

Amid this environment, the Kanematsu Group is following *future 135*, a six-year medium-term vision to celebrate the 135th anniversary of its founding, to pursue expansion of the revenue base continuously through effective business investments and acquisition of added value, as well as to promote new businesses to translate technological innovations such as IoT and AI into business opportunities. In particular, we have added our efforts, such as promoting investments in business areas on the themes of environment, society and safety for achievement of the SDGs, as well as pursuing DX on a groupwide basis, to its priority initiatives under the medium-term vision, and will strive to forge ahead with these initiatives to achieve our goal. In this way, the Kanematsu Group will further work to meet the expectations of our stakeholders, with the aim of continuously generating value that is unique to the Kanematsu Group.

I would like to take the opportunity to ask our shareholders for your continued understanding and support.

Yoshiya Miyabe  
President

(Stock Exchange No.: 8020)

June 7, 2022

**NOTICE OF  
THE 128TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We cordially notify you of the 128th Ordinary General Meeting of Shareholders of Kanematsu Corporation (hereinafter “the Company”), to be held as indicated below.

To avoid the risk of infection of the novel coronavirus (COVID-19) at this general meeting of shareholders, you are asked to consider refraining from attending the meeting in person.

Instead of attending the meeting in person, you may exercise your voting rights by one of the following methods. After reviewing the enclosed reference materials, please exercise your voting rights no later than 5:15 p.m. on Thursday, June 23, 2022 (JST).

Sincerely,

Yoshiya Miyabe, President  
Kanematsu Corporation  
119 Ito-machi, Chuo-ku, Kobe

[Exercising voting rights in writing]

Please indicate “for” or “against” for each agenda item listed in the enclosed Ballot Form, and return it to the Company no later than the above mentioned exercise deadline.

[Exercising voting rights by electromagnetic means (via the Internet, etc.)]

Please indicate “for” or “against” for each agenda item by the above mentioned exercise deadline.

## Meeting Details

**1. Date:** June 24, 2022 (Friday) at 10:00 a.m.

**2. Place:** Tokyo Head Office of Kanematsu Corporation, 19th Floor Conference Room,  
Seavans North Bldg., 1-2-1 Shibaura, Minato-ku, Tokyo

### 3. Meeting Agenda

#### *Items to Be Reported:*

1. Business Report, Consolidated Financial Statements and Audit Reports of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board, for the 128th Fiscal Term (April 1, 2021 to March 31, 2022)
2. Non-consolidated Financial Statements for the 128th Fiscal Term (April 1, 2021 to March 31, 2022)

#### *Items to Be Resolved:*

- Item 1: Partial Amendments to the Articles of Incorporation
- Item 2: Election of Seven (7) Directors
- Item 3: Election of One (1) Substitute Audit & Supervisory Board Member
- Item 4: Revision of the Amount of Compensation for Outside Directors

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Of the documents to be included with this notice, pursuant to laws and regulations and provisions of the Articles of Incorporation of the Company, the Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are disclosed on our website rather than being included in the documents accompanying this notice.

The documents accompanying this notice and the documents posted on the website below are included in the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor during preparation for the Audit report and the Independent Auditors' Audit Reports, respectively.

If there are any amendments to the reference materials, Business Report, the Non-consolidated Financial Statements or Consolidated Financial Statements, the revised version will be posted on our website.

Company's website: <https://www.kanematsu.co.jp>

## Reference Materials for the General Meeting of Shareholders

### Item 1: Partial Amendments to the Articles of Incorporation

The Company proposes to partially amend the current Articles of Incorporation as follows.

#### 1. Reasons for the amendments

- (1) To provide flexibility in the operation of the General Meeting of Shareholders and Board of Directors meetings, the convener and chairman of these meetings provided for in Articles 14 and 21 of the current Articles of Incorporation shall be changed to a Director previously determined by the Board of Directors, respectively.
- (2) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.
  - (i) Article 15, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
  - (ii) Article 15, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
  - (iii) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 15 of the current Articles of Incorporation) will no longer be required, they will be deleted.
  - (iv) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.
- (3) The Company will also make other changes as necessary to unify the terminology.

2. The current Articles of Incorporation and the contents of the amendments are as follows.

(Underlined portions indicate the proposed amendments.)

Current Articles of Incorporation	Proposed amendments
<p align="center"><b>Chapter 3 General Meeting of Shareholders</b></p> <p>Article 14 (Convener and Chairman)</p> <ol style="list-style-type: none"> <li>1. General meetings of shareholders shall be convened and chaired by <u>President of the Company</u>.</li> <li>2. <u>If the President of the Company became disabled to act</u>, another Director shall act in his/her place in accordance with the order predetermined by the Board of Directors.</li> </ol> <p>Article 15 (<u>Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.</u>)</p> <p><u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p> <p align="center">(Newly established)</p>	<p align="center"><b>Chapter 3 General Meeting of Shareholders</b></p> <p>Article 14 (Convener and Chairman)</p> <ol style="list-style-type: none"> <li>1. General meetings of shareholders shall be convened and chaired by <u>a Director predetermined by the Board of Directors by resolution of the Board of Directors</u>.</li> <li>2. <u>In the absence or disability of the Director designated pursuant to the preceding paragraph</u>, another Director shall act in his/her place in accordance with the order predetermined by the Board of Directors.</li> </ol> <p align="center">(Deleted)</p> <p>Article 15 (<u>Measures, etc. for Providing Information in Electronic Format</u>)</p> <ol style="list-style-type: none"> <li>1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></li> <li>2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></li> </ol>

Current Articles of Incorporation	Proposed amendments
<p align="center"><b>Chapter 4 Directors, Board of Directors and Executive Officers</b></p>	<p align="center"><b>Chapter 4 Directors, Board of Directors and Executive Officers</b></p>
<p>Article 21 (Convener and Chairman of the Board of Directors Meetings)</p> <ol style="list-style-type: none"> <li>1. Unless otherwise provided by laws and regulations, <u>the Chairman of the Company</u> shall act as a convener and chairman of the Board of Directors meetings.</li> <li>2. <u>In the absence or disability of the Chairman of the Company, the President of the Company shall act as a convener and chairman of the Board of Directors meetings, and if the President became unable to act,</u> another Director shall act in his/her place in accordance with the order predetermined by the Board of Directors.</li> </ol>	<p>Article 21 (Convener and Chairman of the Board of Directors Meetings)</p> <ol style="list-style-type: none"> <li>1. Unless otherwise provided by laws and regulations, <u>a Director predetermined by the Board of Directors</u> shall act as a convener and chairman of the Board of Directors meetings.</li> <li>2. <u>In case of inconvenience to the chairman, pursuant to the preceding paragraph,</u> another Director shall act in his/her place in accordance with the order predetermined by the Board of Directors.</li> </ol>
<p>Articles 22-23 (Omitted)</p>	<p>Articles 22-23 (Unchanged)</p>
<p>Article 24 (The Board of Directors <u>Rules</u>)</p> <p>Matters concerning the Board of Directors shall be governed by the Board of Directors <u>Rules</u> established by the Board of Directors, in addition to laws and regulations or these Articles of Incorporation.</p>	<p>Article 24 (Change in Japanese only; English unchanged) (Change in Japanese only; English unchanged)</p>
<p align="center"><b>Chapter 5 Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board</b></p>	<p align="center"><b>Chapter 5 Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board</b></p>
<p>Article 31 (The Audit &amp; Supervisory Board <u>Rules</u>)</p> <p>Matters concerning the Audit &amp; Supervisory Board shall be governed by the Audit &amp; Supervisory Board <u>Rules</u> established by the Audit &amp; Supervisory Board, in addition to laws and regulations or these Articles of Incorporation.</p> <p align="center">(Newly established)</p>	<p>Article 31 (Change in Japanese only; English unchanged) (Change in Japanese only; English unchanged)</p>
	<p><u>(Supplementary provisions)</u></p> <ol style="list-style-type: none"> <li>1. <u>The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 15 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from September 1, 2022, the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></li> </ol>



Current Articles of Incorporation	Proposed amendments
	<p data-bbox="821 188 1437 342">2. <u>Notwithstanding the provision of the preceding paragraph, Article 15 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p data-bbox="821 349 1437 535">3. <u>These supplementary provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

## Item 2: Election of Seven (7) Directors

The terms of office for all six (6) Directors will expire at the conclusion of this General Meeting of Shareholders. To enhance the supervisory function of the Board of Directors, the number of Outside Directors will be increased by one (1). Accordingly, the Company proposes to elect seven (7) Directors.

The candidates for Director are as follows.

Candidate No. 1 **Kaoru Tanigawa**

Reelection	Date of Birth	Number of the Company's shares owned
	September 24, 1958	35,800 shares



### ○ Career Summary, Positions and Responsibilities in the Company (Significant Concurrent Positions)

Apr. 1981    Joined the Company  
Jul. 2004    General Manager, Somerset Branch, Kanematsu USA Inc.  
Jan. 2008    General Manager, Information & Electronics Department, the Company  
Jun. 2010    Temporary transferred to Kanematsu Communications Ltd.  
Director, Kanematsu Communications Ltd.  
Apr. 2011    General Manager, Corporate Planning Department, the Company  
Jun. 2013    Director, the Company  
Jun. 2014    Retired from office of Director of the Company according to revision for improvement of executive officer system  
Managing Executive Officer, the Company  
Jun. 2015    Director, Senior Managing Executive Officer, the Company  
Jun. 2017    President, the Company  
Jun. 2021    Chairman, the Company (To the present)  
(Incumbent) Chief Officer, Internal Auditing Dept.

### ○ Reasons for Nomination as Candidate for Director

While serving as President from 2017, Mr. Kaoru Tanigawa was responsible for making decisions on important matters in the management and supervision of the execution of operations, with a wealth of experience, track record, and knowledge as a manager. Since being appointed as Chairman in 2021, he has contributed to supervising the management of the Kanematsu Group and enhancing corporate governance, and is thus re-nominated as a candidate for Director.

Candidate No. 2 Yoshiya Miyabe

Reelection	Date of Birth	Number of the Company's shares owned
	January 21, 1959	20,500 shares



○ Career Summary, Positions and Responsibilities in the Company  
(Significant Concurrent Positions)

Apr. 1983 Joined the Company  
Apr. 1999 Manager, Section 1, Industrial Electronics Department, the Company  
Jun. 2001 Worked at Chicago Branch, Kanematsu USA Inc.  
Feb. 2006 General Manager, Industrial Electronics Department, the Company  
Jun. 2012 Director, the Company  
Jun. 2014 Retired from office of Director of the Company according to revision for improvement of executive officer system  
Managing Executive Officer, the Company  
Jun. 2018 Director, Senior Managing Executive Officer, the Company  
Jun. 2021 President, the Company (To the present)

○ Reasons for Nomination as Candidate for Director

Since joining the Company, Mr. Yoshiya Miyabe has been engaged primarily in the motor vehicles and parts and industrial electronics businesses. He was appointed as a Director in 2012 and has contributed to strengthening revenue base such as through development of overseas supply chains. He has wealth of experience and broad knowledge. Since being appointed as President in 2021, he has demonstrated leadership in promoting the Group's management, and is thus re-nominated as a candidate for Director.

Candidate No. 3 Tetsuro Tsutano

Reelection	Date of Birth	Number of the Company's shares owned
	April 3, 1969	24,500 shares



○ Career Summary, Positions and Responsibilities in the Company  
(Significant Concurrent Positions)

Apr. 1992 Joined the Company  
Aug. 2007 Manager, Managerial Accounting Section, Accounting Department, the Company  
Apr. 2012 Manager, Finance Section, Finance Department, the Company  
Apr. 2013 General Manager, Finance Department, the Company  
Jun. 2017 Director, Executive Officer, the Company  
Jun. 2018 Director, Senior Executive Officer, the Company (To the present)  
(Incumbent) Chief Officer, Corporate Planning, IT Planning, Technologies and Business Collaboration

○ Reasons for Nomination as Candidate for Director

Mr. Tetsuro Tsutano has been engaged in corporate planning, IT planning, technologies and business collaboration. He has contributed to the development of management strategies, business expansion, promotion of DX and sustainability. Due to his expertise in finance and accounting, wealth of experience and broad knowledge, he is re-nominated as a candidate for Director.

Candidate No. 4 **Shuji Masutani**

New election	Date of Birth	Number of the Company's shares owned
	December 7, 1965	1,600 shares



**○ Career Summary, Positions and Responsibilities in the Company (Significant Concurrent Positions)**

Apr. 1990 Joined the Company  
 Oct. 2006 Manager, Section No.1, Business Accounting Department, the Company  
 Apr. 2008 Manager, Section No.4, Business Accounting Department, the Company  
 Aug. 2010 Manager, Accounting Section, Accounting Department, the Company  
 Jun. 2012 General Manager, Business Accounting Department, the Company  
 Jun. 2019 Temporary transferred to Kanematsu Sustech Corporation  
 Director, Kanematsu Sustech Corporation  
 Jun. 2021 Executive Officer, the Company (To the present)  
 (Incumbent) Chief Officer, Finance, Accounting, Business Accounting

**○ Reasons for Nomination as Candidate for Director**

Since joining the Company, Mr. Shuji Masutani has been engaged in finance and accounting and has wealth of experience in operations and broad knowledge. He also has served as Director of a Group company and thus has expertise in the Group's management. Accordingly, he is newly nominated as a candidate for Director.

Candidate No. 5 **Yuko Tahara**

Reelection	Outside Director	Independent officer	Date of Birth	Number of the Company's shares owned
			October 9, 1959	0 shares



**○ Career Summary, Positions and Responsibilities in the Company**

Apr. 1991 Joined MANPOWER JAPAN Co., Ltd.  
 Aug. 1993 Joined RIC Co., Ltd  
 General Manager, House Electrification Promotion Office, RIC Co., Ltd  
 Jul. 1998 President and CEO, Basic Inc. (To the present)  
 Jun. 2012 Representative Director, Frame & Work Module Promotion Association (To the present)  
 Jun. 2018 Outside Director (Audit and Supervisory Committee Member), Sanyo Homes Corporation (To the present)  
 Jun. 2019 Outside Director, the Company (To the present)  
 Apr. 2020 Visiting Professor, Research Institute of Advanced Education, The Graduate School of Information & Communication (present The Graduate School of Social Design)  
 Apr. 2021 Professor, Faculty of Professional Education, The Graduate School of Information & Communication (present The Graduate School of Social Design) (To the present)

**○ Significant Concurrent Positions**

President and CEO, Basic Inc.  
 Representative Director, Frame & Work Module Promotion Association  
 Outside Director (Audit and Supervisory Committee Member), Sanyo Homes Corporation

**○ Reasons for Nomination as Candidate for Outside Director and Outline of Expected Roles**

Ms. Yuko Tahara possesses a wealth of experience in corporate management and deep insight gained through experiences in human resources and organizational consulting businesses. The Company expects that based on such qualities, she will be continuously committed to management advisory and appropriate supervision of the execution of operations. Thus, she is re-nominated as a candidate for Outside Director. If she is elected, she will be involved in the determination of officer compensation and the selection of candidates for officers of the Company, etc. from an objective and impartial standpoint as the committee chair of the Compensation Committee and a member of the Nominating Committee.

Candidate No. **6** Kazuhiro Tanaka

Reelection	Outside Director	Independent officer	Date of Birth	Number of the Company's shares owned
			August 31, 1966	0 shares



○ **Career Summary, Positions and Responsibilities in the Company**

- Apr. 1990    Joined The Industrial Bank of Japan, Limited
- Apr. 1999    Assistant Professor, Graduate School of Business Administration, Kobe University
- Apr. 2003    Assistant Professor, Graduate School of Commerce and Management, Hitotsubashi University
- Apr. 2007    Associate Professor, Graduate School of Commerce and Management, Hitotsubashi University
- Apr. 2010    Professor, Graduate School of Commerce and Management, Hitotsubashi University
- Apr. 2018    Professor, Graduate School of Business Administration, Hitotsubashi University (To the present)
- Jan. 2019    Dean, Graduate School of Business Administration, Hitotsubashi University  
Dean, Faculty of Commerce and Management, Hitotsubashi University
- Jun. 2020    Outside Director, the Company (To the present)

○ **Significant Concurrent Positions**

Professor, Graduate School of Business Administration, Hitotsubashi University

○ **Reasons for Nomination as Candidate for Outside Director and Outline of Expected Roles**

Mr. Kazuhiro Tanaka is a university professor specializing in business administration and has extensive expertise and deep insight regarding corporate management. The Company expects that based on such qualities, he will be continuously committed to management advisory and appropriate supervision of the execution of operations. Thus, he is re-nominated as a candidate for Outside Director. If he is elected, he will be involved in the selection of candidates for officers of the Company and the determination of officer compensation, etc. from an objective and impartial standpoint as the committee chair of the Nominating Committee and a member of the Compensation Committee.

Although Mr. Kazuhiro Tanaka has not been involved in corporate management in ways other than being an outside corporate officer, the Company judges he will appropriately fulfill his duties as an Outside Director based on the above reasons.

Candidate No. 7 **Hiroyuki Sasa**

New election	Outside Director	Independent officer	Date of Birth	Number of the Company's shares owned
			September 14, 1955	0 shares



**○ Career Summary, Positions and Responsibilities in the Company**

- Apr. 1982 Joined Olympus Optical Co., Ltd. (present Olympus Corporation)
- Apr. 2001 General Manager, Endoscope Business Planning Dept., Olympus Corporation
- Apr. 2005 Division Manager, the First Development Division, Olympus Medical Systems Corp.
- Apr. 2007 Division Manager, Marketing Division, Olympus Medical Systems Corp.
- Jun. 2007 Executive Officer, Olympus Corporation,  
Director, Olympus Medical Systems Corp.
- Apr. 2012 Director, Representative Executive Officer, President, Olympus Corporation
- Apr. 2019 Director, Olympus Corporation
- Jun. 2020 Director (outside), Kyosan Electric Manufacturing Co., Ltd. (To the present)

**○ Significant Concurrent Positions**

Director (outside), Kyosan Electric Manufacturing Co., Ltd.

**○ Reasons for Nomination as Candidate for Outside Director and Outline of Expected Roles**

Mr. Hiroyuki Sasa has served as Director, Representative Executive Officer, and President of Olympus Corporation and possesses a wealth of experience in corporate management and deep insight. The Company expects that based on such qualities, he will be committed to management advisory and appropriate supervision of the execution of operations. Thus, he is newly nominated as a candidate for Outside Director. If he is elected, he will be involved in the selection of candidates for officers of the Company and the determination of officer compensation, etc. from an objective and impartial standpoint as a member of the Nominating Committee and the Compensation Committee.

- (Notes)
1. There is no special interest between any of the candidates and the Company.
  2. Ms. Yuko Tahara, Mr. Kazuhiro Tanaka and Mr. Hiroyuki Sasa are candidates for Outside Director.
  3. At the conclusion of this meeting, Ms. Yuko Tahara's tenure as Outside Director will have been three years. At the conclusion of this meeting, Mr. Kazuhiro Tanaka's tenure as Outside Director will have been two years.
  4. Limited liability agreement with Outside Directors
    - (1) The Company has entered into agreements with Ms. Yuko Tahara and Mr. Kazuhiro Tanaka with regard to limitation of liability for damages stipulated in Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the said act. If their reelection is approved and adopted, the Company plans to renew these agreements with them. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act.
    - (2) If this proposal is approved and adopted, the Company plans to enter into an agreement with Mr. Hiroyuki Sasa with regard to limitation of liability for damages stipulated in Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the said act. The maximum amount of liability for damages under this agreement is the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act.
  5. If this proposal is approved and adopted, the Company plans to enter into an agreement based on the provisions in Article 430-2, paragraph 1 of the Companies Act with each candidate, under which the Company will cover the expenses set forth in Article 430-2, paragraph 1, item 1 of the Companies Act and the loss set forth in item 2 of the same paragraph within the extent stipulated by laws and regulations.
  6. The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insurance policy includes the Directors of the Company as the insureds. The insurance covers losses that may arise due to an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of

such liability. If each candidate is elected and appointed as Director, each of them will be insured under the insurance policy. The Company plans to renew the insurance policy with the same contents at the next renewal.

7. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Yuko Tahara and Mr. Kazuhiro Tanaka have been appointed as independent officers as provided for by the aforementioned exchange. The Company plans to submit notification to Tokyo Stock Exchange, Inc. that Mr. Hiroyuki Sasa is appointed as an independent officer as provided for by the aforementioned exchange.



### Item 3: Election of One (1) Substitute Audit & Supervisory Board Member

In order to prepare for the event that the number of Audit & Supervisory Board Members falls below the required number stipulated by laws and regulations, the Company proposes to elect one (1) substitute Audit & Supervisory Board Member.

The candidate for substitute Audit & Supervisory Board Member is as follows.

Prior to our proposal of this item, we have already obtained the consent of the Audit & Supervisory Board.

#### Ikuko Akamatsu

Outside Audit & Supervisory Board Member	Independent officer	Date of Birth	Number of the Company's shares owned
		February 27, 1968	0 shares



#### ○ Career Summary and Positions in the Company

- Jan. 1995 Joined Showa Ota & Co. (present Ernst & Young ShinNihon LLC)
- Apr. 1997 Registered as a certified public accountant
- Apr. 2008 Registered as a certified fraud examiner
- Dec. 2010 Senior Researcher, Management Training and Consulting Division, Institute of Management, SANNO University (retired in March 2020)
- Aug. 2018 Outside Director, TOP'S Inc. (To the present)
- Jun. 2019 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (To the present)
- Jul. 2019 Council Member, The Japanese Institute of Certified Public Accountants (To the present)
- Jun. 2020 Outside Director, Cawachi Ltd. (To the present)  
Outside Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd. (To the present)

#### ○ Significant Concurrent Positions

- Council Member, The Japanese Institute of Certified Public Accountants
- Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd.
- Outside Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd.

#### ○ Reasons for Nomination as Candidate for Substitute Outside Audit & Supervisory Board Member

The Company expects that Ms. Ikuko Akamatsu's specialist knowledge and experience relating to accounting, which she accumulated as a certified public accountant and as a certified fraud examiner, can be of benefit to the auditing of the Company. Thus, she is nominated as a substitute Outside Audit & Supervisory Board Member. Although Ms. Ikuko Akamatsu has not been involved in corporate management in ways other than being an outside corporate officer, the Company judges she will appropriately fulfill her duties as an Outside Audit & Supervisory Board Member based on the above reasons.



- (Notes)
1. There is no special interest between Ms. Ikuko Akamatsu and the Company.
  2. Ms. Ikuko Akamatsu is a candidate for substitute Outside Audit & Supervisory Board Member.
  3. If Ms. Ikuko Akamatsu is appointed as Audit & Supervisory Board Member, the Company plans to enter into an agreement with her with regard to limitation of liability for damages stipulated in Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the said act. The maximum amount of liability for damages under this agreement is the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act.
  4. If Ms. Ikuko Akamatsu is appointed as Audit & Supervisory Board Member, the Company plans to enter into an agreement based on the provisions in Article 430-2, paragraph 1 of the Companies Act with her, under which the Company will cover the expenses set forth in Article 430-2, paragraph 1, item 1 of the Companies Act and the loss set forth in item 2 of the same paragraph within the extent stipulated by laws and regulations.
  5. The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insurance policy includes the Audit & Supervisory Board Members of the Company as the insureds. The insurance covers losses that may arise due to an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. If Ms. Ikuko Akamatsu is elected and appointed as Audit & Supervisory Board Member, she will be insured under the insurance policy. The Company plans to renew the insurance policy with the same contents at the next renewal.
  6. If Ms. Ikuko Akamatsu is appointed as Audit & Supervisory Board Member, the Company plans to submit notification to Tokyo Stock Exchange, Inc. that she is appointed as an independent officer as provided for by the aforementioned exchange.

#### **Item 4: Revision of the Amount of Compensation for Outside Directors**

Regarding the amount of compensation for Directors of the Company, at the 121st Ordinary General Meeting of Shareholders held on June 24, 2015, the Company obtained approval to set the maximum amount of compensation per year to ¥300 million (including ¥30 million for Outside Directors) and this approval remains effective to date. The Company proposes to revise the amount of compensation for Outside Directors in line with the increase in the number of Outside Directors by one (1) to enhance the supervisory function of the Board of Directors.

We request approval for changing the amount of compensation to be paid for Outside Directors to ¥40 million or less per year as the amount of compensation for Directors remains unchanged from the current ¥300 million or less per year, including bonuses.

We believe that this proposal is reasonable as it was resolved by the Board of Directors after deliberation by the Compensation Committee, while giving due consideration to factors such as the Company's business scale, the officer compensation system, the payout criteria, the current number of officers, and future trends, comprehensively.

The policy for determining the content of compensation for individual Directors is as described in the "3 (4) Directors' and Audit & Supervisory Board Members' Compensation, Etc." of the Business Report.

Currently, six (6) Directors (including two (2) Outside Directors) are in office, and if Item 2 is approved, seven (7) Directors (including three (3) Outside Directors) will be in office.

**(Reference) Skill Matrix**

The Company formulated *future 135*, its medium-term vision for the six years ending fiscal 2024, in which we will celebrate the 135th anniversary of its founding. In the first three years of *future 135*, we continued to further promote businesses under the basic policies for sustained growth in core businesses, expansion of scale through business investments, and profit growth with increased additional value. In the final three years, in addition to realizing these basic policies, we added the commitment to promoting SDGs and DX to its priority initiatives, and as a trading company, we will drive the business development on a global scale. In order to make headway with these initiatives, the Board of Directors has positioned it as important responsibility to provide effective advice and supervision from a strategic and holistic perspective on the management issues to realize “*future 135*.” Accordingly, the Company has designated the following nine areas related to its priority initiatives as the skills that the Board of Directors ought to possess: “Corporate management,” “Business strategy planning,” “Human resource management,” “Governance,” “Investment judgment,” “Finance,” “Managerial idea of SDGs (ESG),” “Technology/DX,” and “Innovation.”

“○” in the table indicates the areas of expertise and experiences possessed, and “◎” indicates the areas where particular contributions can be expected.

	Professional background				Medium- and long-term management strategies and skills that the Board of Directors need to have												
	History of corporate officer/chief officer in the Company (yr[s].)	History of corporate officer outside the Company (including subsidiaries and affiliates)		Global (overseas job experience) (yr[s].)	Medium- to long-term enhancement of corporate value				Business investment		Sustainability, promotion of DX						
		Business segment	Company name/title		Corporate management	Business strategy planning	Human resource management	Governance	Investment judgment	Finance	Managerial idea of SDGs (ESG)	Technology/DX	Innovation				
Director	Kaoru Tanigawa Chairman	Chief Officer, Electronics & Devices Division	1	Electronics & devices (mobile)	Director, Kanematsu Communications Ltd.	USA	15										
		Divisional Chief Officer, Electronics & Devices	3	Electronics & devices (semiconductor components and manufacturing equipment)	Director, Kanematsu Semiconductor Taiwan Ltd.												
		Chief Officer, Corporate Planning	2														
		Chief Officer, Internal Auditing Dept. (incumbent)	1	Electronics & devices (electronic devices and materials)	Member of the Board, Kantatsu Co., Ltd.				◎	◎	○	◎	○	◎	○		
	President	4	Electronics & devices (electronic devices and materials)	Director, Kanematsu Industrial and Trading (Dalian F.T.Z) Co., Ltd.													
	Chairman (incumbent)	1	Electronics & devices (ICT solutions)	Director, Kanematsu Electronics Ltd.													
	Yoshiya Miyabe President	Deputy Chief Officer, Electronics & IT Division	1	Motor vehicles & aerospace (aerospace)	Director, Shintoa Corp.	USA	10										
Chief Officer, Motor Vehicles & Aerospace Division		1	Motor vehicles & aerospace (motor vehicles and parts)	Director, Kanematsu Mexico S. de R.L. de C.V.													
Tetsuro Tsutano Director	Divisional Chief Officer, Motor Vehicles & Aerospace Division	7	Motor vehicles & aerospace (motor vehicles and parts)	Director, Kaneyo Co., Ltd.													
	President (incumbent)	1	Electronics & devices (electronic devices and materials, environment-related business)	Director, Kanematsu Sustech Corporation													
Shuji Masutani Director	Chief Officer, Finance, Accounting, Business Accounting	4	Other (investment judgment, fund management)	Director, AZ-Star Co., Ltd.	USA	4											
	Chief Officer, Corporate Planning (incumbent)	1															
Yuko Tahara Director (outside)	Chief Officer, IT Planning (incumbent)	1															
	Chief Officer, Finance, Accounting, Business Accounting (incumbent)	1	Electronics & devices (electronic devices and materials, environment-related business)	Director, Kanematsu Sustech Corporation	UK	2											
Kazuhiro Tanaka Director (outside)	Outside Director (incumbent)	3		President and CEO, Basic Inc. (incumbent)													
				Representative Director, Frame & Work Module Promotion Association (incumbent)													
				Outside Director (Audit and Supervisory Committee Member), Sanyo Homes Corporation (incumbent)													
Hiroyuki Sasa Director (outside)	Professor, Faculty of Professional Education, The Graduate School of Social Design (incumbent)			Professor, Faculty of Professional Education, The Graduate School of Social Design (incumbent)													
	Outside Director (incumbent)	2		Worked at The Industrial Bank of Japan, Limited													
Audit & Supervisory Board Member	Tetsuro Muraio Audit & Supervisory Board Member (full-time)	Chief Officer, Machinery and Plant Division	3	Motor vehicles & aerospace (motor vehicles and parts)	Director, Kaneyo Co., Ltd.	Egypt	4										
		Chief Officer, Human Resources & General Affairs	5	(Steel, aerospace, feedstuff, meat products, foods, etc.)	President, Shintoa Corp.	Poland	4										
	Chief Officer, Sales Administration	1	Electronics & devices (electronic devices and materials, environment-related business)	Director, Kanematsu Sustech Corporation													
	Chief Officer, Corporate Planning	1															
Motohisa Hirai Audit & Supervisory Board Member (full-time)	Audit & Supervisory Board Member (incumbent)	2	Electronics & devices (electronic devices and materials, environment-related business)	Managing Director, Kanematsu-NNK Corp. (present Kanematsu Sustech Corporation)	Germany	6											
			Electronics & devices (electronic devices and materials, environment-related business)	Senior Managing Director, Kanematsu-NNK Corp. (present Kanematsu Sustech Corporation)	Hong Kong	3											
Yusaku Kurahashi Audit & Supervisory Board Member	Electronics & devices (electronic devices and materials, environment-related business)			Adviser, Kanematsu-NNK Corp. (present Kanematsu Sustech Corporation)													
	Outside Audit & Supervisory Board Member (incumbent)	3		Registered as attorney at law and joined Nakamura, Tsunoda & Matsumoto													
Nobuko Inaba Audit & Supervisory Board Member	Partner of Nakamura, Tsunoda & Matsumoto (incumbent)			Outside Director (Audit & Supervisory Committee Member), UNITED ARROWS LTD. (incumbent)													
	Outside Audit & Supervisory Board Member (incumbent)	1		President, Inaba C.P.A. Office (incumbent)													
				Representative Director, PAS Corporation (present Hayabusa Consulting Corporation) (incumbent)													
				Representative Partner, Hayabusa Audit Corporation (present Yasumori Audit Corporation) (incumbent)													
				Senior Partner, Hayabusa Tax Corporation (incumbent)													
				Outside Audit & Supervisory Board Member, Tokyo Kiraboshi Financial Group, Inc. (incumbent)													
				Outside Corporate Auditor, DeNA Co., Ltd. (incumbent)													

(Attached documents)

## **BUSINESS REPORT** (from April 1, 2021 to March 31, 2022)

### **1. Items Regarding Status of Group Operations**

#### **(1) Overview of Operations**

During the fiscal year under review, the global economy recovered rapidly in the first half thanks to the normalization of the economy following the progress in vaccine rollouts. Thereafter, however, concerns emerged over factors placing a downward pressure on the global economy, namely the appearance of new variants of COVID-19, global supply chain disruptions, rising inflations worldwide, and the impact of Russia's invasion of Ukraine that began in February and the sanctions imposed by national governments in response.

The U.S. economy led the recovery of the global economy on the strength of large-scale economic measures and the rapidly rising demand following the normalization of economic activities. Its outlook, however, requires close monitoring as the country has entered the rapid monetary tightening phase that prioritizes the control of inflation in response to the out-of-control inflation caused by factors such as the labor shortage and supply chain disruptions.

In Europe, although the economies had also started to return to normal, the activity restrictions introduced following the successive spread of new virus variants dragged on the economy. In addition, the Ukrainian crisis and the resulting uncertainty about energy supplies caused the recovery to lose momentum.

In China, the economic recovery was stalled due to power supply restrictions, property market regulations, and activity restrictions and lockdowns under the zero COVID policy. In addition, the suspension of China's supply chains began affecting the global economy including Japan.

Japan saw the slowest economic recovery among the major economies due to the repeated declaration of a state of emergency and the resulting restrictions on activity, as well as the impact of parts shortage, rising commodity prices and even higher resources and grain prices after the Ukrainian crisis.

In this environment, the results of the Group in the fiscal year under review are as shown below.

Revenue increased in almost all businesses centered on the meat products business and the grain and feedstuff business, which were supported by rallying market conditions, and the energy business, where the trading volume of crude oils and petroleum increased due to rising crude oil prices. While profit decreased in the aerospace business reflecting the off-season period for contracts with government agencies and in the mobile business where fee income shrank, profit increased in the meat products business, the ICT solutions business, and steel tubing business, all of which had higher revenues.

As a result, revenue for the current fiscal year came to ¥767,963 million, up ¥118,821 million (18.3%) year on year. Gross profit also increased ¥10,286 million (10.1%) year on year, to ¥111,801 million. Operating profit rose ¥5,712 million (24.2%) year on year, to ¥29,347 million, reflecting an increase in gross profit, despite a rise in selling, general and administrative expenses. Largely due to the rise in operating profit, profit before tax increased ¥5,185 million (22.0%) year on year, to ¥28,765 million, and profit for the year attributable to owners of the parent rose ¥2,671 million (20.1%) year on year, to ¥15,986 million. The ratio of profit for the year attributable to owners of the parent to equity attributable to owners of the parent or equity capital (ROE) stood at 10.5%.

As for the financial position, total assets rose ¥76,961 million from the end of the previous fiscal year to ¥634,456 million. Interest-bearing debt increased ¥21,295 million from the end of the previous fiscal year to ¥143,452 million, mainly due to a rise in short-term borrowings. Net interest-bearing debt after deducting cash and deposits rose ¥10,722 million from the end of the previous fiscal year to ¥51,242 million. Interest-bearing debt does not include lease liabilities. In terms of equity, equity attributable to owners of the parent (shareholders' equity) rose ¥15,558 million from the end of the previous fiscal year to ¥159,484 million, chiefly due to the accumulation of profit for the year attributable to owners of the parent and an increase in other components of equity resulting from yen depreciation. As a result, the

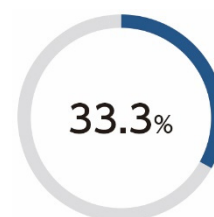
ratio of equity attributable to owners of the parent (equity ratio) came to 25.1%. The net debt-equity ratio (net D/E ratio) was 0.3 times. In this way, the Company maintained its financial soundness.

#### Overview of performance by business segment

##### Electronics & Devices

Revenue ¥255,463 million (up 13.0% year on year)

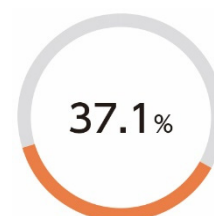
The ICT solutions business performed well, mainly due to the growth in projects related to network security and storage-related projects. The mobile business was weak due to the smaller fee income including monetary assistance provided to shops during the COVID-19 pandemic, although foot traffic recovered. The semiconductor parts and manufacturing equipment business remained strong with the growth in shipments of in-vehicle semiconductor parts and semiconductor equipment, among others, on the back of robust demand. As a result, overall segment revenue and profit increased year on year.



##### Foods, Meat & Grain

Revenue ¥285,284 million (up 16.6% year on year)

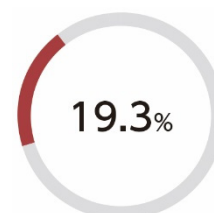
In the meat products business, operating profit increased sharply after the struggle in food service sector-related sales in the previous year, aided by the rising prices of livestock products in general. The grain and feedstuff business was weak mainly due to valuation losses resulting from the skyrocketing prices in the fourth quarter. The foods business was strong on the back of the growth in the transactions of products for the retail market. As a result, overall segment revenue and profit increased year on year.



##### Steel, Materials & Plant

Revenue ¥147,993 million (up 52.8% year on year)

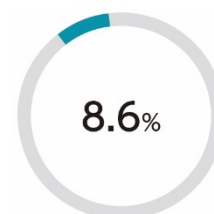
The steel tubing business performed solidly following the recovery of energy demand. The machine tools and industrial machinery business remained strong, recovering from the business environment in the previous year when the business had been strongly affected by COVID-19. Meanwhile, the energy business was weak due to the valuation losses of futures contracts. As a result, overall segment revenue and profit increased year on year.



##### Motor Vehicles & Aerospace

Revenue ¥65,827 million (down 7.4% year on year)

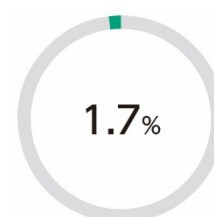
The aerospace business remained sluggish as contracts with government agencies were between seasons. In the motor vehicles and parts business, however, transactions of motor parts remained strong given the market recovery from the COVID-19 pandemic and yen depreciation. As a result, overall segment revenue and profit decreased year on year.



##### Other

Revenue ¥13,395 million (up 27.6% year on year)

In the other business segment, revenue and profit increased year on year.



(Revenue by business segment)

Business Segment	Amount (million yen)	Share of Total Revenue (%)	Year-on-year Change (%)
Electronics & Devices	255,463	33.3	13.0
Foods, Meat & Grain	285,284	37.1	16.6
Steel, Materials & Plant	147,993	19.3	52.8
Motor Vehicles & Aerospace	65,827	8.6	(7.4)
Other	13,395	1.7	27.6
Total	767,963	100.0	18.3

(Note) Inter-segment transactions have been eliminated.

## (2) Capital Investment

No items to report.

## (3) Financing Activities

In its financing activities, the Group follows a basic policy of low-cost and stable financing which is essential to achieve “sustainable growth” targeted in the medium-term vision for the six years *future 135*.

In the current fiscal year, the Group mainly procured funds using indirect financing thanks to good relations with main banks, regional banks, insurance companies and other financial institutions. The Group also procured funds from capital markets by issuing straight corporate bonds as a means of raising long-term capital. In the current fiscal year, ¥10.0 billion in straight corporate bonds were issued to fund the repayment of borrowings.

As a result, at the end of the current fiscal year, the balance of net interest-bearing debt stood at ¥51,242 million, a year-on-year increase of ¥10,722 million from the end of the previous fiscal year.

## (4) Status of Significant Business Realignment

Not applicable.

## (5) Issues to Be Addressed

The Group has established *future 135*, its six-year medium-term vision (from April 2018 through March 2024). Based on its basic policy of expanding the revenue base and pursuing the acquisition of added value through business investments in business areas that contain strengths while aiming for sustainable growth in the fundamental businesses, the Company has added the promotion of initiatives for SDGs and DX to its priority initiatives and has set a target of consolidated profit for the year at ¥20.0 billion.

The Company will focus on capital efficiency based on the stability of the earnings structure and financial structure, setting the payout ratio (total return ratio) at 30%-35% and target ROE at 10%-12%.

(1) Quantitative targets

	Final Year Target (the fiscal year ending March 31, 2024)	March 31, 2022 Results
Consolidated profit for the year	¥20.0 billion	¥16.0 billion
ROE	10% - 12%	10.5%
Total return ratio	30% - 35%	34.0%

(Note) Consolidated profit for the year is profit for the year attributable to owners of the parent.

(2) Priority initiatives and progress at the end of current fiscal year

- (i) Sustainable growth in fundamental businesses, the expansion of the revenue base through business investments, and acquisition of added value

The Company will work toward sustainable growth in fundamental businesses and carry out growth investment while achieving a balance between capital and risk assets, on the ground of its sound financial structure. The Company promoted business investments in areas of strength and in business areas under the themes of environment, society and safety as activities toward the achievement of SDGs in the two strategies focused on the “revenue base expansion” and the “value added.” The main results in the current fiscal year are as follows.

- For investments mainly for expansion of the revenue base, the Company acquired secondary mobile phone sales agencies and an industrial materials trading company, and established the second steel tubing processing factory in North America.
- For investments mainly for acquisition of added value, the Company made equity investment in a steel plate processing company and acquired shares in an Indonesian general food company accompanying its initial public offering (IPO).

- (ii) Response to technological innovation

The Company will make “innovation investment” in areas peripheral to the current business areas for future growth, promote and expand new businesses structured around advanced technologies such as IoT and AI and also work to promote DX on a group-wide basis. In the current fiscal year, the Company formed a capital and business alliance with a British venture company that operates a vertical takeoff and landing site for flying vehicles, invested in a startup manufacturer aiming to implement carbon nanotubes in society, launched an inventory management service and an image inspection service using AI technology to embody open innovation on a business co-creation platform, and formed a comprehensive business alliance with a venture capital firm with strengths in supporting venture companies.

- (iii) Establishment of management infrastructure for achieving sustainable growth

In the current fiscal year, the Company introduced a full flextime system allowing employees to work without core working hours. In principle, employees are free to choose when to come in and leave the office according to their work schedule, and can now work more efficiently than ever before. In addition, as a means to accelerate the digitalization of business operations, the Company fully digitized expense reports and meetings, entirely eliminating the use of paper documents. The Company will continue to strive to build a working environment that enables diverse working styles.

In addition, for the sustainable growth of both the Company and the society, the Company is promoting business and management with more consideration for SDGs, led by the Sustainability Management Committee and the Sustainability Management Section. In the current fiscal year, the Company has pledged its support for the recommendations of the Task Force on Climate-related

Financial Disclosures (TCFD) and joined the TCFD Consortium, a consortium of companies, financial institutions, and other organizations supporting the recommendations.

By implementing the above initiatives, in the current fiscal year, the profit for the year attributable to owners of the parent returned to ¥16.0 billion, a profit level equivalent to the pre-COVID-19 level in the fiscal year ended March 31, 2019. Furthermore, the ratio of profit for the year attributable to owners of the parent to equity attributable to owners of the parent or equity capital (ROE) came to 10.5%.

The year-end dividend will be ¥35 per share as the revised forecast for the dividend announced on February 4, 2022. The annual dividend per share will be ¥65 per share, including an interim dividend of ¥30 per share already paid. As a result, the payout ratio will be 34.0%.

### (3) Forecast for the next fiscal year

In the next fiscal year, there is a concern that the escalation and lengthening of the Ukrainian crisis, the resulting divisions of global markets and acceleration of inflation, and the adverse influence on the economy of the switch to the monetary tightening policy worldwide may slow down the global economy, in addition to the lingering impact of COVID-19 mainly through China's zero COVID policy.

The Japanese economy will see a more gradual return to normal activity than other major economies, partly due to the higher resources and grain prices and yen depreciation negatively affecting the terms of trade.

In this environment, the Company will promote the priority initiatives of its medium-term vision, *future 135*, namely “sustainable growth in fundamental businesses and the expansion of the revenue base through business investments,” “response to technological innovation,” and “establishment of management infrastructure for achieving sustainable growth,” enhance initiatives to address the SDGs and DX that have been included in the priority initiatives to be implemented in the last three years of the medium-term vision, and focus on creating further values.

For the fiscal year ending March 31, 2023, the Company forecasts consolidated revenue of ¥850.0 billion, operating profit of ¥31.5 billion, profit before tax of ¥32.0 billion, and profit for the year attributable to owners of the parent of ¥18.0 billion.

As for the forecast for the dividend in the next fiscal year, the Company plans to increase the annual dividend by ¥5 and to pay ¥70 per share in line with our target payout ratio of 30-35% set out in the medium-term vision and based on the performance forecast for the next fiscal year. The payout ratio is expected to be 32.5%.

#### \*Note on earnings forecasts

The earnings forecasts and other forward-looking statements contained in this material are based on information currently available to the Company and certain assumptions that the Company considers reasonable. The Company makes no guarantees with respect to the achievement of its earnings forecasts or forward-looking statements. Actual earnings and other results may differ significantly from the forecasts due to various factors.



## (6) Trend in Assets and Profit/Loss

Category		125th Term (FY2019)	126th Term (FY2020)	127th Term (FY2021)	128th Term (Fiscal year under review) (FY2022)
Revenue	million yen	723,849	721,802	649,142	767,963
Profit for the year attributable to owners of the parent	million yen	16,605	14,399	13,315	15,986
Basic earnings per share	yen	198.22	172.43	159.44	191.42
Total assets	million yen	549,459	551,671	557,495	634,456
Total equity	million yen	158,698	166,174	180,492	199,282

(Notes) 1. Pursuant to Article 120, paragraph 1 of the Regulations on Corporate Accounting, the Company has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs).

2. Basic earnings per share is calculated based on the average number of shares during the period after the shares of the Company owned by the stock issuance trust for officers are deducted.

## (7) Significant Subsidiaries

Company Name	Capital (million yen)	Equity Share (%)	Major Areas of Operation
Kanematsu Electronics Ltd.	9,031	58.21	System integration of ICT equipment and services therefor
Kanematsu Communications Ltd.	1,425	100.00	Sales of mobile communications devices; mobile internet systems and services
Kanematsu Sustech Corporation	3,325	52.83	Manufacture and sales of home-construction materials; ground inspection services and improvement work; installation and sales of security cameras
Kanematsu Trading Corp.	260	100.00	Sales of general steel and construction materials
Kanematsu KGK Corp.	706	100.00	Sales of machine tools and industrial machinery
Kanematsu Petroleum Corp.	1,000	100.00	Sales of petroleum products and liquid petroleum gas
Shintoa Corp.	500	100.00	Beverage-vending machine operations; export/import and sales of aircraft engines
Kanematsu USA Inc.	(thousand USD) 100,000	100.00	Export/import and sales of merchandise
Kanematsu (Hong Kong) Ltd.	(thousand HKD) 409,119	100.00	Export/import and sales of merchandise

(Note) The figure stated for equity share is the total of equity share owned by the Company and equity share owned by subsidiaries of the Company.

**(8) Major Areas of Operation** (as of March 31, 2022)

The Group provides a broad array of products and services in diverse fields such as electronics and devices, foods and grain, steel, materials and plant, and motor vehicles and aerospace through the organic integration of domestic and international business networks, expertise acquired in each business area, and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and logistics.

**(9) Major Business Locations** (as of March 31, 2022)

## (i) The Company's Major Offices

Japan: Kobe Head Office (Chuo-ku, Kobe)  
Tokyo Head Office (Minato-ku, Tokyo)  
Osaka Branch (Chuo-ku, Osaka)

Overseas: Manila Branch

## (ii) Major Subsidiaries' Offices

Japan: Kanematsu Electronics Ltd. (Chuo-ku, Tokyo)  
Kanematsu Communications Ltd. (Shibuya-ku, Tokyo)  
Kanematsu Sustech Corporation (Chuo-ku, Tokyo)  
Kanematsu Trading Corp. (Chuo-ku, Tokyo)  
Kanematsu KGK Corp. (Chuo-ku, Tokyo)  
Kanematsu Petroleum Corp. (Chiyoda-ku, Tokyo)  
Shintoa Corp. (Chiyoda-ku, Tokyo)

Overseas: Kanematsu USA Inc. (U.S.A.)  
Kanematsu (Hong Kong) Ltd. (Hong Kong)

**(10) Employees** (as of March 31, 2022)

<b>Business Segment</b>	<b>Number of Employees (persons)</b>	<b>Year-on-Year Change (persons)</b>
Electronics & Devices	4,393	140
Foods, Meat & Grain	774	(14)
Steel, Materials & Plant	1,224	19
Motor Vehicles & Aerospace	376	1
Other	230	6
Corporate (Common)	449	(2)
<b>Total</b>	<b>7,446</b>	<b>150</b>

(Note) The number of employees is the number of workers.

**(11) Major Lenders** (as of March 31, 2022)

<b>Lender</b>	<b>Loan Balance at End of Fiscal Year (million yen)</b>
MUFG Bank, Ltd.	28,124
Mizuho Bank, Ltd.	18,090
The Norinchukin Bank	13,245
Sumitomo Mitsui Trust Bank, Limited	12,408
Aozora Bank, Ltd.	12,450

**(12) Other Significant Matters**

No items to report.

## 2. Items Regarding Shares of the Company (as of March 31, 2022)

- (1) **Number of Shares Authorized to Be Issued** 200,000,000 shares
- (2) **Number of Issued Shares** 84,500,202 shares  
(including 262,430 shares of treasury stock)
- (3) **Number of Shareholders** 25,529
- (4) **Principal Shareholders (top 10 shareholders)**

Shareholder Name	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	12,599	14.95
Custody Bank of Japan, Ltd. (Trust account)	5,682	6.74
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,322	2.75
MSIP CLIENT SECURITIES	2,167	2.57
SSBTC CLIENT OMNIBUS ACCOUNT	2,128	2.52
The Bank of New York Mellon 140044	2,061	2.44
BBHFOR UMB BANK, NATIONAL ASSO-PEAR TREE POLARIS VAL SM CAP FD	1,693	2.00
BNYM AS AGT/CLTS NON TREATY JASDEC	1,505	1.78
MUFG Bank, Ltd.	1,417	1.68
The Norinchukin Bank	1,249	1.48

(Note) The shareholding ratio is calculated after the treasury stock (262,430 shares) was deducted. Treasury stock (262,430 shares) does not include the shares of the Company owned by the stock issuance trust for officers (697,300 shares).

### 3. Items Regarding Directors/Audit & Supervisory Board Members of the Company

#### (1) Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Title	Name	Responsibilities in the Company and Significant Concurrent Positions
Chairman	Kaoru Tanigawa	Chief Officer, Internal Auditing Dept.
President	Yoshiya Miyabe	
Director	Masayuki Shimojima	
Director	Tetsuro Tsutano	Chief Officer, Corporate Planning, IT Planning, Technologies and Business Collaboration
Director	Yuko Tahara	President and CEO, Basic Inc. Representative Director, Frame & Work Module Promotion Association Outside Director (Audit and Supervisory Committee Member), Sanyo Homes Corporation
Director	Kazuhiro Tanaka	Professor, Graduate School of Business Administration, Hitotsubashi University
Audit & Supervisory Board Member (Full-time)	Tetsuro Muraio	
Audit & Supervisory Board Member (Full-time)	Motohisa Hirai	
Audit & Supervisory Board Member	Yusaku Kurahashi	Attorney at law Outside Director (Audit and Supervisory Committee member), UNITED ARROWS LTD.
Audit & Supervisory Board Member	Nobuko Inaba	Certified public accountant and certified public tax accountant Representative Director, Hayabusa Consulting Corporation Outside Audit & Supervisory Board Member, Tokyo Kiraboshi Financial Group, Inc. Outside Corporate Auditor, DeNA Co., Ltd.

- (Notes) 1. Ms. Yuko Tahara and Mr. Kazuhiro Tanaka are Outside Directors as stipulated in Article 2, item 15 of the Companies Act.
2. Mr. Yusaku Kurahashi and Ms. Nobuko Inaba are Outside Audit & Supervisory Board Members as stipulated in Article 2, item 16 of the Companies Act.
3. The Audit & Supervisory Board Members' financial and accounting insight is as follows:
- Audit & Supervisory Board Member Tetsuro Muraio has the experience of serving for many years in corporate management at important positions, giving him a suitable level of insight concerning finance and accounting.
  - Audit & Supervisory Board Member Motohisa Hirai has the experience of serving for many years in corporate management at important positions, giving him a suitable level of insight concerning finance and accounting.
  - Audit & Supervisory Board Member Nobuko Inaba is qualified as a certified public accountant and as a certified public tax accountant, giving her a suitable level of insight concerning accounting and tax affairs.
4. Audit & Supervisory Board Member Tsukasa Miyachi resigned as of June 23, 2021.
5. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Outside Directors Yuko Tahara and Kazuhiro Tanaka, and Outside Audit & Supervisory Board Members Yusaku Kurahashi and Nobuko Inaba have been appointed as independent officers as provided for by the aforementioned exchange.

6. The Company adopts the executive officer system. As of April 1, 2022, the following people hold the position of Executive Officer.

<b>Title</b>	<b>Name</b>	<b>Responsibilities in the Company</b>
* President	Yoshiya Miyabe	
Senior Managing Executive Officer	Toshihide Motoshita	Chief Officer, Credit Control, Legal and Compliance
Managing Executive Officer	Eiji Kan	Chief Officer, Steel, Materials & Plant Division General Manager, Osaka Branch General Manager, Nagoya Branch
Managing Executive Officer	Masayuki Hamasaki	Chief Officer, Grain, Oilseeds & Feedstuff Division
Managing Executive Officer	Masahiro Harada	Chief Officer, Electronics & Devices Division, Digital Transformation (DX) Acceleration Team
Senior Executive Officer	Kazuo Tanaka	Chief Officer, Human Resources and General Affairs, Traffic and Insurance
* Senior Executive Officer	Tetsuro Tsutano	Chief Officer, Corporate Planning, IT Planning, Technologies and Business Collaboration
Senior Executive Officer	Ryoichi Kidokoro	Chief Officer, Motor Vehicles & Aerospace Division
Senior Executive Officer	Hiroshi Yamashina	President, Kanematsu USA Inc.
Executive Officer	Osamu Iwata	Deputy Chief Officer, Steel, Materials & Plant Division
Executive Officer	Yoichiro Muramatsu	President, Kanematsu G.m.b.H President, Kanematsu Europe PLC
Executive Officer	Jun Nakajima	Deputy Chief Officer, Grain, Oilseeds & Feedstuff Division
Executive Officer	Toru Hashimoto	Chief Officer, Meat Products Division
Executive Officer	Koichi Nishimura	Chief Officer, Foods Division
Executive Officer	Akihiko Fujita	Deputy Chief Officer, Electronics & Devices Division General Manager, Electronics Planning Office
Executive Officer	Kaori Kusuda	Deputy Chief Officer, Internal Auditing Dept. General Manager, Internal Auditing Dept.
Executive Officer	Shuji Masutani	Chief Officer, Finance, Accounting, Business Accounting

(Note) The Executive Officers marked by an asterisk (\*) concurrently hold the position of Director.

## (2) Summary of Details of Limited Liability Agreement

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has concluded an agreement with Outside Directors Yuko Tahara and Kazuhiro Tanaka, Audit & Supervisory Board Members Tetsuro Murao and Motohisa Hirai, and Outside Audit & Supervisory Board Members Yusaku Kurahashi and Nobuko Inaba, respectively, to make the limitation of liability for damages as stipulated in Article 423, paragraph 1 of the Companies Act, up to the maximum amount, which is the amount stipulated in Article 425, paragraph 1 of the said act.

### **(3) Summary of Directors and Officers Liability Insurance Policy**

The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insurance policy includes the Directors, Audit & Supervisory Board Members, Executive Officers, etc. of the Company as the insureds. The insurance premiums are fully borne by the Company.

The insurance covers losses that may arise due to an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. The insurance policy also provides for certain exclusions of liability, such as not cover damages caused by factors such as legal violations or personal benefits.

### **(4) Directors' and Audit & Supervisory Board Members' Compensation, Etc.**

#### **(i) Policy on Determining the Content of Officer Compensation, Etc.**

At the Board of Directors meeting held on February 22, 2021, the Company resolved to adopt a policy for determining the content of compensation, etc. for individual Directors. Upon making the resolution, the Board consulted the Compensation Committee in advance regarding the details of the resolution to be made, and received recommendations. With respect to the compensation, etc. for individual Directors for the fiscal year under review, the Board of Directors has determined that the compensation, etc. is in line with the policy after confirming that the method of determining it and the resultant compensation, etc. are consistent with the policy and that when making decisions, recommendations from the Compensation Committee have been respected.

The details of the policy for determining the content of compensation, etc. for individual Directors are as follows.

#### **1. Basic policy**

The basic policy for compensation for Directors of the Company is to adopt a compensation system that is linked to the interests of shareholder, in order to ensure the system functions sufficiently as an incentive to sustainably enhance corporate value, while also ensuring that, when making decisions about the compensation of individual Directors, this compensation is at a level appropriate to their respective responsibilities. Specifically, compensation for executive Directors consists of basic compensation as fixed compensation, performance-linked compensation, etc. and stock compensation. Compensation for Outside Directors, who perform supervisory functions, consists of only basic compensation in light of their duties.

#### **2. Policy on determining the amount of basic compensation for individuals**

The basic compensation for Directors of the Company is a monthly fixed compensation, and is determined in accordance with their positions and responsibilities, after comprehensively taking into consideration the level of compensation at peers, the business performance of the Company, and salary levels for employees.

#### **3. Policy on determining the content of performance-linked compensation, etc. and non-monetary compensation, etc. and the methods for calculating the amount or number of shares of such compensation**

In order to enhance officers' awareness of enhancing business performance each fiscal year, performance-linked compensation, etc. is cash compensation that reflects the performance indicator (profit for the year attributable to owners of the parent). An amount calculated based on the performance indicator and its value is paid as a bonus at a certain time each year. The performance indicator to be used is determined when a Medium-Term Business Plan is formulated in a way that is consistent with the plan, and is revised as appropriate with changes in the environment, considering any recommendations from the Compensation Committee.

In order to enhance officer's awareness of contributing to the medium- to long-term enhancement of business performance and the increase in corporate value of the Company, non-monetary compensation, etc. is stock compensation that reflects the performance indicator (profit for the year attributable to owners of the parent). The number of shares to be granted is calculated in accordance with the level of achievement of performance targets set forth in the Medium-Term Business Plan and other factors, and is delivered upon retirement. The performance indicator to be used and its target value are determined when a Medium-Term Business Plan is formulated in a way that is consistent with the plan, and are revised as appropriate with changes in the environment, considering any recommendations from the Compensation Committee.

4. Policy on determining the proportion of compensation amounts of monetary compensation, performance-linked compensation, etc. and non-monetary compensation, etc. in the amount of compensation, etc. for individual Directors

The proportion of each type of compensation for executive Directors is considered by the Compensation Committee, taking into account compensation levels benchmarked against companies of a similar business scale to the Company or in a related industry or business format. The Board of Directors determines the details of compensation, etc. for individual Directors within the scope of the proportion of compensation for each type of compensation indicated in the recommendation of the Compensation Committee, while also respecting the content of this recommendation. Furthermore, in terms of general amounts for the proportion of each type of compensation, the ratio is as follows: basic compensation: performance-linked compensation, etc.: non-monetary compensation, etc. = 40% - 70%: 15% - 45%: 15% - 30%. (If the level of achievement of performance targets is 100%.)

5. Policy on determining the content of compensation, etc. for individual Directors

The Board of Directors determines the amount of basic compensation for individual Directors and the method to determine performance-linked compensation after consulting the Compensation Committee regarding a draft proposal and receiving a recommendation, while also respecting the content of this recommendation. Regarding the method of determining non-monetary compensation, etc., the Board of Directors determines the number of shares to be allocated to each individual Director based on a recommendation from the Compensation Committee.



## (ii) Total Amount of Compensation, etc. for the Fiscal Year under Review

Category	Total Amount (million yen)	Total Amount of Compensation, etc. by Type (million yen)			Number of Persons
		Monetary Compensation, Etc.		Non-Monetary Compensation, Etc.	
		Basic Compensation	Performance- Linked Compensation, Etc.	Performance- Linked Stock Compensation	
Directors (excluding Outside Directors)	236	152	40	43	4
Outside Directors	19	19	–	–	2
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	56	56	–	–	2
Outside Audit & Supervisory Board Members	19	19	–	–	3
Total	331	247	40	43	11

(Notes) 1. Regarding the amount of monetary compensation, etc., at the 121st Ordinary General Meeting of Shareholders held on June 24, 2015, the Company obtained approval to set the maximum amount of compensation per year to ¥300 million for Directors (including ¥30 million for Outside Directors), and to ¥84 million for Audit & Supervisory Board Members.

The Company had seven Directors (including two Outside Directors), and four Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) at the conclusion of the General Meeting of Shareholders.

2. Separate from the monetary compensation, etc., at the 124th Ordinary General Meeting of Shareholders held on June 22, 2018, the Company obtained approval for a trust, set up by the Company by contributing money to it, to acquire shares of the Company, and for a performance-linked stock compensation system under which shares of the Company are granted to eligible Directors (excluding Outside Directors) through the trust of an amount equivalent to the number of points that corresponds to the eligible Director's position and achievement levels, etc. with respect to performance targets. This system has been established to operate with a trust period of about six years from August 2018 to August 2024, with a maximum number of points to be granted to eligible Directors (excluding Outside Directors) of 140,000 points (where 1 point is equal to 1 share of the Company) multiplied by the number of years of the trust period. The maximum amount of money to be contributed by the Company to acquire Company shares needed to deliver to Directors has been set at ¥450 million, and the method to acquire shares of the Company has been designated as either through the stock market (including off-floor trading) or from the Company by means of the disposal of treasury stock. Directors receive the Company's shares upon their retirement, in principle.

The Company had five Directors (excluding Outside Directors) at the conclusion of the General Meeting of Shareholders.

3. The performance indicator related to performance-linked compensation, etc. and non-monetary compensation, etc. is profit for the year attributable to owners of the parent, which was ¥15,986 million for the fiscal year under review. The reasons for selecting this indicator is described in "(i) Policy on Determining the Content of Officer Compensation, Etc. 3. Policy on determining the content of performance-linked compensation, etc. and non-monetary compensation, etc. and the methods for calculating the amount or number of shares of such compensation."

4. Performance-linked compensation, etc. is calculated by multiplying profit for the year attributable to owners of the parent, as shown in the Annual Securities Report, by 0.25% (or ¥0 if profit for the year attributable to owners of the parent is less than ¥5.0 billion) or ¥50 million, whichever is less.
5. The performance-linked stock compensation is subject to an evaluation period, which is the period set for the Medium-Term Business Plan (from April 1, 2018 to March 31, 2024), and the amount of the performance-linked stock compensation is equal to the aggregate of the amounts calculated using the formula provided below for each year of the aforementioned evaluation period (amounts less than one yen are rounded up). Note that the result of profit for the year attributable to owners of the parent shall be profit for the year attributable to owners of the parent shown in the Annual Securities Report in the final fiscal year of the aforementioned evaluation period.

Formula for calculating the amount of performance-linked stock compensation:

Profit for the year attributable to owners of the parent of less than ¥5.0 billion:  
¥0

Profit for the year attributable to owners of the parent of ¥5.0 billion or more and less than ¥25.0 billion:  
Profit for the year attributable to owners of the parent x 0.18%

Profit for the year attributable to owners of the parent of ¥25.0 billion or more and less than ¥30.0 billion:  
Profit for the year attributable to owners of the parent x 0.20%

Profit for the year attributable to owners of the parent of ¥30.0 billion or more:  
¥60 million

In case of death or resignation of a Director during the evaluation period, the amount of performance-linked stock compensation is calculated by substituting the evaluation period from the beginning of the Medium-Term Business Plan (or from the fiscal year including the month in which the Director became a Director if the Director newly became a Director during the period covered by the evaluation) to the fiscal year that ends immediately prior to the date of death or resignation.

6. The amount of performance-linked stock compensation (¥43 million) is the amount recorded as costs for performance-linked stock compensation in the fiscal year under review.
7. The Company had four Directors (excluding Outside Directors), two Outside Directors, two Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members), and two Outside Audit & Supervisory Board Members at the end of the fiscal year under review. The reason for the difference with the number of persons shown in the above table is the inclusion of one Outside Audit & Supervisory Board Member who retired at the conclusion of the 127th Ordinary General Meeting of Shareholders held on June 23, 2021.

## **(5) Items Regarding Outside Directors/Audit & Supervisory Board Members**

- (i) Status of Significant Concurrent Positions of Other Companies, etc. and Relationships Between the Company and Those Companies, Etc.
  - Director Yuko Tahara is the President and CEO of Basic Inc., the Representative Director of Frame & Work Module Promotion Association, and an Outside Director (Audit and Supervisory Committee Member) of Sanyo Homes Corporation. There are no special trading relationships between the Company and Basic Inc., the Company and Frame & Work Module Promotion Association, or the Company and Sanyo Homes Corporation.
  - Director Kazuhiro Tanaka is a Professor of Graduate School of Business Administration, Hitotsubashi University. There are no special trading relationships between the Company and Hitotsubashi University.
  - Audit & Supervisory Board Member Yusaku Kurahashi is an Outside Director (Audit and Supervisory Committee member) of UNITED ARROWS LTD. There are no special trading relationships between the Company and UNITED ARROWS LTD.
  - Audit & Supervisory Board Member Nobuko Inaba is the Representative Director of Hayabusa Consulting Corporation, an Outside Audit & Supervisory Board Member of Tokyo Kiraboshi Financial Group, Inc., and an Outside Corporate Auditor of DeNA Co., Ltd. There are no special trading relationships between the Company and Hayabusa Consulting Corporation, the Company and Tokyo Kiraboshi Financial Group, Inc., or the Company and DeNA Co., Ltd.

## (ii) Key Activities in the Fiscal Year under Review

Category	Name	Attendance at Meetings of the Board of Directors	Attendance at Meetings of the Audit & Supervisory Board	Remarks and Duties Performed regarding Roles Expected of Outside Directors
Director	Yuko Tahara	19/19	–	She provides advice on management and appropriately supervises the execution of operations based on her wealth of experience in corporate management and deep insight gained through experiences in human resources and organizational consulting businesses. In addition, as a member of the Nominating Committee and the Compensation Committee, she deliberates on the selection of candidates for officers of the Company and the determination of officer compensation, etc. from an objective and impartial standpoint, and provides recommendations to the Board of Directors.
	Kazuhiro Tanaka	19/19	–	He is a university professor specializing in business administration and provides advice on management and appropriately supervises the execution of operations based on his extensive expertise and deep insight regarding corporate management. In addition, as a member of the Nominating Committee and the Compensation Committee, he deliberates on the selection of candidates for officers of the Company and the determination of officer compensation, etc. from an objective and impartial standpoint, and provides recommendations to the Board of Directors.
Audit & Supervisory Board Member	Yusaku Kurahashi	18/19	13/13	He properly offers necessary comments based on his specialist knowledge and experience as an attorney at law.
	Nobuko Inaba	13/14	10/10	She properly offers necessary comments based on her specialist knowledge and experience as a certified public accountant and a certified public tax accountant.

(Note) Audit & Supervisory Board Member Nobuko Inaba was elected at the 127th Ordinary General Meeting of Shareholders held on June 23, 2021, and because of this, the numbers shown for meetings of the Board of Directors and of Audit & Supervisory Board held differ from those of other Outside Directors and Outside Audit & Supervisory Board Members.

#### 4. Status of Accounting Auditor

##### (1) Name of Accounting Auditor

PricewaterhouseCoopers Aarata LLC

##### (2) Amount of Compensation, etc.

Category	Audit Fees (million yen)	Non-audit Fee (million yen)
The Company	154	3
Consolidated subsidiaries	215	–
Total	369	3

- (Notes) 1. The audit contract between the Company and the Accounting Auditor does not clearly distinguish between compensation paid for the audit conducted in accordance with the Companies Act and compensation paid for the audit conducted in accordance with the Financial Instruments and Exchange Act. Accordingly, the amount of Audit Fees includes the compensation, etc. paid for the audit conducted in accordance with the Financial Instruments and Exchange Act.
2. The amount of Non-audit Fee includes the compensation paid for a preparation of comfort letters and the compensation, etc. paid for agreed processing services associated with the tax declarations, etc. of overseas offices as part of tasks other than work set forth in Article 2, paragraph 1 of the Certified Public Accountants Act (non-auditing tasks).
3. After having performed the necessary verification as to the appropriateness of matters such as the content of the Accounting Auditor's audit plan, the status of performance of their duties, and the basis for the calculation of the estimated compensation for the Accounting Auditor, the Audit & Supervisory Board has consented to the amount of compensation, etc. to be paid to the Accounting Auditor.
4. Among significant subsidiaries of the Company, Kanematsu USA Inc., and Kanematsu (Hong Kong) Ltd. are audited (within the meaning of being audited as required by the Companies Act [including laws and regulations in other countries equivalent to the said law]) by audit firms (including entities possessing the qualifications in other countries equivalent to these qualifications) other than PricewaterhouseCoopers Aarata LLC.

##### (3) Policy Regarding Dismissal or Non-reappointment of Accounting Auditor

If it is deemed that the Accounting Auditor falls within any of the items of Article 340, paragraph 1 of the Companies Act and that no improvement in the situation is expected, the Audit & Supervisory Board shall dismiss the Accounting Auditor based on the consent of all the Audit & Supervisory Board Members. Besides the foregoing, if the Accounting Auditor is deemed unable to adequately perform their duties, the Audit & Supervisory Board shall decide the details of a proposal on the dismissal or non-reappointment of the Accounting Auditor, and the Board of Directors will submit the proposal to the General Meeting of Shareholders on the basis of that decision.

## 5. Corporate Structure and Policies

### (1) Systems for Ensuring Appropriate Business Operations and Operation Status of the System

#### (i) Systems for Ensuring Appropriate Business Operations

The details of the systems for ensuring appropriate business operations resolved by the Board of Directors of the Company are as follows. (Final revision made on April 1, 2021)

#### **“Basic Policy on the Establishment of Internal Control Systems”**

The Company’s “Basic Policy on the Establishment of Internal Control Systems” is set forth in accordance with Article 362, paragraph 4, item 6 of the Companies Act, and Article 100, paragraphs 1 and 3 of the Regulations for Enforcement of the Companies Act as follows.

As part of the Company’s “Corporate Principle,” the Company has set forth “Our Beliefs” as mainstay bases of management.

#### **<Our Beliefs>**

- (i) Reflecting the pioneering spirit of our predecessors, we believe that fairness and justice should guide our business dealings and the wise use of creative imagination and ingenuity will bring prosperity.
- (ii) Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all.
- (iii) As members of a corporation, we act not as individuals but as representatives of that organization and as such we are bound by Company rules and attendant loyalties and must work together with a spirit of cooperation while cultivating mutual understanding and respect for fellow members.

In addition, the Company has set forth “Kanematsu’s Code of Conduct” as guidelines for daily operations.

The respective items set forth in the Companies Act and the Regulations for Enforcement of the Companies Act are as follows.

#### **(1) Systems for Ensuring Execution of Duties by Directors and Employees of the Company in Compliance with Laws and Regulations, and the Articles of Incorporation**

- (i) In light of the importance of corporate legal compliance, the Company has set up an Internal Control and Compliance Committee to strengthen its compliance system.
- (ii) The Company has created a Compliance Handbook filled with countermeasures for specific case examples that can be read on the Company’s intranet in order to ensure full compliance awareness from the Directors down to all employees.
- (iii) The Company has introduced a hotline system for directly reporting to or consulting with the Internal Control and Compliance Committee or an outside lawyer, and it has created the Hotline Operation Rules.
- (iv) The Company works to enhance education and training to ensure not only compliance with laws and regulations but also constant attention to sensible behavioral ethics.

- (v) The Company clearly states in its Compliance Handbook that it cuts off all ties with antisocial forces, and it ensures that this position is widely known.

**(2) Systems for Retention and Managing Information Concerning the Execution of Duties by Directors of the Company**

- (i) The Board of Directors Rules stipulates that the minutes of the Board of Directors meetings must be held for a period of 10 years at the Company's Head Office.
- (ii) In its Detailed Rules for Document Retention, the Company has established standards for the retention and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of the Company, certificates related to properties, and other similar documents, and retains documents according to these rules.
- (iii) The Company has established in these Detailed Rules for Document Retention, a system that enables any documents deemed necessary for the execution of Directors' duties to be read appropriately.

**(3) Regulations and Other Systems for Management of the Risk of Loss of the Company**

- (i) With respect to business risks that may affect the Company's operations, such as market risk, credit risk, investment risk, or country risk, the Company has designated departments responsible for each type of risk based on the Rules on Delegation of Authority, established internal regulations and detailed enforcement regulations, and prepared Operational Guidelines. It has also taken measures to ensure everyone has received necessary information through training, etc.
- (ii) The Company sets up cross-departmental committees as necessary to control risks.
- (iii) To comprehensively assess risks facing the Company, promote operational effectiveness and efficiency, and ensure the reliability of financial reporting, the Company has established the Internal Control and Compliance Committee as a groupwide organization.
- (iv) The Company has established an internal approval request system based on the Rules on Delegation of Authority to minimize business risks. The Project Deliberation Committee considers important investments and loans by comprehensively examining relevant risks.
- (v) To address the risk of crises related to the occurrence of major events, such as natural disasters, the Company has put in place a system, including specific rules and guidelines of action, to ensure the appropriate management of the Group at such extraordinary times.

**(4) Systems for Ensuring that Directors of the Company Appropriately and Efficiently Execute Duties**

- (i) The Company has established the Board of Directors Rules and in principle it holds regular Board of Directors meetings once per month and extraordinary Board of Directors meetings as necessary. While deciding matters stipulated by laws and regulations, or the Articles of Incorporation, management policy and other important matters, the Board of Directors, which is composed by Directors including Outside Directors, also supervises the execution of duties by the Directors. Audit & Supervisory Board Members also attend the Board of Directors meetings and state their opinions.
- (ii) The Company has adopted an executive officer system to improve the flexibility of business execution by speeding up management decision making and by further clarifying roles and

responsibilities through the separation of supervisory and executive functions. The Executive Officers, who are appointed by the Board of Directors, are in charge of the execution of company business.

- (iii) The Company has set up a Management Committee composed of Executive Officers, including the Chairman and the President, in order to realize speedier decision making and flexible management. The Committee establishes basic policies for the Company's general business execution in accordance with policies determined by the Board of Directors and provides instruction and guidance on the execution of business.
- (iv) The Company has established the Rules on Delegation of Authority, which sets forth the relationships between the allocated duties of Directors, Executive Officers and employees and the authority delegated to them, and criteria so that the corporate business activities can be carried out fairly under an organized structure.
- (v) So as to enhance debate and speed up decision making on important projects, the Company has established the Project Deliberation Committee to consider and discuss matters from a Companywide perspective and submit recommendations to the designated decision makers before the matters are decided by the decision makers set forth in the Rules on Delegation of Authority.
- (vi) The Company establishes Companywide targets by preparing a Medium-Term Business Plan for the Company's business operations that takes into account the future business environment, and, in addition, formulating an annual business plan every fiscal year. Each division formulates and executes concrete strategies for achieving these targets.
- (vii) To ensure that proper accounting records are kept and to monitor appropriate business execution, the Company has established Auditing Rules, in accordance with which the Internal Auditing Department conducts internal audits of all divisions and subsidiaries.

**(5) Systems for Ensuring Appropriate Business Operations by the Company and its Subsidiaries (hereinafter, the "Group")**

- (i) While respecting the autonomy of subsidiaries' management, the Company has set up a system whereby subsidiaries, in principle, obtain in advance the Company's approval based on joint discussion for the establishment of basic policies and important management matters in accordance with the Details of Delegation of Authority for Business Operations of Subsidiaries and Affiliates, provided for in the Rules on Delegation of Authority. The Company has also set up a system for affiliates whereby in principle, intra-company approval of the affiliate is obtained beforehand for important management matters that are subject to final decision by shareholders' vote at a General Meeting of Shareholders.
- (ii) The senior management of the Company and its major subsidiaries and affiliates meet several times a year and at other times as necessary to share information on management matters. These meetings are aimed at ensuring mutual understanding and a shared awareness of corporate governance issues.
- (iii) For the purpose of coordinating the Company's activities to control and manage risks with those of its subsidiaries, the Company provides guidance and suggests adjustments for the risk management activities of subsidiaries while conducting internal audits into the control and management of business risks in subsidiaries.

- (iv) The Company provides its subsidiaries with guidance on how to establish their own crisis management systems, and it makes the necessary adjustments to ensure the Group can stage a coordinated response if a crisis risk occurs.
- (v) The Company formulates a Medium-Term Business Plan and an annual business plan every fiscal year for the business operations of the Group, and it provides guidance to subsidiaries for formulating and executing concrete measures to achieve these plans.
- (vi) The Company has established a Compliance Handbook that covers the business operations of the Group and makes every effort to ensure the officers and employees of the Group become familiarized with the content. In addition, the Company has established a system whereby the Company's Internal Control and Compliance Committee controls and promotes compliance across the entire Group.

**(6) Matters Concerning the Employees Who Are to Assist Audit & Supervisory Board Members of the Company**

- (i) The Company ensures that a system is in place to assist in an Audit & Supervisory Board Member's performance of duties if an Audit & Supervisory Board Member requests the placement of an employee to assist in such duties.

**(7) Matters Concerning the Independence of the Employees Who Are to Assist Audit & Supervisory Board Members of the Company From the Directors, and the Effectiveness of Instructions From Audit & Supervisory Board Members to Said Employees**

- (i) The Company takes care to ensure that the employees who are to assist in the Audit & Supervisory Board Members' performance of duties are independent from the Directors and that Audit & Supervisory Board Members are able to effectively instruct the said employees.

**(8) Systems for Reporting to Audit & Supervisory Board Members of the Company**

- (i) Directors and employees must promptly report to an Audit & Supervisory Board Member with respect to any discovery of an incident where a Director is in violation of laws and regulations, or an incident that threatens to cause significant damage to the Company.
- (ii) The Directors who are in charge of the Internal Control and Compliance Committee must report to the Audit & Supervisory Board Members at least once a month concerning the circumstances of operations relating to compliance in the Group, on a case-by-case basis, about material matters.
- (iii) Directors and employees, if so requested by Audit & Supervisory Board Members, shall promptly report matters relating to business executions.
- (iv) In addition to attending the Board of Directors meetings, Audit & Supervisory Board Members shall attend the Management Committee meetings, Project Deliberation Committee meetings, Internal Control and Compliance Committee meetings, as well as any other important conference or committee meeting, and receive reports on important management matters within the Group to effectively conduct Audit & Supervisory Board Members' audits. Also, in cases when not attending such meetings, the Audit & Supervisory Board Members shall be given explanation on the agenda items of the meeting, and allowed the opportunity to read the meeting materials, such as internal circulars for managerial decision and reports, and the minutes of the meeting.



- (v) Audit & Supervisory Board Members shall regularly hold Group Company Audit & Supervisory Board Member Liaison Meetings at which Group-company Audit & Supervisory Board Members attend, and facilitate information sharing among Group-company Audit & Supervisory Board Members.
- (vi) It is prohibited throughout the Group to dismiss or otherwise disadvantageously treat a person making a report to the Audit & Supervisory Board Members because of the act of making the report.

**(9) Other Systems for Ensuring Efficient Audits by Audit & Supervisory Board Members of the Company**

- (i) Audit & Supervisory Board Members are provided preliminary explanations with respect to annual plans for internal audits to be implemented by the internal auditing departments, and they may state their opinions when deemed necessary. Moreover, Audit & Supervisory Board Members may be appropriately provided reports regarding the status of internal audit implementation within the Group, and may state their opinions concerning the performance of additional audits, measures to improve business operations and other such statements, when deemed necessary.
- (ii) Audit & Supervisory Board Members shall ensure the Accounting Auditor's independence from the Directors and be provided preliminary reports on the Accounting Auditor's audit plan. In addition, the Audit & Supervisory Board Members' consent is one of the required steps to approve the Accounting Auditor's compensation and the non-auditing tasks requested of the Accounting Auditor.
- (iii) Audit & Supervisory Board Members and the Audit & Supervisory Board shall meet regularly with the Representative Directors, and in addition to making sure of their understanding of the Representative Directors' management policy, they shall exchange opinions in regard to not only the issues to be addressed by the Company and the risks faced by the Company, but also the status of the environment that has been set up for the Audit & Supervisory Board Member's audits and the important issues concerning audits to deepen a mutual awareness and relationship of trust with the Representative Directors.
- (iv) If an Audit & Supervisory Board Member requests upfront payment or reimbursement for the payment of expenses needed for executing his/her duties, the Company shall pay such expenses promptly.

**(ii) Summary of Operation Status of the Systems for Ensuring Appropriate Business Operations**

In accordance with the above-mentioned basic policy, the Company has set internal control systems in place. A summary of the operation status for the fiscal year under review is provided below.

- Status of Compliance and Risk Management

The President and other Executive Officers repeatedly made statements to employees of the Company and officers and employees of its subsidiaries about the importance of compliance and the need to establish ethics of individual employees. In addition, continuous efforts were made to further instill and enhance awareness of compliance through such means as the revision of discipline in the work rules, the renewal of the Harassment Handbook, case introductions at internal compliance trainings and thorough execution of immediate report upon recognition of concerns over violation of compliance.

To realize greater efficiency and effectiveness of operational controls and risk management, the Company revised its internal rules such as Corporate Rules including the Rules on Delegation of Authority as appropriate in light of changes in laws and regulations and in the external environment. As measures for operational risk management, the Company conducted drills on suspicious e-mails to raise awareness of information security and established procedures for the proper use of SNS. From the perspective of maintaining corporate activities in response to COVID-19, the Company decided to continue the full-flexible system and other systems catered to employee work schedules, and it also expanded measures to support a balance between childcare and family care with their work duties.

The Internal Control and Compliance Committee was held in total twice to discuss such matters as the establishment, operation, evaluation, and improvement of internal control systems in the Company and its subsidiaries with the viewpoint of conducting a comprehensive evaluation of the risks.

In addition, the issues and information relating to the overall internal control, compliance and risk management of the Group were shared by way of holding the Affiliate Presidents Meeting, where the senior management of the Company and its major subsidiaries and affiliates gather, twice.

- Status of Performance of Duties by Directors, etc.

The Board of Directors meetings, which in principle are held monthly, were held in total 19 times. At these meetings, management policies and other important matters of the Company and the Group, such as the management principle, medium- to long-term strategy, and corporate governance were decided.

Management Committee meetings, which in principle are held twice monthly, were held in total 26 times to discuss matters relating to the leadership and guidance of business execution in accordance with the management policy established by the Board of Directors. In addition, Project Deliberation Committee meetings, which in principle are held twice monthly, were held in total 18 times to submit recommendations to the designated decision makers on important projects based on the preliminary deliberation.

The Company has a controlling division set up to manage matters relating to management of subsidiaries. This division received submissions from subsidiaries to approve important matters in advance and requested subsidiaries to provide reports regarding such matters.

As the first three years of the medium-term vision “*future 135*” ended in the fiscal year ended March 31, 2021, while there were no major changes to the basic policy, the Company reviewed its quantitative targets in light of the impact of the COVID-19 pandemic on the business performance and progress in business investments, and added addressing the SDGs and promoting DX to its priority initiatives. Specifically, we newly established the DX Project Office in July 2021, implemented businesses utilizing AI and cloud services and, as SDGs initiatives, developed projects to combat climate change, such as the forest conservation initiatives mainly in Indonesia (REDD) and palm oil development, and launched a decarbonization consulting project. In addition, we introduced an innovation investment program and are working to further promote and expand new businesses driven by cutting-edge technologies such as IoT and AI. In terms of human resources, since the previous fiscal year, we have worked on a health promotion system, and were selected as a Certified Health & Productivity Management Outstanding Organization in 2022 for the second year in a row. Furthermore, the Company also formed a cross-divisional project team to promote the diversity and inclusion initiatives, and has put in place the full flextime system.

- Status of Securing the Effectiveness of Audits by Audit & Supervisory Board Members

In conducting audits of the execution of duties by Directors, the Audit & Supervisory Board Members received reports from the Representative Directors, other Directors and Executive Officers, General Managers, and other employees as appropriate concerning the execution of business operations and the status of risk management, and attended all Board of Directors meetings and Management Committee meetings, in addition to important meetings and committees. In addition, the Audit & Supervisory Board Members received reports from the Representative Directors of major Group companies, concerning the execution of business operations and other information, and shared information as appropriate with the Group

companies' Audit & Supervisory Board Members through holding Group Company Audit & Supervisory Board Member Meetings and through individual meetings.

The Internal Auditing Department, which is a department for internal audits, conducted regular meetings with the Audit & Supervisory Board Members to explain matters pertaining to the annual plan, the status of audit implementation, and the results of internal audits, etc., including those for subsidiary audits for the purpose of coordinating the internal audits and Audit & Supervisory Board Members' audits.

In addition, the Audit & Supervisory Board Members met regularly with the Accounting Auditor to confirm the Accounting Auditor's independence from the Directors, and to evaluate the system and operation quality of the Accounting Auditor by exchanging opinions on the accounting audit's plan and status of implementation, matters that have an effect on the Company's business performance and financial position, key audit matters, and other matters.

## **(2) Policy Concerning Decisions on Dividends from Surplus, etc.**

The Company regards providing returns to shareholders as a critical management issue. The Company's basic policy in this regard is to provide distribution of profit that is reflective of business results, while maintaining a balance between returns to shareholders and an appropriate level of internal reserves for growth investment in the future.

In the medium-term vision *future 135*, the Company has set its target payout ratio (total return ratio) at 30% - 35%.

Pursuant to the provisions in Article 459, paragraph 1 of the Company Act, it is stipulated in the Articles of Incorporation of the Company that dividends from surplus can be determined by a resolution of the Board of Directors. Likewise, the record date of the interim dividend and of the year-end dividend should be September 30 and March 31 of every fiscal year, respectively, as stipulated in the Articles of Incorporation and dividend shall be paid twice annually by a resolution of the Board of Directors, in principle.

## Consolidated Financial Statements

### Consolidated statement of financial position (As of March 31, 2022)

(Million yen)

Item	Amount	Item	Amount
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets</b>	<b>492,090</b>	<b>Current liabilities</b>	<b>338,459</b>
Cash and cash equivalents	91,420	Trade and other payables	214,822
Trade and other receivables	236,453	Bonds and borrowings	73,707
Inventories	121,018	Lease liabilities	6,674
Other financial assets	12,006	Other financial liabilities	7,567
Other current assets	31,190	Income taxes payable	4,893
		Provisions	503
<b>Non-current assets</b>	<b>142,365</b>	Other current liabilities	30,290
Property, plant and equipment	42,087	<b>Non-current liabilities</b>	<b>96,714</b>
Goodwill	10,624	Bonds and borrowings	69,745
Intangible assets	24,912	Lease liabilities	10,158
Investments accounted for using the equity method	15,121	Other financial liabilities	1,608
Trade and other receivables	807	Retirement benefit liabilities	6,842
Other investments	35,997	Provisions	1,712
Other financial assets	7,101	Deferred tax liabilities	5,453
Deferred tax assets	2,175	Other non-current liabilities	1,193
Other non-current assets	3,537		
		<b>Total liabilities</b>	<b>435,173</b>
		<b><u>EQUITY</u></b>	
		<b>Equity</b>	
		<b>Share capital</b>	<b>27,781</b>
		<b>Capital surplus</b>	<b>27,164</b>
		<b>Retained earnings</b>	<b>89,280</b>
		<b>Treasury stock</b>	<b>(1,305)</b>
		<b>Other components of equity</b>	<b>16,563</b>
		Exchange differences on translation of foreign operations	5,296
		Financial assets measured at fair value through other comprehensive income	10,068
		Cash flow hedges	1,198
		<b>Total equity attributable to owners of the Parent</b>	<b>159,484</b>
		<b>Non-controlling interests</b>	<b>39,798</b>
		<b>Total equity</b>	<b>199,282</b>
<b>Total assets</b>	<b>634,456</b>	<b>Total liabilities and equity</b>	<b>634,456</b>

(Note) Figures are rounded down to the nearest million yen.

**Consolidated statement of income** (From April 1, 2021 to March 31, 2022)

(Million yen)

Item	Amount	
<b>Revenue</b>		<b>767,963</b>
<b>Cost of sales</b>		<b>(656,161)</b>
<b>Gross profit</b>		<b>111,801</b>
<b>Selling, general and administrative expenses</b>		<b>(85,103)</b>
<b>Other income (expenses)</b>		
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(103)	
Impairment loss on property, plant and equipment and intangible assets	(18)	
Other income	3,597	
Other expenses	(826)	2,649
<b>Operating profit</b>		<b>29,347</b>
<b>Finance income</b>		
Interest income	166	
Dividend income	1,114	
Other finance income	66	1,348
<b>Finance costs</b>		
Interest expenses	(1,690)	
Other finance costs	(1,691)	(3,381)
<b>Share of profit (loss) of investments accounted for using the equity method</b>		<b>1,451</b>
<b>Profit before tax</b>		<b>28,765</b>
<b>Income tax expense</b>		<b>(8,206)</b>
<b>Profit for the year</b>		<b>20,559</b>
<b>Profit for the year attributable to:</b>		
Owners of the Parent		15,986
Non-controlling interests		4,573

(Note) Figures are rounded down to the nearest million yen.

## Consolidated statement of changes in equity (From April 1, 2021 to March 31, 2022)

(Million yen)

	Equity attributable to owners of the Parent							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity			
					Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Re-measurement of defined benefit pension plans
<b>Balance as of March 31, 2021</b>	27,781	27,034	78,070	(1,311)	1,633	10,163	554	–
Profit			15,986					
Other comprehensive income					3,663	115	643	24
<b>Total comprehensive income for the year</b>	–	–	15,986	–	3,663	115	643	24
Dividends			(5,010)					
Dividends paid to non-controlling interests								
Acquisition of treasury stock				(2)				
Disposition of treasury stock		0		8				
Equity transactions with non-controlling interests		19						
Share-based payment transactions		110						
<b>Total transactions with owners</b>	–	129	(5,010)	5	–	–	–	–
<b>Reclassification from other components of equity to retained earnings</b>			235			(210)		(24)
<b>Balance as of March 31, 2022</b>	27,781	27,164	89,280	(1,305)	5,296	10,068	1,198	–

	Equity attributable to owners of the Parent		Non-controlling interests	Total equity
	Other components of equity	Total equity attributable to owners of the Parent		
	Total other components of equity			
<b>Balance as of March 31, 2021</b>	12,351	143,926	36,566	180,492
Profit	–	15,986	4,573	20,559
Other comprehensive income	4,446	4,446	1,239	5,686
<b>Total comprehensive income for the year</b>	4,446	20,433	5,812	26,246
Dividends	–	(5,010)		(5,010)
Dividends paid to non-controlling interests	–	–	(2,564)	(2,564)
Acquisition of treasury stock	–	(2)		(2)
Disposition of treasury stock	–	8		8
Equity transactions with non-controlling interests	–	19	(16)	3
Share-based payment transactions	–	110		110
<b>Total transactions with owners</b>	–	(4,875)	(2,580)	(7,455)
<b>Reclassification from other components of equity to retained earnings</b>	(235)	–		–
<b>Balance as of March 31, 2022</b>	16,563	159,484	39,798	199,282

(Note) Figures are rounded down to the nearest million yen.

## Non-consolidated Financial Statements

### Non-consolidated balance sheet (As of March 31, 2022)

(Million yen)

Item	Amount	Item	Amount
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets</b>	<b>193,427</b>	<b>Current liabilities</b>	<b>140,413</b>
Cash and bank deposits	14,792	Notes payable	127
Notes receivable	1,338	Import bills payable	65,182
Accounts receivable	73,235	Accounts payable	23,977
Short-term investments	1	Current portion of bonds	5,000
Inventories	51,346	Short-term borrowings	22,390
Advance payments to suppliers	8,537	Lease obligations	176
Prepaid expenses	791	Other accounts payable	7,673
Short-term loans receivable	2	Accrued expenses	604
Short-term loans to affiliates	25,854	Accrued income taxes	598
Other accounts receivable	5,632	Advances received	8,402
Derivatives	7,776	Deposits received	2,640
Other	4,146	Deferred revenue	23
Allowance for doubtful accounts	(29)	Asset retirement obligations	263
		Derivatives	3,141
		Other provisions	192
		Other	18
<b>Long-term assets</b>	<b>117,740</b>	<b>Non-current liabilities</b>	<b>68,195</b>
<b>Tangible fixed assets</b>	<b>729</b>	Bonds	15,000
Buildings	130	Long-term borrowings	50,579
Structures	0	Lease obligations	190
Machinery and equipment	50	Provision for employees' retirement and severance benefits	17
Vehicles	0	Provision for loss on affiliated business	13
Tools and fixtures	129	Provision for stock benefits	284
Land	5	Asset retirement obligations	27
Lease assets	314	Deferred tax liabilities	1,894
Construction in progress	98	Other	188
<b>Intangible fixed assets</b>	<b>808</b>	<b>Total liabilities</b>	<b>208,608</b>
Software	731	<b><u>NET ASSETS</u></b>	
Telephone subscription rights	7	<b>Shareholders' equity</b>	<b>97,435</b>
Other	69	<b>Common stock</b>	<b>27,781</b>
<b>Investments and other assets</b>	<b>116,202</b>	<b>Capital surplus</b>	<b>26,887</b>
Investments in securities	21,030	Legal capital surplus	26,887
Shares of affiliates	84,051	Other capital surplus	0
Equity investments	2,195	<b>Retained earnings</b>	<b>44,061</b>
Equity investment in affiliates	6,141	Legal retained earnings	131
Long-term loans receivable	1,257	Other retained earnings	43,929
Long-term loans to employees	23	Voluntary reserve	1,836
Long-term loans to subsidiaries and affiliates	1,716	Retained earnings brought forward	42,093
Doubtful accounts	252	<b>Treasury stock</b>	<b>(1,294)</b>
Long-term prepaid expenses	15	<b>Valuation and translation adjustments</b>	<b>5,211</b>
Prepaid pension costs	37	Net unrealized gains on securities, net of tax	4,025
Other	2,259	Net losses on deferred hedges, net of tax	1,186
Allowance for doubtful accounts	(2,779)	<b>Total net assets</b>	<b>102,646</b>
<b>Deferred assets</b>	<b>87</b>	<b>Total liabilities and net assets</b>	<b>311,255</b>
Bond issuance costs	87		
<b>Total assets</b>	<b>311,255</b>		

(Note) Figures are rounded down to the nearest million yen.

**Non-consolidated statement of income** (From April 1, 2021 to March 31, 2022)

(Million yen)

Item	Amount	
<b>Revenue</b>		<b>336,492</b>
<b>Cost of sales</b>		<b>323,272</b>
<b>Gross profit</b>		<b>13,220</b>
<b>Selling, general and administrative expenses</b>		<b>14,068</b>
<b>Operating loss</b>		<b>(848)</b>
<b>Non-operating income</b>		
Interest income	447	
Dividend income	10,057	
Foreign exchange gains	1,274	
Other	463	12,242
<b>Non-operating expenses</b>		
Interest expenses	1,019	
Other	207	1,227
<b>Ordinary income</b>		<b>10,166</b>
<b>Extraordinary gains</b>		
Gain on sale of tangible fixed assets	26	
Gain on sale of investments in securities	618	645
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	2	
Loss on sale of investments in securities	2	
Impairment loss on investments in securities	1,598	
Loss on refunding due to capital reduction of subsidiaries and affiliates	3	
Provision of allowance for doubtful accounts for subsidiaries and affiliates and loss on affiliated business	207	1,813
<b>Income before income taxes</b>		<b>8,998</b>
Income taxes - current	1	
Income taxes - deferred	414	416
<b>Net income</b>		<b>8,582</b>

(Note) Figures are rounded down to the nearest million yen.



**Non-consolidated statement of changes in equity** (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					Voluntary reserve	Retained earnings brought forward		
<b>Balance at the beginning of the fiscal year</b>	<b>27,781</b>	<b>26,887</b>	<b>0</b>	<b>26,887</b>	<b>131</b>	<b>1,836</b>	<b>38,565</b>	<b>40,533</b>
<b>Changes during the fiscal year</b>								
Dividends				–			(5,054)	(5,054)
Net income				–			8,582	8,582
Acquisition of treasury stock				–				–
Disposition of treasury stock			0	0				–
Net changes of items other than shareholders' equity during the fiscal year				–				–
<b>Total changes during the fiscal year</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>0</b>	<b>–</b>	<b>–</b>	<b>3,527</b>	<b>3,527</b>
<b>Balance at the end of the fiscal year</b>	<b>27,781</b>	<b>26,887</b>	<b>0</b>	<b>26,887</b>	<b>131</b>	<b>1,836</b>	<b>42,093</b>	<b>44,061</b>

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Total valuation and translation adjustments	
<b>Balance at the beginning of the fiscal year</b>	<b>(1,300)</b>	<b>93,901</b>	<b>3,631</b>	<b>611</b>	<b>4,243</b>	<b>98,144</b>
<b>Changes during the fiscal year</b>						
Dividends		(5,054)			–	(5,054)
Net income		8,582			–	8,582
Acquisition of treasury stock	(2)	(2)			–	(2)
Disposition of treasury stock	8	8			–	8
Net changes of items other than shareholders' equity during the fiscal year		–	394	574	968	968
<b>Total changes during the fiscal year</b>	<b>5</b>	<b>3,533</b>	<b>394</b>	<b>574</b>	<b>968</b>	<b>4,502</b>
<b>Balance at the end of the fiscal year</b>	<b>(1,294)</b>	<b>97,435</b>	<b>4,025</b>	<b>1,186</b>	<b>5,211</b>	<b>102,646</b>

(Note) Figures are rounded down to the nearest million yen.

## Independent Auditors' Audit Report

May 24, 2022

To the Board of Directors of  
Kanematsu Corporation

PricewaterhouseCoopers Aarata LLC

Designated Limited Liability Partner,  
Certified Public Accountant:  
Kensuke Koda

Designated Limited Liability Partner,  
Certified Public Accountant:  
Masaki Nitta

Designated Limited Liability Partner,  
Certified Public Accountant:  
Shinya Hiraoka

### *Opinion*

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Kanematsu Corporation (the "Company") for the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above were prepared in accordance with accounting standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting, and present fairly, in all material respects, the financial position and results of operations of the Company and its consolidated subsidiaries for the period covered by these consolidated financial statements.

### *Basis for the Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "*Auditor's Responsibility for the Audit of the Consolidated Financial Statements.*" We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and we comply with other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Other information*

Other information consists of the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of duties by the Directors in designing and operating the process for reporting the other information.

The other information is not subject to our opinion on the consolidated financial statements and we do not express any opinion on the other information.

Our responsibility for the audit of the consolidated financial statements is to read the other information and, in doing so, to examine whether there is any material difference between the other information and the consolidated financial statements, as well as the knowledge that we acquired during the audit process, and to pay attention to whether there is any sign of material misstatement in the other information other than such material difference. If we determine that there is material misstatement in the other information based on the work we conducted, we are required to report that fact.

We have no matters to report as to the other information.

### *Responsibility of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these consolidated financial statements, management is responsible for evaluating the appropriateness of preparing the consolidated financial statements on a going concern assumption, excluding the cases where management intends to liquidate or suspend the business or when there are no realistic alternatives other than the aforementioned, and disclosing matters related to a going concern when disclosure is obligatory based on accounting standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of duties by the Directors in designing and operating the financial reporting process.

### *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

The auditor's responsibility is to obtain reasonable assurance on if the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on these consolidated financial statements from an independent position in the audit report based on the audit conducted by the auditor. Misstatement can occur due to fraud or error, and its materiality is determined by reasonably estimating whether it individually or cumulatively influences the decision-making of the users of the consolidated financial statements. The auditor conducts the following in accordance with auditing standards generally accepted in Japan and makes judgements as professional specialist throughout the auditing process, while maintaining professional skepticism.

- Identify and assess the risks of material misstatement due to fraud or error. Design and perform audit procedure that deals with the risks of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. Moreover, obtain sufficient and appropriate audit evidence to provide a basis for expressing the audit opinion.
- The purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used by management and the application methods thereof, as well as the reasonableness of accounting estimates made by management and the propriety of relevant notes.
- Conclude whether the preparation of consolidated financial statements by management under the going concern assumption is appropriate or not and, based on the audit evidence obtained, conclude if there are material uncertainties regarding events and conditions where significant doubt is cast upon the going concern assumption. When there are material uncertainties regarding the going concern assumption, the auditor is required to raise awareness concerning the notes to the consolidated financial statements in the audit report. When the notes to the consolidated financial statements regarding material uncertainties are concluded to be inappropriate, it is required that the auditor expresses a qualified opinion with exceptions on the consolidated financial statements. Although the conclusion by the auditor is based on audit evidence obtained up until the issue date of the audit report, there are possibilities where the Company may not continue as a going concern due to future events and conditions.
- Evaluate whether the presentation and the relevant notes of the consolidated financial statements are prepared in accordance with accounting standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting, as well as evaluate whether the presentation, structure and content of the consolidated financial statements, including the relevant notes, and the transactions and accounting events based on the consolidated financial statements are presented fairly.
- Obtain sufficient and appropriate audit evidence concerning the financial information of the Company and its subsidiaries in order to express an opinion on these consolidated financial statements. The auditor is responsible for instructing, monitoring, and performing the audit of the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and the performing period of the audit planned, important matters related to the audit including material weakness in internal control identified during the audit, and other matters required by the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance of the provisions related to professional ethics in Japan concerning independence, matters which are reasonably considered to be of influence on the independence of the auditor, and any safeguard measures taken to eliminate or reduce hindering factors.

*Conflicts of Interest*

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

## Independent Auditors' Audit Report

May 24, 2022

To the Board of Directors of  
Kanematsu Corporation

PricewaterhouseCoopers Aarata LLC

Designated Limited Liability Partner,  
Certified Public Accountant:  
Kensuke Koda

Designated Limited Liability Partner,  
Certified Public Accountant:  
Masaki Nitta

Designated Limited Liability Partner,  
Certified Public Accountant:  
Shinya Hiraoka

### *Opinion*

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements, and the supplementary schedules (hereinafter the “non-consolidated financial statements and others”), of Kanematsu Corporation (the “Company”) for the 128th fiscal term from April 1, 2021 to March 31, 2022.

In our opinion, the non-consolidated financial statements and others referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the period covered by these non-consolidated financial statements and others in conformity with accounting principles generally accepted in Japan.

### *Basis for the Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “*Auditor’s Responsibility for the Audit of the Non-consolidated Financial Statements and Others.*” We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and we comply with other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Other information*

Other information consists of the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of duties by the Directors in designing and operating the process for reporting the other information.

The other information is not subject to our opinion on the non-consolidated financial statements and others and we do not express any opinion on the other information.

Our responsibility for the audit of the non-consolidated financial statements and others is to read the other information and, in doing so, to examine whether there is any material difference between the other information and the non-consolidated financial statements and others, as well as the knowledge that we acquired during the audit process, and to pay attention to whether there is any sign of material misstatement in the other information other than such material difference.

If we determine that there is material misstatement in the other information based on the work we conducted, we are required to report that fact.

We have no matters to report as to the other information.

*Responsibility of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Non-consolidated Financial Statements and Others*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and others in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and others that are free from material misstatement, whether due to fraud or error.

In preparing these non-consolidated financial statements and others, management is responsible for evaluating the appropriateness of preparing the non-consolidated financial statements and others on a going concern assumption, and disclosing matters related to a going concern when disclosure is obligatory in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of duties by the Directors in designing and operating the financial reporting process.

*Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements and Others*

The auditor's responsibility is to obtain reasonable assurance on if the non-consolidated financial statements and others as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on these non-consolidated financial statements and others from an independent position in the audit report based on the audit conducted by the auditor. Misstatement can occur due to fraud or error, and its materiality is determined by reasonably estimating whether it individually or cumulatively influences the decision-making of the users of the non-consolidated financial statements and others.

The auditor conducts the following in accordance with auditing standards generally accepted in Japan and makes judgements as professional specialist throughout the auditing process, while maintaining professional skepticism.

- Identify and assess the risks of material misstatement due to fraud or error. Design and perform audit procedure that deals with the risks of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. Moreover, obtain sufficient and appropriate audit evidence to provide a basis for expressing the audit opinion.
- The purpose of the audit of the non-consolidated financial statements and others is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used by management and the application methods thereof, as well as the reasonableness of accounting estimates made by management and the propriety of relevant notes.
- Conclude whether the preparation of the non-consolidated financial statements and others by management under the going concern assumption is appropriate or not and, based on the audit evidence obtained, conclude if there are material uncertainties regarding events and conditions where significant doubt is cast upon the going concern assumption. When there are material uncertainties regarding the going concern assumption, the auditor is required to raise awareness concerning the notes to the non-consolidated financial statements and others in the audit report. When the notes to the non-consolidated financial statements and others regarding material uncertainties are concluded to be inappropriate, it is required that the auditor expresses a qualified opinion with exceptions on the non-consolidated financial statements and others. Although the conclusion by the auditor is based on audit evidence obtained up until the issue date of the audit report, there are possibilities where the Company may not continue as a going concern due to future events and conditions.
- Evaluate whether the presentation and the relevant notes of the non-consolidated financial statements and others are prepared in accordance with accounting principles generally accepted in Japan, as well as evaluate whether the presentation, structure and content of the non-consolidated financial statements and others, including its relevant notes, and the transactions and accounting events based on the non-consolidated financial statements and others are presented fairly.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and the performing period of the audit planned, important matters related to the audit including material weakness in internal control identified during the audit, and other matters required by the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance of the provisions related to professional ethics in Japan concerning independence, matters which are reasonably considered to be of influence on the independence of the auditor, and any safeguard measures taken to eliminate or reduce hindering factors.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Audit Report

The Audit & Supervisory Board, hereby reports as follows regarding the performance of duties by the Directors of Kanematsu Corporation (the “Company”) during its 128th fiscal term, from April 1, 2021 to March 31, 2022. This Audit Report was prepared based on reports prepared by each Audit & Supervisory Board Member, and as a result of subsequent deliberations.

1. Method of the audits by the individual Audit & Supervisory Board Members and the Audit & Supervisory Board; content of audits
  - (1) In addition to receiving reports on the progress in and results of audits by the individual Audit & Supervisory Board Members, based on the Audit & Supervisory Board’s policies and audit plans for the current fiscal term, the Audit & Supervisory Board also received reports from the Directors and the Accounting Auditor regarding the performance of its duties, and requested explanations from it as necessary.
  - (2) In accordance with the auditing standards set forth by the Audit & Supervisory Board, and in compliance with the policies and audit plans for the current fiscal term, each of the Audit & Supervisory Board Members worked to communicate with the Directors, the Internal Auditing Department, and other employees in collecting information and establishing an appropriate audit environment, and audits were implemented as follows:
    - (i) Audit & Supervisory Board Members participated in meetings of the Board of Directors and other key meetings, received reports from the Directors and other employees regarding the performance of their duties, and when necessary, requested explanations of those reports. Audit & Supervisory Board Members also reviewed key decision documents, and conducted surveys of the operations and assets of both the head office and major local offices. Regarding subsidiaries, Audit & Supervisory Board Members worked to communicate with those subsidiaries’ Directors, Audit & Supervisory Board Members and other parties and received business reports from subsidiaries as necessary.
    - (ii) As for the details of the resolution of the Board of Directors related to the establishment of the systems as indicated in the Business Report to ensure that the execution of the duties of Directors conform to laws and regulations and the Articles of Incorporation, and the systems necessary to ensure appropriate operations of corporations and their subsidiaries as stipulated in Article 100, paragraphs 1 and 3 of the Regulations for Enforcement of the Companies Act, and the condition of the systems put in place in accordance with the aforesaid resolution (internal control system), we received periodical reporting from the Directors and other employees, sought explanations as necessary, and provided our recommendations.
    - (iii) While also monitoring and reviewing the audit of the Accounting Auditor to ensure it maintained an independent position and conducted its audits fairly, Audit & Supervisory Board Members received reports from them regarding the performance of its duties, and when necessary, asked for further explanation regarding those reports. Audit & Supervisory Board Members also received notice from the Accounting Auditor in accordance with “the system for ensuring appropriate execution of its duties” (as enumerated in each item of Article 131 of the Regulations on Corporate Accounting) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberations Council on October 28, 2005), and, where necessary, Audit & Supervisory Board Members requested further explanation regarding that notice.

Based on the above methods, Audit & Supervisory Board Members proceeded to review the Business Report and supplementary schedules, the Non-consolidated Financial Statements (consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements) with supplementary schedules, and the Consolidated Financial Statements (consist of the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the fiscal year under review.



## 2. Audit Results

### (1) Results of Audit of Business Report, etc.

- (i) The Audit & Supervisory Board confirms that the Business Report and supplementary schedules conformed to laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.
- (ii) With respect to the performance of duties by Directors, the Audit & Supervisory Board found no improper acts or important violation of laws and regulations or the Articles of Incorporation.
- (iii) The Audit & Supervisory Board confirms that decisions by the Board of Directors regarding the Company's internal control systems to be fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, to be fair and adequate.

### (3) Results of Audit of Consolidated Financial Statements The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, to be fair and adequate.

May 24, 2022

Audit & Supervisory Board  
Kanematsu Corporation

Tetsuro Murao  
Audit & Supervisory Board Member (Full-time)

Motohisa Hirai  
Audit & Supervisory Board Member (Full-time)

Yusaku Kurahashi  
Outside Audit & Supervisory Board Member

Nobuko Inaba  
Outside Audit & Supervisory Board Member