

Starting Point for Creation of New Value

Corporate Philosophy and Our History

Our journey from our founding to our expansion of sales bases

Corporate Philosophy

Honesty and Trust	Enterprise and Innovation	Regard for the Individual
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Corporate Philosophy
<https://www.yuasa.co.jp/en/corporate/philosophy/>



1666

Founded

Shokuro Yuasa, our founder, launched a charcoal trading business in Kyoto



Shokuro Yuasa, our founder

1674

Expanded to Edo (Tokyo)

Opened an Edo outlet in Hongoku-cho, Nihonbashi after years of hardship peddling wares from Kyoto



Premises of a Sumiya (a charcoal dealer), from which YUASA TRADING evolved, located in what was formerly the Toriabura-cho neighborhood of the Nihonbashi district of Edo (Tokyo), which is now the Odenma-cho neighborhood of Nihonbashi, and is where YUASA TRADING's head office used to be located.

Origins of innovation: switch from charcoal trading to wholesale of metal implements five years after founding

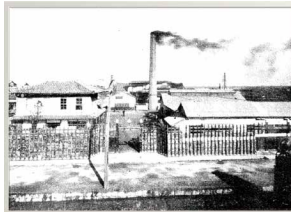
Shokuro Yuasa, our founder, launched a charcoal trading business dealing with swordsmiths in Kyoto. When the Sengoku Period (an era of civil war in Japan) ended and Kyoto thrived as a city of commerce, Shokuro Yuasa spotted the potential for metal implements such as scissors and knives, and switched from charcoal trading to being a wholesaler of metal implements in 1671, just five years after founding his business.

Our founder's decision to look to the future was YUASA TRADING's first innovation and forms the foundation for the transformation that continues today.

1919

Established

After developing business bases (Tokyo, Osaka, and Kyoto prefectures), a factory (Yuasa Iron Works) and expanding overseas (Wuhan in China), established Yuasa Shichizaemon Shoten in 1919 and proceeded to modernize



Yuasa Iron Works (Sakai in Osaka Prefecture) established in 1909 to produce Western hardware in Japan

1961

Steps to open multiple outlets

Established branch in Nagoya, starting steps to open multiple outlets, in addition to full-scale expansion overseas with establishment of representative offices in Canada and the United States

1972

Established sales base in Japan

Opened Naha sales office in Okinawa Prefecture, completing a domestic network extending from Hokkaido to Okinawa. New company building in Odenma-cho, Nihonbashi in Tokyo completed in 1975



Former head office building in Odenma-cho, Nihonbashi (until 2014)

Former head office site lasted for 288 years

The site of YUASA TRADING's former head office in Odenma-cho, Nihonbashi had been owned since the third generation of the family in 1726. Despite being destroyed several times in the great fires of Edo, the business quickly recovered due to the immense trust and support of its business partners. In the Great Kanto Earthquake of September 1, 1923, the company building and the warehouse were completely destroyed by fire, but a temporary store was completed on September 24 with the assistance of business partners, which is said to have made a strong impression on the victims of the disaster.

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2023

Current Status of
YUASA TRADING Group
FY2022 Results

Net sales **¥523.875 billion**
[¥504.806 billion]

Ordinary profit **¥15.382 billion**

ROE **10.8%**

Total payout ratio **67.0%** (includes share buybacks)

2026

(360th anniversary of the company's founding)

YUASA VISION 360 (Long-term Vision)
FY2025 Plan

¥600 billion
[¥576 billion]

¥20 billion

11.8%

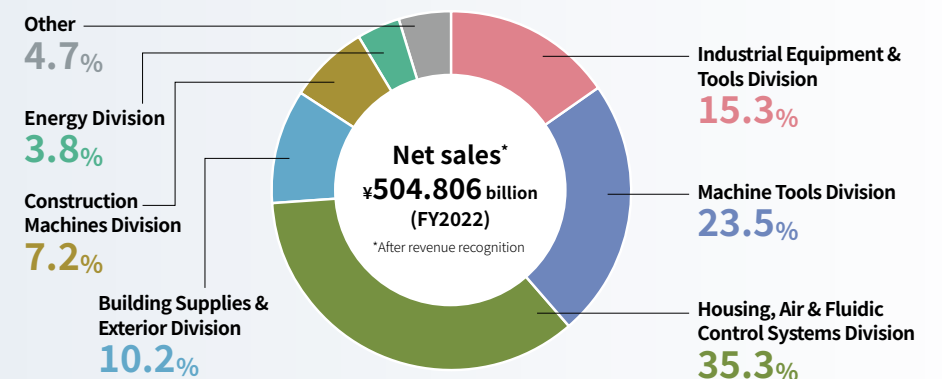
At least 33.0%

* Net sales figures in brackets are after revenue recognition.

YUASA TRADING Group Network (as of March 31, 2023)

Domestic	Overseas	
31 sites	23 sites	in 10 countries
Group companies in Japan		23 companies
Group companies overseas		12 companies

Share of Total Sales Held by Each Segment



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Message from the President

Completing YUASA VISION 360, Which Has Our Corporate Philosophies as the Starting Point



Hiroyuki Tamura

Representative Director,
President & CEO

The Three Corporate Philosophies That Connect Our History to the Future

The YUASA TRADING Group has implemented three-year, Medium-term Management Plans since 2017. These plans, entitled Growing Together, are part of our long-term vision, YUASA VISION 360 that extends to 2026, the 360th anniversary of our founding. The third Medium-term Management Plan, Growing Together 2026, was launched in 2023 and represents the harvesting (reaping) stage of YUASA VISION 360.

Discussion for this third Medium-term Management Plan began with the idea of putting our three long-standing corporate philosophies of Honesty and Trust, Enterprise and Innovation, and Regard for the Individual at the center of the plan. Looking at all three mid-term management plans together and sorting out the Group's strengths and challenges, the more I think about it, the more I am convinced that these three philosophies must remain as they are.

Through the Honesty and Trust that we have cultivated over the years, the Group has built a strong integrated network of some 6,000 major suppliers and 20,000 major sales partners. In addition, the philosophy of Enterprise and Innovation is necessary for the promotion of TSUNAGU innovation, which is the basis of our latest Medium-term Management Plan (see the figure on the right). Previously, we took product out or market in approaches, with the manufacturing side playing the leading role, but the Group is now promoting a business transformation to a market out approach, in which the market serves in the leading role. To achieve this transformation, it is essential that we be enterprising in catching wind of what consumers and society need as soon as possible and be innovative in developing products and services in cooperation with manufacturers based on that information.

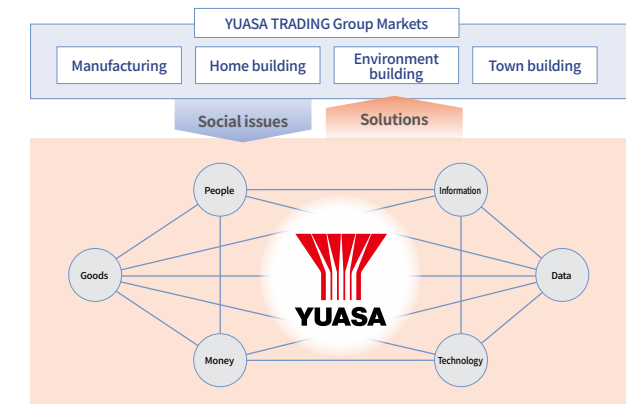
Regard for the Individual must also be a pillar for our

Group.

Recent changes in the social environment have diversified means of communication, with telecommuting and online conferencing becoming prevalent. We believe that strong human ties and networks are the source of our competitiveness. While flexibly employing the latest technologies, we intend to develop our business by placing importance on face-to-face communication with our business partners. I believe that communication connecting people and thoughts eventually leads to respect for the individual and contributes to enhanced customer satisfaction and employee prosperity.

These three core philosophies have shaped our history to date and represent the Group's strengths, and I have reaffirmed my determination that it is my responsibility to pass them into the future.

■ TSUNAGU Innovation Model P.16



- By connecting (TSUNAGU) various things such as people, goods, money, information, data, and technology, solve social issues and expand both "single item business" and "integrated product-service"
- Establish a business model with a market out approach

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Message from the President

Recap of Growing Together 2023

Facing Challenges and Aiming for Further Growth

For the previous Medium-term Management Plan, Growing Together 2023, targets of ¥545.0 billion* for consolidated net sales and ¥16.4 billion for consolidated ordinary profit were set, but these targets were revised downward to ¥510.0 billion* and ¥14.5 billion due to the COVID-19 pandemic. Although both net sales and net profit exceeded the revised targets for FY2022 (April 1, 2022-March 31, 2023), they fell short of the original targets for net sales, ordinary profit, and growth investments.

In terms of growth strategies, the Eco & Energy Solution Business (currently Green Business) showed particular growth. In recent years, carbon neutrality has become a major theme globally; our Group was an early pioneer in tackling this issue and has implemented carbon neutrality into our various business models. In Japan, we are already achieving significant results with a carbon-neutral proposal using our original energy visualization system (YES-net) and a composite proposal that encompasses solar power generation, storage batteries, and Vehicle-to-Home (V2H). [P.35](#) In overseas, we have held seminars on carbon neutrality under the Joint Crediting Mechanism (JCM), a bilateral carbon credit system for reducing greenhouse gases in developing countries. These seminars were held in Thailand, Vietnam, Indonesia, the Philippines, Mexico, and Malaysia, to great success. We intend to continue to actively expand our domestically cultivated expertise in environmental solutions to overseas markets.

Our Robot (AI) & IoT Business (currently Digital Business) is performing well. The population decline in Japan due to an aged population with fewer children is expected to cause ongoing labor shortages in various industries such as the upcoming 2024 truck driver shortage for the logistics industry. In the industrial field, the Group is developing

automation and labor-saving businesses that utilize AI, IoT, and other technologies. In the future, we intend to take these automation and labor-saving solutions from the manufacturing field and expand and deploy them in the areas of home building and town building.

On the other hand, our biggest challenge is our Overseas Business. As I will explain in more detail later, I believe that our Overseas Business has great growth potential depending on how we think about turning challenges into strengths. We would like to expand our Overseas Business by demonstrating our total coordination skills similar to those of our businesses in Japan, instead of developing specific divisions as we have done in the past.

Business Transformation in Growing Together 2026

Initiatives to Enhance Profitability and Growth Potential

For Growing Together 2026, we are promoting the TSUNAGU innovation model to solve social issues by connecting people, goods, money, information, data, and technology, expanding the Group's strengths into growth markets under the business banners of Overseas, Green, and Digital. The quantitative targets for FY2025 are consolidated net sales of ¥600 billion* and consolidated ordinary profit of ¥20 billion.

To achieve these targets, we are engaged in a business transformation, are developing our existing business partner network, and are expanding our business domains both domestically and internationally.

Two major pillars of the Group's business transformation efforts are improving profitability and growth.

For profitability, we are developing new products with new and novel products through TSUNAGU innovation to solve social issues faced by our business partners as well as



increase the Group's profitability. We have introduced more than 20 TSUNAGU solutions to the world since the previous Medium-term Management Plan. We were able to achieve this because of the Growing Strategy Division, which was established in April 2020 to promote growth businesses across sales divisions. The Group's strength of leveraging total coordination skills has led to the creation of new, novel value-added solutions. Some of these solutions are patent-pending, which is unusual for a trading company.

With respect to how to accelerate this, I believe that the ideal situation is for our Group's sales representatives to take the lead in identifying market trends and work together with the Growing Strategy Division to create TSUNAGU innovations. Such efforts have been gradually coming to fruition since the second half of the previous Medium-term Management Plan, and we hope to add many examples into the future. We have also changed our thinking about recruiting. In the past, we hired mostly experienced salespeople, but we are now hiring people with different kinds of occupational backgrounds to join us. Because the needs of the market are diversifying, so is the content of our work. We would therefore like to have people with a variety of backgrounds join our company to share their wisdom and promote TSUNAGU innovation by absorbing new needs from

*Before revenue recognition

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Message from the President

the frontlines.

Next, with regard to growth potential, we will promote nine growth strategies by dividing them into three segments to be promoted across the company and six target markets and challenge areas to be promoted by specific business areas/organizations (see figure on the right). [P.17, 31](#)

The original growth strategies were promoted by all divisions in order to gather a wide range of information and explore business opportunities. Because a certain level of information was gathered in the first two Medium-term Management Plans, Growing Together 2020 and Growing Together 2023, the three years of the final Medium-term Management Plan, Growing Together 2026, have been divided into two categories, areas to focus on across the entire company (the same as in the past) and leading organizations or areas that will spearhead business efforts.



Our growth strategy is to expand our core businesses but also to spin new products and services cultivated in our core businesses into new markets. In FY2025, we plan to achieve significant growth, with total sales of ¥286 billion, or approximately 48% of total sales, coming from our growth strategies.

Development of Interactive and Cross-Industry Platforms

In terms of market development, we will develop new and growing markets created through TSUNAGU innovation using an interactive and cross-industry platform. This will be done both domestically and internationally.

Specifically, having understood market needs, we will communicate those needs to our suppliers and work with them to plan and develop products and services, and provide them to the market (interactive platform).

When it is difficult for a single supplier to create a product on its own, we will create new added value by connecting the technologies and skills of different suppliers in different industries (cross-industry platform) and supply it to our sales partners. Organic linking of these technologies will support the invigoration of our Group network and help expand our business both domestically and internationally. [P.18](#)

To date, some of the Group's overseas offices have carried on their operation within the business scope of the specific divisions. For example, if the Machine Tools Division has offices in Thailand or Indonesia, these offices would only sell machine tools. Looking to the future, we will locate multiple divisions in our local subsidiary in Thailand to demonstrate our total coordination skills there as a "mini-YUASA." Furthermore, we will expand such efforts horizontally to other countries such as India.

Our overseas markets have great potential, but at the same time, we face fierce competition from foreign-affiliated and locally capitalized companies. I hope that our young employees in particular will be aware of this situation and choose to step in and boldly take on the challenge.

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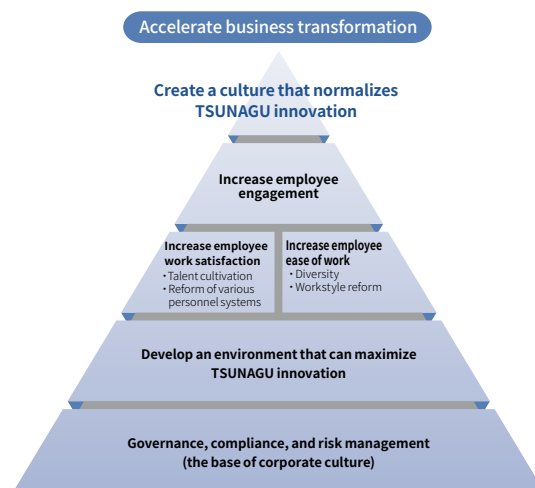
Three Measures to Support Our Business Transformation

Foster a Corporate Culture in Which TSUNAGU Innovation Has Become the Norm

Growing Together 2026 sets out three pillars that will support our business transformation: Corporate Culture Reform, DX Promotion, and Sustainability Promotion.

Management, including myself, in this rapidly changing world feel a strong sense of urgency about how we can connect the history of the company to the future. Conversely, certain parts of the company are reluctant to accept change because of previous successes—I believe this must be changed. I have therefore positioned Corporate Culture Reform first and foremost in the new Medium-term Management Plan.

Overall Picture of Corporate Culture Reform P.44



As a concrete measure toward reforming corporate culture, we have been holding roundtable meetings around Japan with employees to ensure they all clearly understand the new Medium-term Management Plan. At these meetings, I personally explain how the company is changing and why it must do so.

Another measure is YUASA PRIDE, a project for personnel reforms from March 2023 in which all employees are participating. We have also decided to construct a new headquarters as a measure to create an environment that facilitates changes under the banner keywords of “Total Coordination Skills,” “Challenging Spirit,” and “Communication.” By bringing together all the Group companies scattered throughout the Tokyo metropolitan area into one location, we intend to further enhance our total coordination skills by stimulating communication among Group employees.

Strengthening Our Management Foundations through the Promotion of DX and Sustainability

In terms of promoting digital transformation (DX), we are building a data utilization infrastructure to address the issue of data siloing that has been present within the Group. In order for all employees to understand the importance of building data and the critical importance of that data to the Group in the future, we will conduct DX training for all employees, including myself and other management-level staff.

For the promotion of sustainability, we have poured all of our beliefs into our October 2021 Sustainability Declaration. We are also working on action plans according to the materiality (key issues) in each of our businesses. In terms of diversity promotion, a female Outside Audit & Supervisory Board member was appointed in June 2023, bringing the number of female directors to two. We also intend to improve corporate governance by utilizing diverse perspectives, including those of corporate executives and those with management experience.

To Our Stakeholders

Maximizing Corporate Value

The Group has positioned the stable return of profits to shareholders as one of its most important management policies, and we are continuing to aim for a total payout ratio of 33% or higher. In FY2022, the total payout ratio to shareholders return was a high, at 67.0%, partly due to a buyback of treasury shares. Moreover, from FY2023, we have set a dividend on equity (DOE) of at least 3.5% as a new indicator.

We will continue to maximize corporate value by proactively disclosing information and conducting IR activities to further improve our stock price, as well as aggressively invest in our growth strategy, DX, and other business areas. We look forward to your continued support.

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Value Creation Process

We are aiming to improve corporate value both in terms of economic (financial) value and social and environmental value through TSUNAGU innovation.

