

Message from the President



Taking our unchanging corporate philosophy as the foundation for our decision-making

Any discussion of the YUASA TRADING Group needs to take our history into account. I would like to begin my message by outlining why our company has reached the position where it is now. Having been founded in 1666, and thus having been in existence for 356 years, YUASA TRADING is one of the oldest companies in Japan. Founded as a charcoal business, in 1671 the company became a wholesaler handling metal implements, and for 350 years since then it has continued to build a solid foundation. In the Showa era (which began in 1926), as a metal implements wholesaler, YUASA TRADING began to focus heavily on metal fittings for buildings and on machine tools, laying the groundwork for today's core businesses. YUASA TRADING has long been committed to helping solve social issues, and was one of the first companies in the industry to establish an Environment business and Resilience business. Recently, we have expanded into new fields: Agriculture, and the Long-term Care and Medical business. The previous President's watchword was that "A long-established business can always come up with something new," and I believe that this is a perfect description of YUASA TRADING, which has been able to identify new trends and transform itself repeatedly in response to changing times.

Over our long history, we have continued to hold to a corporate philosophy based on three elements: "Honesty and Trust," "Enterprise and Innovation," and "Regard for the Individual." This philosophy embraces the modern concepts of diversity and engagement, and when making important management decisions, I often find myself going back to our corporate philosophy.

I would like to relate an incident which really brought the value of YUASA TRADING corporate philosophy home to me. In 1995, I was posted to Malaysia as a sales manager for the Machine Tools Division, to set up a new sales office there. This was at a time when many Japanese manufacturers were moving production overseas, and I had initiated this project myself, motivated by a feeling of profound concern driven by the shrinking of the Japanese domestic market. However, there were

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Distinguishing Between Things That Should Change and Things That Should Not Change

Hiroyuki Tamura

Representative Director,
President & CEO

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many aspects of the new project that I did not fully appreciate until after I arrived in Malaysia. Firstly, I soon realized that, unlike with the machinery business in Japan, where you can rely on manufacturers to provide follow-up support, in Malaysia you needed to have your own equipment maintenance company in order to get a business off the ground. A further point was that, in order to be able to meet the diverse needs of this rapidly-growing economy, just selling machines on their own would not be enough; we needed to conduct sales by offering proposals that made use of the combined capabilities of the YUASA TRADING Group as a whole. At the time, I was still only in my 30s, but I worked persistently to convince my superiors that, besides the sales company that we had originally intended to set up, we also needed to establish a dedicated maintenance company too. In the end, they adopted my suggestion, and we ended up setting up two local subsidiaries in the same country at around the same time, with me serving as CEO of both. This experience seemed to me to be entirely in line with the “Enterprise and Innovation” and “Regard for the Individual” aspects of YUASA TRADING’s corporate philosophy, which emphasize “pursuing the entrepreneurial spirit and revolutionary ideas” and “respecting employee individuality and rights.” Today, I see “Total Coordination Skills,” “Challenging Spirit” and “Communication” as being the keywords that embody the sources of growth for the YUASA TRADING Group.

YUASA VISION 360 and Growing Together 2023

Aiming for “TSUNAGU” value creation

We established “YUASA VISION 360” as our vision for the year 2026, which marks the 360th anniversary of the founding of the Group.

The aim of this vision is for the YUASA TRADING Group to grow into a “TSUNAGU” Service Integrated Shosha Group with an industry-leading profit structure. This plan established numeric targets of consolidated net sales of ¥600.0 billion, ordinary profit of ¥20.0 billion, an ordinary profit to net sales ratio

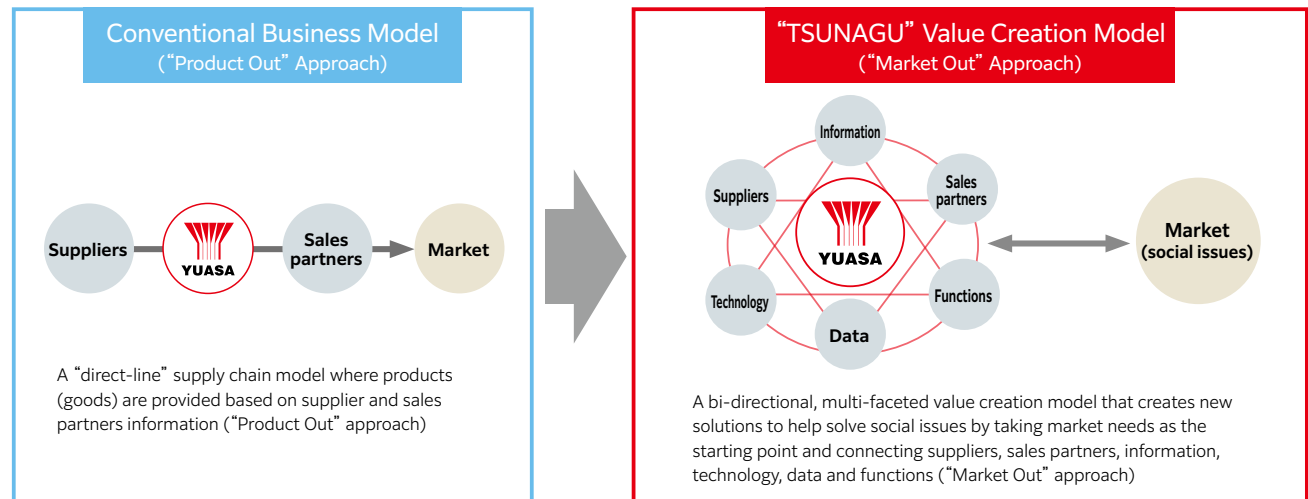
of 3.3%, an ROE of at least 11.7%, and a total payout ratio of at least 33.0%, for the fiscal year ending March 31, 2026.

To this end, in April 2020 we announced the Medium-term Management Plan “Growing Together 2023,” the implementation period for which ends in the fiscal year ending March 31, 2023, as the second stage.

Taking “Total Coordination Skills,” “Challenging Spirit” and “Communication” as keywords, by strengthening our existing core business and developing and cultivating nine growth businesses as businesses that help to solve social issues, we are aiming to further strengthen our management foundations. As a result of our efforts in this regard, the company’s performance in the fiscal year ended March 31, 2022, the second year of plan implementation, was as follows: Net sales totaled ¥462.7 billion, our operating profit rose by 32.3%, ordinary profit rose by 17.3%, and profit attributable to the owners of the parent company rose by 16.3%.



Value Provision (“TSUNAGU” Value Creation) that YUASA TRADING Group is Aiming to Achieve



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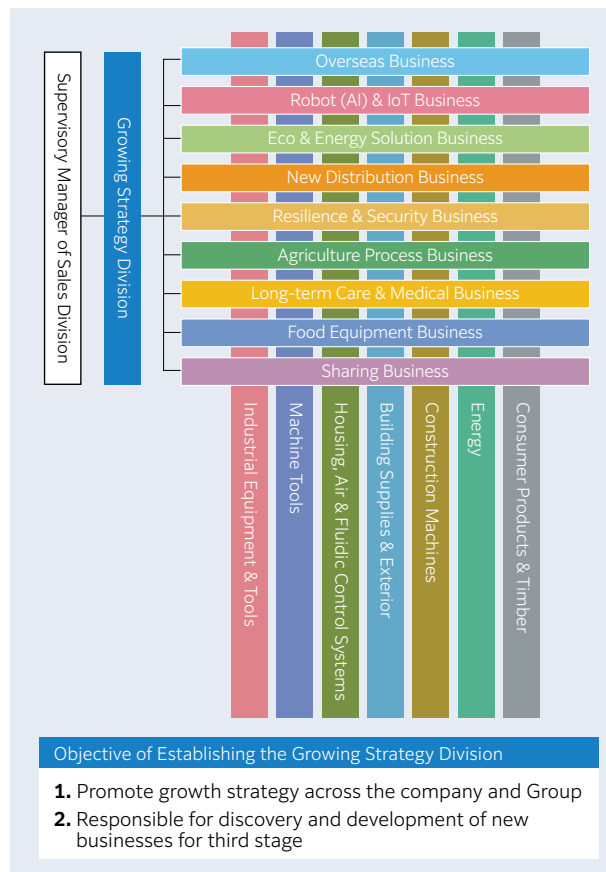
When I was serving as a senior managing director, I was involved in the formulation of the company's Medium-term Management Plan; this was the time when we switched over to implementing the plan over a period of three years. While change is important, there are also some fundamental aspects that should not be changed, and I did wonder whether it was advisable to adopt a completely new Medium-term Management Plan every three years without first clarifying what these aspects are. After intensive discussion, it was decided to set a long-term vision, looking ahead nine years to 2026, the year of the company's 360th anniversary. Having clarified our vision of which direction the company should be heading in, we then aimed to realize this vision by drawing up Medium-term Management Plans that specified methods, strategies and measures to be implemented over periods of three years.

In the past, Shosha (trading companies) have excelled at business areas that link people, goods and money directly in a "straight line." This is what is generally referred to as "trading business." By contrast, the YUASA VISION 360 sees the YUASA TRADING Group as becoming a business group that links together not only people, goods and money, but also information, technology and data in various different ways, thereby generating new value-added and being able to successfully respond to the market's demand.

To accelerate this process, on the organizational side, in 2020 (the year in which the second stage of plan implementation began), we established the Growing Strategy Division as a company-wide organization. As a Shosha (trading company), YUASA TRADING excels at structuring things vertically, and this was a key issue for us when considering "Total Coordination Skills." Starting from the Growing Strategy Division, with its horizontal structure, we have put in place a framework for centralized promotion, particularly with respect to growth businesses, covering every stage from product and system planning and development through to sales and customer support.

The FY2021 is the final year of implementation of the second stage of the Medium-term Management Plan – Growing Together 2023, and the YUASA TRADING Group is introducing

▶ The Growing Strategy Division — a company-wide, horizontal organization



a wide range of original product packages. In the future, besides continuing to focus on rolling out "TSUNAGU" solution businesses, we will also be concentrating on M&A in growth areas and on investment in digital transformation (DX) to develop solutions that effectively utilize data.

"Market Out" Approach That is Vital for "TSUNAGU" Solutions

Moving away from "Product Out," and undertaking talent cultivation

While the Growing Strategy Division has put in place the organizational framework needed for realizing the YUASA VISION 360, there is an issue in relation to talent cultivation. In particular, while we need to cultivate as many employees as possible who are capable of developing "TSUNAGU" solution businesses, this is not something that you can learn to do just by taking classes.

When developing solution sales, it is vitally important to accumulate personal experience and to internalize the frustration of failure and the joy of success. Making the effort to identify customers' latent needs, and having the "TSUNAGU" capabilities required for developing solutions, are also extremely important.

Since taking over as President, I have often commented in internal meetings on the importance of the "Market Out" approach. In the past, we switched from a "Product Out" approach to a "Market In" approach. With the "Product Out" approach, product sales are conducted from a manufacturer-centric perspective, and with the "Market In" approach, the idea is to procure and sell the products that you think the buyer needs. By contrast, with the "Market Out" approach, one identifies market and buyer needs first, and then develops and proposes products and product packages that meet these needs. YUASA TRADING is undertaking "TSUNAGU" value creation based on a "Market Out" approach.

I hope that the YUASA TRADING Group employees will be able to experience both the challenges and the joys of solution sales, using "TSUNAGU" packages that have been created by our company based on market needs. I want us to put in place the environment needed for as many employees as possible to experience the feeling of being of use to society through sales activity, and to focus on talent cultivation.

Message from the President

Our Sustainability Declaration that connect us to the future

Based on our corporate philosophy, in October 2021 we announced our Sustainability Declaration with the aim of realizing a further evolution in our management foundations, which have developed over a period of more than 350 years, and of connecting us to the coming future.

To provide the framework for promoting initiatives to realize the Sustainability Declaration, we have established a Sustainability Promotion Committee, which is chaired by the Representative Director and Senior Managing Director, and a Sustainability Promotion Office, inside the Corporate Planning Department, and promote action plans.

In more concrete terms, besides aiming to make the YUASA TRADING Group as a whole carbon neutral by FY2030, we have also drawn up a Transaction Policy, Human Rights Policy, and Diversity Policy, and we have begun to implement sustainability-related training for the Group employees and to implement projects for strengthening employee engagement.

The phrase “service with good products” which appears in our Sustainability Declaration is something that has been important to our company for a very long time. It reflects the business ethics which have remained unchanged at our company since it was first established, which emphasize serving the market by providing good-quality products, and in doing so helping to realize sustainability.

Spreading awareness of the need for “Challenging Spirit” to employees throughout the world

One of the distinguishing features of the YUASA TRADING Group employees is, to put it concisely, “seriousness.” They take a serious approach to business, to their thinking, and to how they act. As I see it, this is what our corporate philosophy refers to as “Honesty and Trust.”

However, if we are to continue growing to be a company that survives for 360 years and then 400 years, just focusing on seriousness is not enough; we also need a spirit of being

willing to challenge oneself, without fear of failure. In a sense, the achievement of the YUASA VISION 360 depends on the extent to which we can break free from existing ways of doing things. To this end, it is important for us to cultivate a corporate culture that values taking on new challenges.

Immediately after taking over as President, I held round table meeting with employees, and made numerous visits to the Group’s business locations both within and outside Japan over the course of a year. Unfortunately, the COVID-19 pandemic put a stop to this, but starting from this fiscal year I have once again begun to make these visits, and I plan to visit all our business locations over a period of two years. By holding round table meeting, I have been able to get across to individual employees the importance of challenging oneself, and answer employees’ questions to the best of my ability, thereby ensuring that we are all on the same page. I also want to emphasize once again, based on my own personal experience, just how important the three elements of “Total Coordination Skills,” “Challenging Spirit” and “Communication” are for YUASA TRADING Group employees and for the future of the company as a whole.

To Our Stakeholders

By striking the right balance between business investment and profit return to shareholders, we are working to enhance corporate value

Our basic approach to profit distribution is to allocate one-third each to retained earnings, future investment, and returning profits to shareholders. In other words, our target is to return at least 33% of profits to shareholders. Of course, if our overall profits increase, then the absolute amount total payout ratio will also increase, even if the percentage share remains unchanged. We believe that it is important to maximize profits, and we are implementing various measures under our current Medium-term Management Plan in order to achieve this.

To implement these measures, in some cases prior investment is needed, and while maintaining the share of

profits returned to shareholders at 33% or more, we will also be investing in growth areas.

Henceforth, while striking the right balance between business investment and returning profits to shareholders, and while maintaining financial soundness, we will also be reinvesting the profits that we earn through our business activities to maximize corporate value and enhance shareholder value.

I look forward to receiving your continued support in the future.

