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Press Release

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Progress of the "*future 135*" medium-term vision

The Kanematsu Group is pushing ahead with "*future 135*", a six-year medium-term vision up to the fiscal year ending March 2024, which is the 135th anniversary of its founding. With March 31, 2021 marking the end of the first three years of the vision, Kanematsu took this as an opportunity to revisit the vision and reaffirm its business direction, taking recent developments such as the progress of business investments and the impact of the COVID-19 pandemic into consideration.

◆Overview of "*future 135*" (March 2019-March 2024) * Overview announced at time of establishment (May 9, 2018)

[Basic Policy]

The Kanematsu Group will help realize sustainable global economic growth and solve social issues through the pursuit of "expansion of scale," "acquisition of added value," and "quality improvement" and through evolution of its traditional businesses and the creation of new businesses, aiming to advance into the next stage of growth.

[Essentials]

- Continue to extend the strong businesses of the Kanematsu Group and achieve sustainable growth in business areas with a stable earnings base. Aim to achieve consolidated net income* of 25 billion yen by pursuing the expansion of the revenue base and the enhancement of added value through effective business investments.
(*Profit attributable to owners of the parent)
- Focusing on capital efficiency based on the stability of the earnings and financial structures, setting target ROE at 13-15% and the payout ratio (total return ratio) at 25-30%.

◆Summary of the first three years of "*future 135*"

In terms of earnings, the Kanematsu Group made a strong start, achieving year-on-year growth in revenue and profits in the first fiscal year. However, the effects of the COVID-19 pandemic from the closing stages of the second year caused a slowdown in performance. The progress of business investments was also affected, leading to a slower pace of growth than originally envisioned. At the same time, the negative impact of COVID-19 on the Group's businesses has been limited, albeit worse in some areas than others, confirming to some extent the underlying strength of the Kanematsu Group's earnings base.

Meanwhile, the Group's financial performance was also sufficiently robust to ensure management stability, with the equity ratio and the net debt-equity ratio standing at 25.8% and 0.3 times respectively. Also in terms of shareholder

returns, the Group kept indicators such as the equity ratio and risk-asset ratio at a stable level, enabling the payment of continuous and stable dividends and, as a result, the dividend payout ratio over the first three years exceeded 30%, which is the upper bound of the target range.

[Trends over the first three years]

	(Billion yen)		
	FY2019	FY2020	FY2021
Operating Profit	30.3	28.4	23.6
Profit before tax	29.2	26.9	23.6
Profit attributable to owners of the parent	16.6	14.4	13.3
ROE(%)	13.8	11.2	9.7
Consolidated payout ratio(%)	30.3	34.8	37.6

◆Policy for the last three years of "future 135"

Despite unexpected changes in the environment such as the COVID-19 pandemic, there will be no major change in the basic policy. However, in light of the progress of business investments and the earnings growth arising from investments, Kanematsu is revising its quantitative targets.

Moreover, Kanematsu will also push ahead with initiatives to address the SDGs and DX that have been newly included in the priority initiatives.

[Quantitative targets (Final year: the fiscal year ending March 2024)]

	Revised forecast	Original forecast
Profit attributable to owners of the parent	20.0 billion yen	25.0 billion yen
R O E	10% ~ 12%	13% ~ 15%
Total return ratio	30% ~ 35%	25% ~ 30%

[Priority initiatives]

- Sustainable growth in fundamental businesses and the expansion of the revenue base through business investments
 - Achieve sustainable growth while achieving a balance between capital and risk assets, based on the stable earnings structure and financial structure
 - Aim for "expansion in scale" and "acquisition of added value" through business investments in areas of strength
 - Promote investments in business areas on the themes of environment, society and safety, for achievement of the SDGs
- Response to technical innovation
 - Pursue DX on a groupwide basis
 - Promote and expand new businesses with advanced technology (IoT, AI, etc.)
 - Promote innovation investment (investment in development for the future)

- Establishment of management infrastructure for achieving sustainable growth
 - Build a framework for global strategy, including strengthening the overseas earnings base
 - Invest in human resources, including the cultivation of management-level human resources
 - Improve business efficiency and employee satisfaction (ES), including the continuous implementation of workstyle reform

* Note on earnings forecasts

Earnings forecasts and other forward-looking statements contained in this material are projections based on information available to the Company on the date of the announcement of this material and reasonable assumptions. Accordingly, please note that the actual results may differ significantly from the forward-looking statements contained in this material due to various factors.