



March 26, 2024

Press Release

Company name: Kanematsu Corporation
Representative: Yoshiya Miyabe, President
(Securities Code: 8020 Prime Market, Tokyo Stock Exchange)
Inquires to be sent to:
Hiroshi Miyaike, Manager,
Public & Investor Relation Section
(TEL: 03-6747-5000)

Notice Regarding Medium-Term Management Plan, “integration 1.0”

Kanematsu Corporation (hereinafter referred to as “Kanematsu” or “the Company”) has announced the medium-term management plan, “Integration 1.0,” covering the period from the fiscal year ending March 2025 to the fiscal year ending March 2027. The medium-term management plan was officially approved at the Board of Directors meeting on March 26, 2024.

For an overview of the medium-term management plan, please refer to the summary provided in the following pages.

Summary of the Medium-Term Management Plan, “integration 1.0”

■ Medium-term management plan, “integration 1.0”

This medium-term management plan has been developed to project three years ahead, using a backcasting approach from Kanematsu’s medium to long-term envisioned goal.

To fully leverage Kanematsu’s strengths and advance towards the goal, the Company emphasizes the importance of unity across the entire Group. This entails transcending traditional work ethics and behavioral patterns of individuals, while also overcoming divisional and organizational barriers, as well as transforming the traditional business model of a trading company.

With this context in mind, to advance Groupwide management through the 3-year management plan, Kanematsu has designated it as “integration 1.0.”

■ Kanematsu’s Envisioned Goal

We are confronted with an increasingly uncertain future, characterized by the profound impact of the pandemic, escalating tensions in international affairs, and environmental challenges. Concurrently, rapid technological advancements propel us into what can be deemed the age of VUCA.

In industries Kanematsu operates in, and within the external environment surrounding our customers and suppliers, we recognize three key issues: the labor shortage resulting from a shrinking and aging population and the challenges posed by the 2024 problem*; the need to address sustainability to meet social demands regarding ethics and the environment, exemplified by ESG and SDGs; and the need to expedite management to promptly discern and respond to subtle changes in our rapidly evolving environment.

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

Building upon our environmental awareness and the foundation laid by the previous medium-term vision, “future 135,” Kanematsu aims to become a solution provider leading the transformation of efficient and sustainable supply chains over the next five years. This includes accomplishing the objectives outlined in the new medium-term management plan.

To realize the envisioned goal, we need the ability to design optimal solutions that are deeply rooted in supply chains, along with the capability to implement and operate these solutions. It also involves engaging a diverse array of external partners across multiple layers.

We are pursuing the goal of becoming a solution provider by harnessing the collective synergy of the entire Group’s intangible assets. This encompasses the extensive knowledge of supply chains and business acumen cultivated through our century-long trading business, in conjunction with the solution capabilities of Kanematsu Electronics Co., Ltd. (KEL). Additionally, acquiring new organizational capabilities is imperative for this transformation.

Using the envisioned goal as our guiding compass, we are positioning the next three years from FY2025 to FY2027 as the timeframe for the new management plan, and implementing various initiatives.

Kanematsu After the Medium-Term Management Plan

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

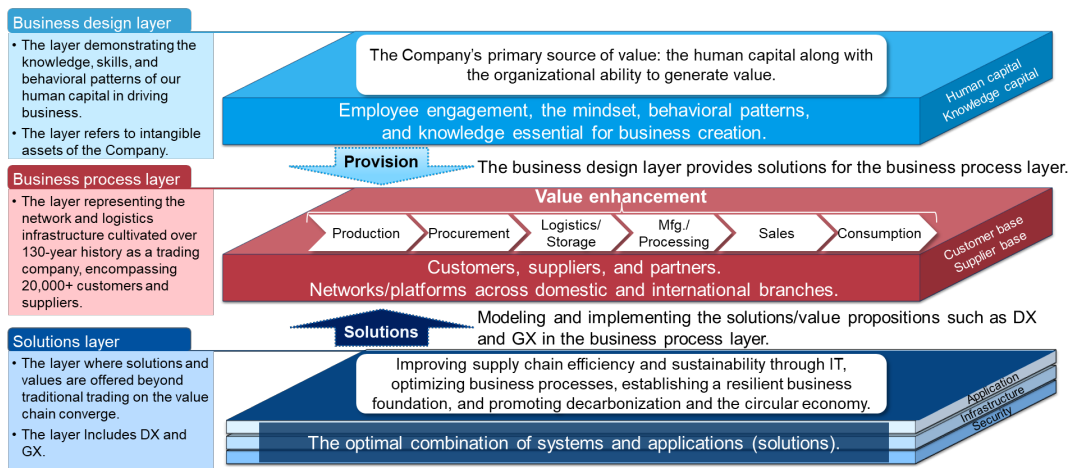


Figure 1: Kanematsu’s Envisioned Goal - Kanematsu After the Medium-Term Management Plan

■ Basic Policies of integration 1.0

• Overview

We are leveraging strengths of Kanematsu, cultivated through its trading business, and the strengths of KEL, now a fully integrated group company. Furthermore, we are pursuing initiatives that are beyond our previous business approaches.

Our goal is to enhance value for all our stakeholders as well as long-term shareholder value by pursuing following the six basic policies of “integration 1.0.”

1. Promotion of Groupwide management:

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

2. Expansion of value proposition:

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

3. Strengthening of organizational capabilities:

Developing and expanding the ecosystem for collaborative creation.

Achieving new value creation through organizational transformation.

4. Strengthening human capital:

Aligning management strategy with human capital strategy.

Accumulating and expanding organizational assets and capabilities through the coordination of the Human Capital Management Committee and the Growth Strategy Office.

5. Further enhancement of management functions:

Driving cross-divisional expansion of the solution business by establishing the ICT Solution Division derived from KEL and appointing the President of KEL as an Executive Officer of the Company.

6. Enhancement of shareholder value:

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

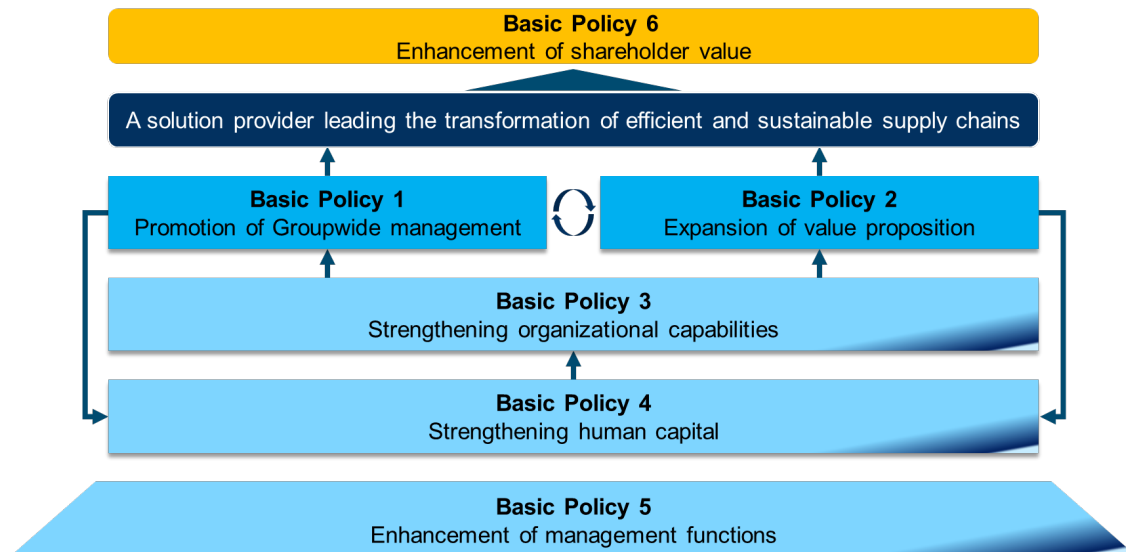


Figure 2: Basic Structure of the integration 1.0

■ **Targets**

Financial Targets

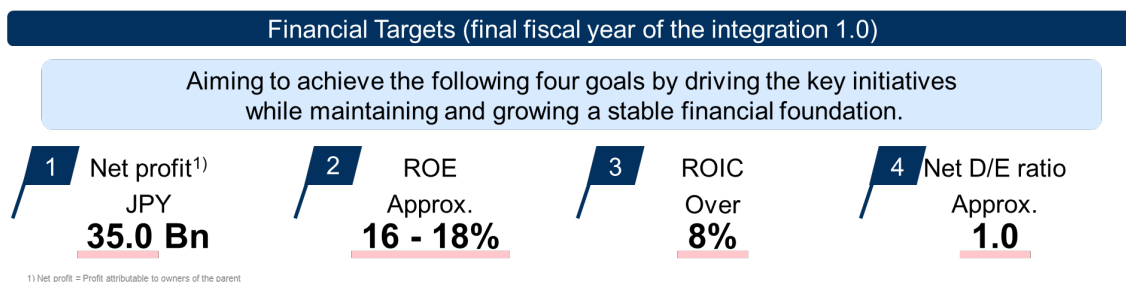


Figure 3: Targets - Financial Targets

• **Financial Targets**

By driving initiatives towards envisioned goal, while maintaining and fostering a stable financial foundation, we aim to achieve net profit of 35 billion yen, ROE of approximately 16-18%, ROIC of over 8%, and a net D/E ratio of approximately 1.0.

• **Business Portfolio**

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

• **Capital Allocation Policy**

Allocating approximately 40 billion yen for growth investment for ICT solutions and DX, and approximately 20 billion yen for businesses with competitive advantages, including GX, based on operating cash flow generated from both stable core businesses and growth businesses.

• **Shareholder Returns Policy**

Introducing an annual dividend of a minimum of 90 yen with progressive dividends. The policy includes increasing dividends in accordance with the growth of net profit, targeting a total return ratio of 30-35%.

■ **Maximizing Shareholder Value**

Maximizing shareholder value involves reducing the cost of capital or restraining ESG discounts by enhancing the credibility of our management. It also entails improving expected earnings growth rate by fostering market expectations for growth beyond the conventional trading company business model, resulting in enhanced market valuation or an increase in the P/E ratio.

Reduce Cost of Capital and Improve Expected Earnings Growth Rate

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

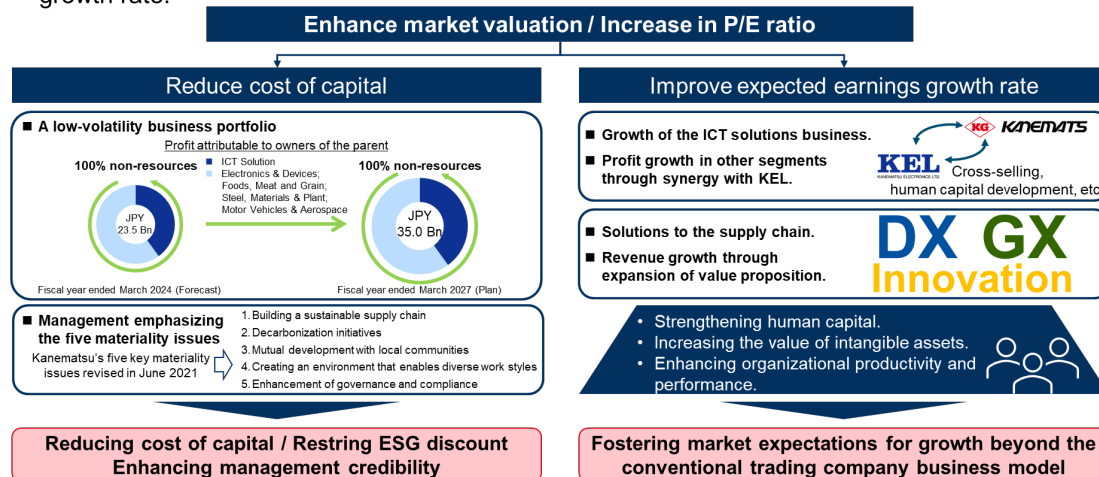


Figure 4: Maximizing Shareholder Value - Reduce Cost of Capital and Improve Expected Earnings Growth Rate