

Message from the President

Understanding Change and Becoming
a Living Charcoal for Innovation
Using TSUNAGU Thinking



Hiroyuki Tamura

Representative Director, President & CEO

The Business Environment is Always “Uncertain” Taking on the Challenge of Solving Social Issues through a Market-Out Approach

It has been said for some time now that we are living in an era of volatility, uncertainty, complexity and ambiguity (VUCA), but I doubt there has ever been an “era of certainty.” I believe that the business environment is always uncertain in a world of intersecting variables, including politics, economics, geopolitics and other factors. In light of this, the points of difference from the past are that the speed of change has increased and we are now required to respond to new social issues.

I believe the market-out approach, which I constantly talk about, is key in such an environment. The practical implementation of the market-out approach is to identify potential issues and needs ourselves by constantly being on the lookout for social and market changes, rather than waiting for a visible “answer,” and then to develop and provide the required products and services. Under our Medium-term Management Plan Growing Together 2026, we have been implementing nine growth strategy areas [P.19](#) based on the theme of “solving social issues.” We incorporated a range of themes for solving the social issues that need to be addressed going forward based on the market-out approach, such as Digital to respond to population decrease and labor shortages and Green to contribute to realizing carbon neutrality.

To solve these social issues, we need TSUNAGU innovation (see the diagram on the right). Through TSUNAGU innovation, we create and provide new value added for society by connecting people, goods, money, information, technology, and data leveraging the powerful and extensive networks we have cultivated through our 358 years in business. Nearly 30 products and services have already been created through TSUNAGU innovation. We aspire to be a corporate group where creating value through TSUNAGU thinking is the norm and each and every employee understands the importance of it and takes the lead in achieving business transformation.



Strengthening the Business Portfolio through Growth Strategy

Our growth strategy aims to strengthen our existing core businesses and spin our strengths into new markets. I have a real sense that our efforts are producing results, albeit slowly.

The YUASA TRADING Group operates businesses in four fields, which are manufacturing, home building, environment building, and town building. In the past, the industrial field, namely manufacturing, accounted for a high proportion of our business, and our performance tended to be affected by economic trends, the willingness of companies to make capital investments, and other such factors. However, the stability of our business portfolio has increased as a result of our efforts to strengthen fields related to the living environment (home building and environment building) and construction (town building) through our growth strategy. Of course, sales and profit in the industrial field have also continued to grow during this period, but we have built a business structure that is more resilient to change through the growth in other fields which has been higher [P.14](#).

In addition, the Long-term Care & Medical, Food Equipment, and Agriculture Process areas which we set out as “new markets”

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are all industries that are essential for people's lives as well as being areas where the YUASA TRADING Group can leverage the strengths cultivated in our core businesses. As such, we aim to make these areas into new pillars of earnings. Our expansion into these new markets is also a further effort to build a robust business portfolio that is resilient to external factors, which is a challenge we will continue to pursue into the future.

Each and Every Employee Becoming a Person who Practices “Total Coordination Skills,” “Challenging Spirit” and “Communication”

Ever since assuming the position of President, I have been taking advantage of opportunities such as the Integrated Report and other media and direct visits to our sites across Japan to address the importance of “total coordination skills,” “challenging spirit” and “communication.” I feel that these keywords have now become quite firmly established. However, from now on, I think it is important to put them into practice. In other words, it is important for everyone working at the YUASA TRADING Group to actually be equipped with “total coordination skills,” “challenging spirit” and “communication.”

Speaking first of “total coordination skills,” the YUASA TRADING Group is a Service Integrated Shosha Group with seven business segments. However, in the past, not many of our employees could offer customers good explanations and proposals for manufacturers and products we handle that are outside of their own segment. There are many outstanding manufacturers with the top share in their market among our suppliers. There are no reasons not to take advantage of this strength. For instance, when we visit a business partner's plant, we have the opportunity not only to discuss machinery but also to make proposals such as updating the air conditioning or lighting. I feel that proposals leveraging such total coordination skills are gradually becoming more common at our frontlines.

Next, the reform of our personnel system is a measure to encourage a “challenging spirit.” Although this is probably not unique to our company, until now many of our employees worked continuously in the division or department to which

they were assigned when they joined, became an expert, and then left the Company. Obviously, this is an admirable way to pursue a career. However, we have now renewed our personnel system to include a new departmental transfer system based on the preferences of the individual. This will enable those employees whose career vision involves experiencing a variety of fields to further broaden their horizons to take on challenges while remaining at our company. Under the new personnel system, each year brings a new challenge with experienced Sales Division staff transferring to administration departments and vice versa for example.



In terms of “communication,” the third area, I have personally felt the changes as I visit our sites across Japan.

We have created opportunities for direct communication with employees of the YUASA TRADING Group entitled “Roundtable Meetings with the President,” and recently I have become aware of an increase in the number of constructive and positive questions about the future. In addition to topics that relate to the company as a whole such as our new headquarters and the next Medium-term Management Plan, positive inquiries about where we can make improvements to achieve better performance and expressions of interest in

taking on the challenge of overseas business have begun.

More than anything else, it was the fact that young employees gave this feedback and asked questions at roundtable meetings attended by their supervisors that made me really aware of the change. I have been saying for a long time that we need to eliminate an atmosphere in which employees cannot speak out until they are fully experienced and create a corporate culture with free and open communication, regardless of job description or age. We have established the organizations and promoted the personnel required to achieve this, but I had firsthand experience of a major change in that this kind of communication is actually being put into practice.

I am proud that the seeds of corporate culture reform are emerging little by little and that each and every employee is becoming a person who practices “total coordination skills,” “challenging spirit” and “communication,” which are the vital first steps for the growth of the YUASA TRADING Group going forward.

Significant Potential in the Overseas Business Holding First “Grand Fair” Overseas

I cannot say as yet that we have fully advanced in the Overseas Business, which is also one of our growth strategies. On the other hand, the Overseas Business has significant growth potential for us, and it is something we are focusing on in all of our divisions across the Group [P.20](#).

In Thailand, a market we are targeting in particular, we have shifted from expansion focused on manufacturing to expansion leveraging the same total coordination skills as in Japan, including home building, environment building, and town building. At the same time, we are also working to further strengthen site functions with a new company building, which consolidates the sites of two local subsidiaries and also functions as a showroom, scheduled for completion this year.

Moreover, as part of our expansion into South Asia, including Thailand, we acquired the shares of the HENKO Group, a machine tools sales company with a network encompassing six companies and seven sites in the three

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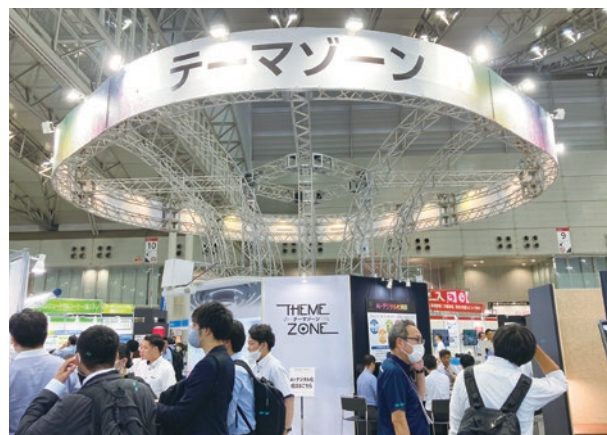
countries of Singapore, Malaysia, and Thailand, and made it into a subsidiary. The major objective of this M&A is not to simply expand sales of machine tools but also to comprehensively roll out the YUASA TRADING Group's solutions, including home building, environment building, and town building, through local capital networks on the back of high market potential in the South Asia region.

In addition, we will hold our "Grand Fair," the YUASA TRADING Group's largest promotional event, in Thailand over three days from February 5 to 7 in 2025. Approximately 150 manufacturers have already decided to exhibit in our first Grand Fair to be held overseas (as of June 2024). There are such high expectations from the manufacturers that have decided to exhibit that I feel a sense of pressure. In any case, we will ensure that the Grand Fair held in Thailand is a success first and then expand to other regions such as India and work to establish new overseas promotional events.

Proposing Solutions that "Only YUASA Can Provide"

The "Grand Fair" is a promotional event organized by the YUASA Yamazumi Association, consisting of our distributors, and was held for the first time in 1978. For over 40 years since then, the event has been widely supported as a place for connecting (TSUNAGU) suppliers and distributors. In 2023, 54,463 people visited the "Grand Fair," which was held at five locations across Japan with 180.24 billion yen in orders received. This year, the event will be held at six locations including Thailand, as I mentioned earlier, in addition to the five locations across Japan (Kanto, Tohoku, Chubu, Kyushu, and Kansai).

One feature of the Grand Fair is that it is an "integrated exhibition" covering everything in terms of manufacturing, home building, environment building, and town building. In Thailand, for instance, exhibitions are normally held for individual sectors and products. An exhibition such as the Grand Fair with multiple sectors ranging from machine tools to storage and kitchens in a single venue can be described as a truly unique experiment that leverages the YUASA TRADING



Group's total coordination skills.

Another feature is the theme zone.

The concept for the theme zone is "further into the future." It is a themed exhibition area bringing together the latest solutions for solving social issues with a focus on Digital and Green, including products created through TSUNAGU innovation.

Being located in the center of the Grand Fair venues, the area attracts the attention of many visitors. However, when we initially launched the theme zone initiative, some people said such a great location was too good to waste on an exhibit without knowing whether it would lead to results in the foreseeable future. Nevertheless, the "further into the future" solutions that we have continued to propose through the theme zone, including "labor-saving" and "carbon neutrality" solutions, are now reality, and are familiar issues for all companies. We have also received positive feedback from customers who visit and say they can get new ideas by going to the Grand Fair and some of the exhibiting manufacturers have also expressed the desire to have their products on display in the theme zone.

More than anything else, the employees who are responsible for providing on-site information and planning the

theme zone gain the most satisfaction from such feedback. Through the theme zone initiative, employees learn the value and importance of proposals that only the YUASA TRADING Group can make in terms of solving social issues rather than simply pursuing sales over the short term, and this approach is sure to be useful in their day-to-day work. We are happy the proposal of solutions that "only YUASA can provide," particularly the theme zone, has attracted the attention of manufacturers and visitors and is becoming one of the attractions of the Grand Fair. We will continue working to further enhance the value of this attraction.

Aggressively Implementing Growth Investment to Accelerate Growth Strategy and DX Promotion

Under the Medium-term Management Plan, we will allocate ¥21.2 billion to growth investment, which is equivalent to more than half of the operating cash flow we expect to earn over the three years from 2024 to 2026.

Of this amount, we have set an investment budget of ¥10 billion for promoting growth strategy. We will implement M&A, strengthen overseas promotions, and pursue product development through TSUNAGU innovation. In terms of the criteria for M&A, as stated in our growth strategy, we will consider M&A with a focus on "strengthening the functions and increasing the market share of core businesses" and "strengthening the speed of growth of new businesses," as well as "synergies with the YUASA TRADING Group's existing sites" overseas.

In addition, we plan to invest ¥11.2 billion in DX promotion, and have already executed an investment of approximately ¥5.0 billion by March 2024. The main purpose of this investment is the "construction of data use infrastructure" with the aim of transformation into a data-driven trading company. By visualizing sales activities that were based on individual skills in the past and sharing the information across divisions and sites, we will be able to provide sales proposals that take advantage of the YUASA TRADING Group's total coordination skills more quickly. We will continue to pursue transformation alongside the parallel development of DX and IT talent.

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Emphasizing the Value Created Through TSUNAGU

The evolution of logistics, the spread of the internet, and other factors have brought about a major shift in the nature of single item business. These days, the required products can be ordered online and received immediately even in the B2B world. Nevertheless, these are the very times when we want to emphasize the value created by connecting manufacturers and customers leveraging our know-how, data, and networks.

I believe the precise role that we should play as a trading company is to provide better proposals in accordance with the actual site of application in response to an order for a particular product. For instance, we may propose that efficiency can actually be further improved with the latest technology or that some other product or service may also be needed.

For us to play this role, our sales staff visit actual factories and sites and conduct sales activities to understand what products are really needed and where the real needs of customers lie. There is also active communication in our offices across divisions in order to provide proposals that leverage our “total coordination skills.” At the same time as focusing on this kind of on-site and face-to-face communication, we have also been able to increase the efficiency of communication with more distant business partners and sites through the use of new solutions such as web conferencing.

Furthermore, in addition to paperless operations, we actively adopted solutions such as AI and robotic process automation (RPA) in pursuit of greater efficiency in sales administration and administrative department operations. As with DX promotion, we believe the main roles in business are played by people, and that utilization of the latest technology is needed to maximize value created by people. We will work to maximize value and efficiency by connecting the positives of people and digital technology.

Promoting Sustainability and Strengthening Governance

As part of sustainability promotion, we are aiming to achieve carbon neutrality across the YUASA TRADING Group as a whole by FY2030 to respond to climate change. In terms of specific initiatives, we have implemented measures for achieving carbon neutrality that include updating to energy-saving equipment and installing solar power generation facilities at the Chubu Branch Office, FUJI QUALITY HOUSE, and at the new company building in Thailand.

We are also promoting the Green Business company-wide to support our business partners in achieving carbon neutrality in order to reduce environmental impact throughout the supply chain. We will take advantage of our extensive product lineup, which is one of the YUASA TRADING Group’s strengths, to propose solutions that meet the needs of the market.

Furthermore, overseas, we hold seminars on carbon neutrality, including the use of the Joint Crediting Mechanism (JCM), and provide solutions for making energy-saving to local companies. There has already been success in introducing energy-saving equipment and solar power generation facilities, and we will continue to work with a sense of speed going forward.

Meanwhile, in the area of governance, we are working to strengthen the functions and ensure the independence of the Board of Directors.

As a body that oversees management, the roles of the Board of Directors are to discuss the direction of management and to provide appropriate advice and suggestions to the executive side. To this end, we will continue working to strengthen the functions of the Board of Directors through the appointment of independent Outside Directors with the belief that it is important to include a wide range of views from an independent perspective, in addition to the inside Directors who have in-depth understanding of the Company’s business and the business fields in which it operates.

At the 145th Ordinary General Meeting of Shareholders held in June 2024, shareholders approved the appointment of four independent Outside Directors again this year. To

incorporate diverse perspectives into the Board of Directors in appointing the Outside Directors, we requested two men and two women who we deemed to be qualified to serve in the position. They were selected regardless of age and gender from among people with a wide range of backgrounds and knowledge, including experienced corporate managers, sustainability experts, and legal professionals.

In addition, as a company with an Audit & Supervisory Board, we have established the board that consists of four members, including two independent Outside Audit & Supervisory Board Members, to strictly monitor the execution of duties by the Directors. Going forward, we will continue to promote initiatives aimed at strengthening governance.

Shareholder Return Policy

The YUASA TRADING Group has positioned the stable return of profits to shareholders as one of its key management policies.

During the Growing Together 2026 Medium-term Management Plan (FYE March 2024 to FYE March 2026), we will provide returns in line with targets of 33% or more for the total payout ratio and 3.5% or more for dividend on equity (DOE). For the fiscal year ending March 31, 2025, we plan to pay an interim dividend of 72 yen per share and year-end dividend of 118 yen per share, making a total dividend of 190 yen per share. This will be the fourth year in a row that we have increased the dividend. Going forward, in addition to achieving consistent shareholder returns, we will continue striving to enhance both financial and non-financial corporate value.

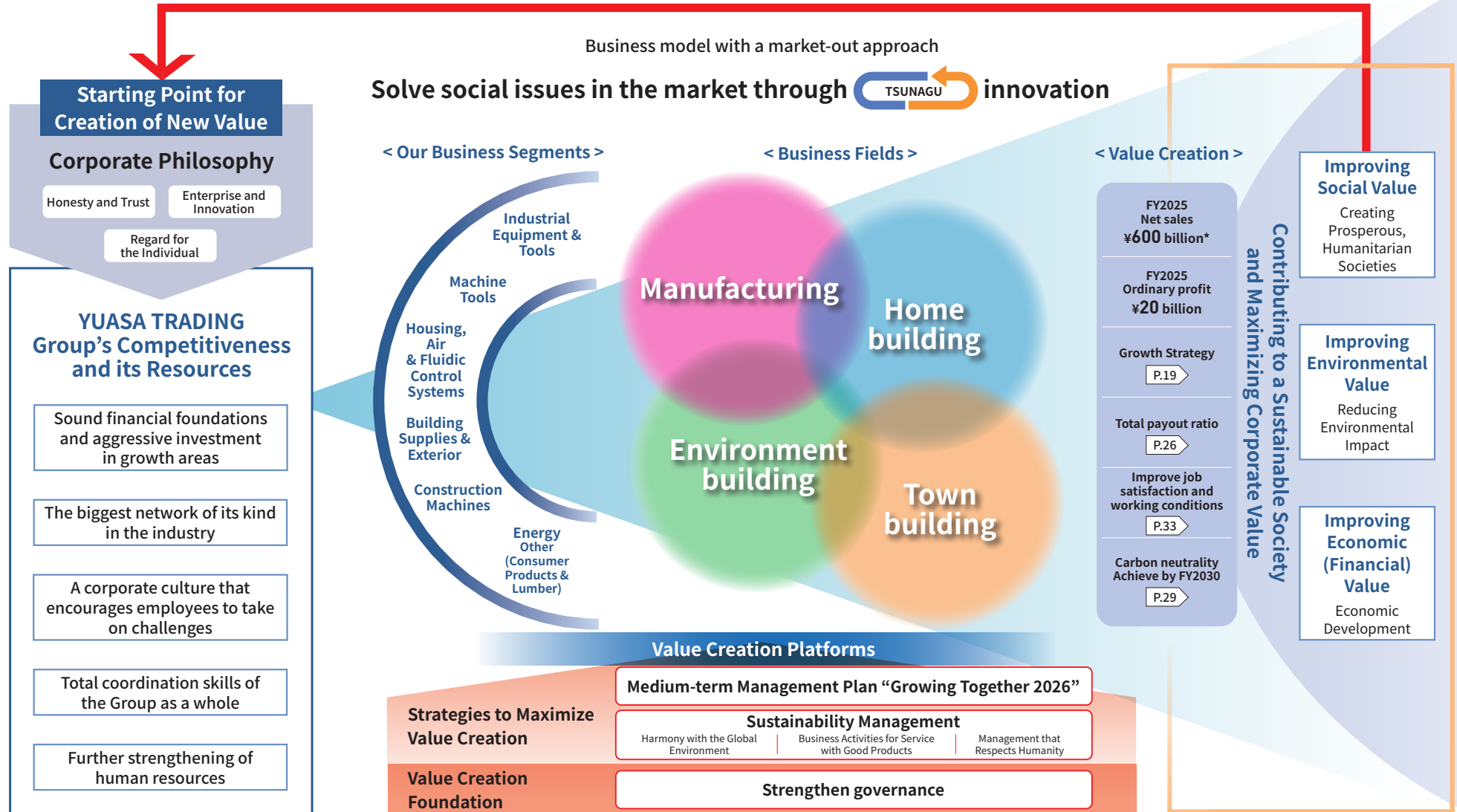
We will continue seeking to maximize both financial and non-financial corporate value not only by achieving the numeric targets set out in YUASA VISION 360 and Growing Together 2026 for the fiscal year ending March 2026, which are consolidated net sales of ¥600 billion* and consolidated ordinary profit of ¥20 billion, but also through business transformation driven by corporate culture reform, DX promotion, and sustainability promotion.

We look forward to your continued support for the YUASA TRADING Group.

* Figures for net sales are before the application of the revenue recognition standard

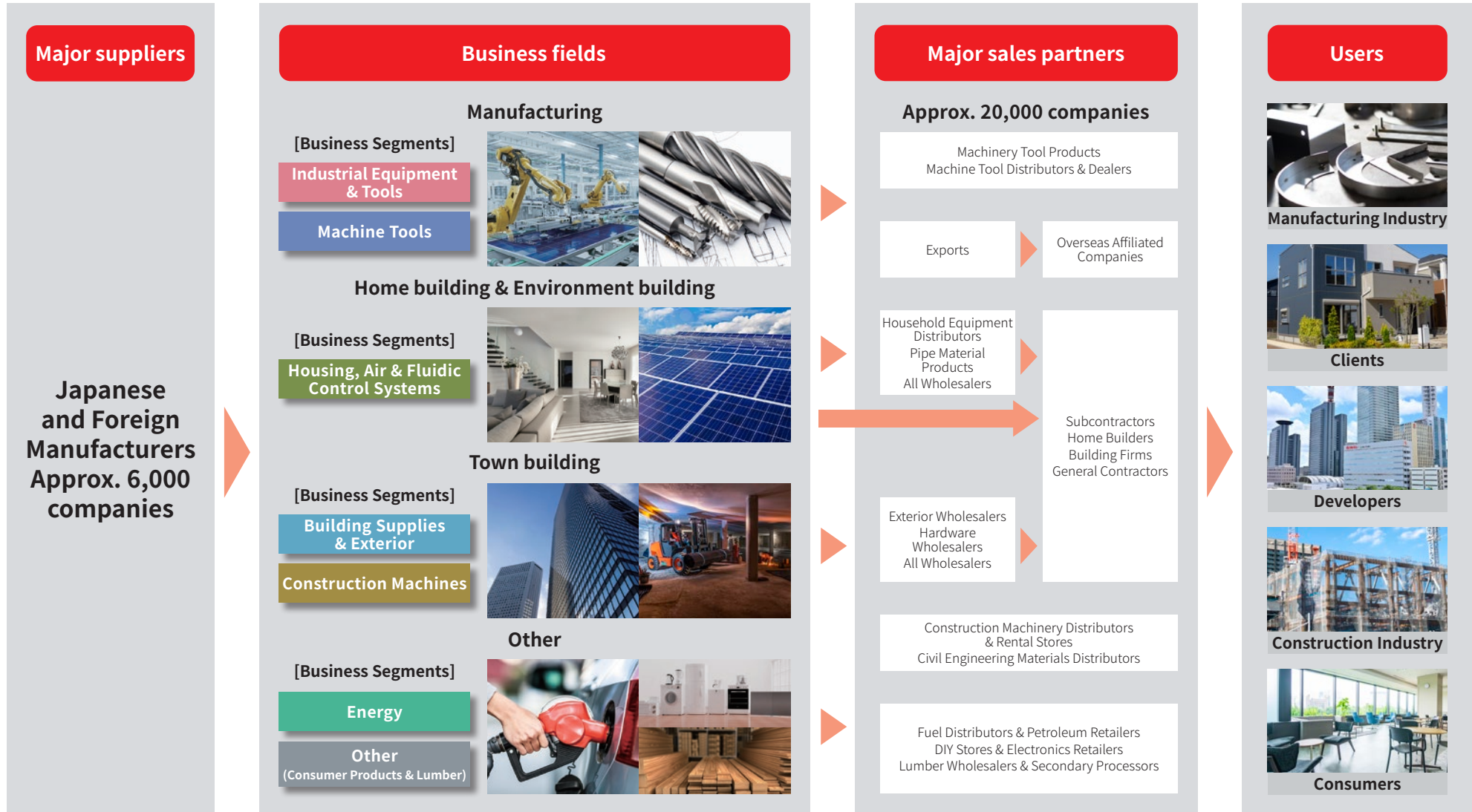
Value Creation Process

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



* Before revenue recognition

YUASA TRADING Group's Main Business Fields



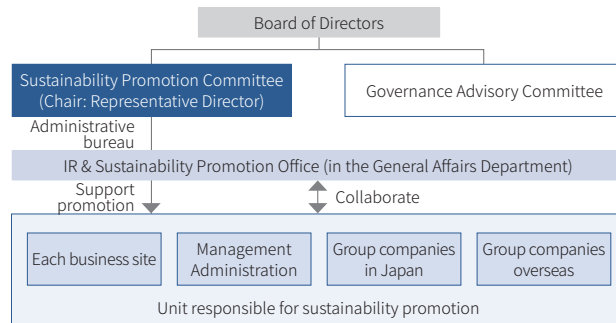
Promoting Sustainability Management and Materiality

We will actively contribute to the establishment of a sustainable society through our business activities

Governance

The Group has established the Sustainability Promotion Committee chaired by the Representative Director. The committee deliberates on the overall risks, opportunities, and impacts of sustainability, including climate change, periodically reviews the policy for countermeasures to reduce risks, and advises the Board of Directors. The Board of Directors discusses these issues as important matters related to business strategy and sustainability and determines policy.

Sustainability Management Promotion System



Risk Management

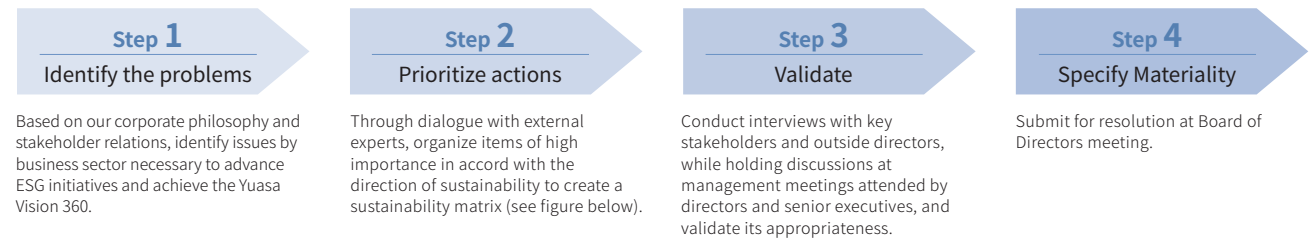
With regard to overall risk management for sustainability, including climate change, the Risk Management Supervisory Manager, each of the committees (Ethics and Compliance Committee, Internal Control Committee, Environmental and Resilience Committee, etc.), and the Sustainability Promotion Committee collaborate to identify, assess, and manage risks. We also manage risks across the Group based on relevant internal rules and notices, including the identification of various risks in the Group's business activities, collection of information, planning of preventive measures, and the provision of training.

Strategy (Materiality)

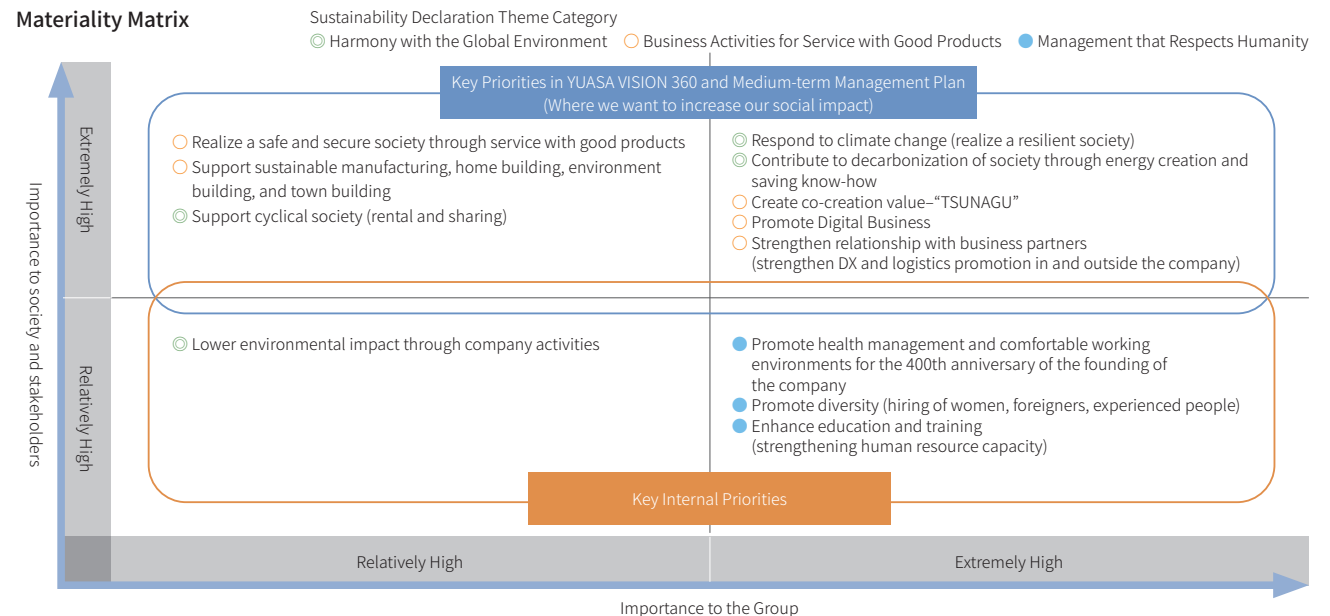
Specific Materiality Process

Sustainability as a solution to society's problems is a goal of YUASA VISION 360, and we have formed a team with outside experts who have identified the following steps.

We will continue to revise them as appropriate in response to changes in the external and internal environment.


















Materiality Matrix



Promoting Sustainability Management and Materiality

Strategy (Risks & Opportunities), Indicators and Targets

Sustainability Declaration	Risks and Opportunities	Materiality	Non-financial KPIs	Relevant Main Initiatives
Harmony with the Global Environment	Risks <ul style="list-style-type: none"> ● Cost increases due to soaring prices of raw materials, etc. and rising energy prices due to decarbonization ● Disruption of the supply chain and the Group due to large-scale natural disasters ● Decline in external reputation and loss of competitiveness in the supply chain due to delays responding to climate change and inadequate communication Opportunities <ul style="list-style-type: none"> ● Increased demand for green commercial products associated with decarbonization ● Improve long-term competitiveness by responding agilely to market needs, such as climate change resilience products, and products related to recycling of resources 	 Respond to climate change (realize a resilient society)	Environment The Group's CO ₂ emissions (Scopes 1, 2) Target for FY2025 30% reduction (compared with the fiscal year ended March 31, 2023) Target for FY2030 Carbon neutrality	<ul style="list-style-type: none"> ● Green business initiatives P.31 ● Initiatives to Target Resilience P.31 ● Respond to climate change P.28 
		 Contribute to decarbonization of society through energy creation and saving know-how		
		 Support cyclical society (rental and sharing)		
		 Lower environmental impact through company activities		
Business Activities for Service with Good Products	Risks <ul style="list-style-type: none"> ● Manpower shortages causing reduced production capacity due to a decline in the working population ● Decline in competitiveness due to an inadequate response to digital technology ● Decline in credit worthiness due to product and service quality issues Opportunities <ul style="list-style-type: none"> ● Create new business opportunities by promoting business solutions to social problems ● Obtain customer satisfaction through high value-added products and services, such as integration of existing products with AI technology ● Create business opportunities and secure revenue base by building strong relationships with trading partners 	 Realize a safe and secure society through service with good products	Talent cultivation (Subject: YUASA TRADING CO., LTD; non-consolidated) Target for FY2025 Digital talent cultivation (successful candidates from our original program) IT talent: 600 people DX talent: 40 people	<ul style="list-style-type: none"> ● Increasing profitability and growth P.18 ● Business partner network development P.24 ● DX Promotion P.27 
		 Support sustainable manufacturing, home building, environment building, and town building		
		 Create co-creation value-“TSUNAGU”		
		 Promote Digital Business		
		 Strengthen relationship with business partners (strengthen DX and logistics promotion in and outside the company)		
Management that Respects Humanity	Risks <ul style="list-style-type: none"> ● Decline in company's reputation due to human rights issues or unsuitable working conditions ● Decreased productivity, loss of talented personnel, and lack of psychological safety due to employees' overall poor health and difficulty working ● Homogenized thinking, decreased innovation due to lack of diversity Opportunities <ul style="list-style-type: none"> ● Increase productivity, secure talented personnel and ensure psychological safety by maintaining employees' overall health and making their working life easier ● Diversify thinking by making us a richly diverse organization ● Increase productivity, create innovation, and enhance competitiveness by improving employees' skills and abilities 	 Promote health management and comfortable working environments for the 400th anniversary of the founding of the company	Diversity (Subject: YUASA TRADING CO., LTD; non-consolidated) Target for FY2025 Percentage of female managers: 3.0% Percentage of female employees in comprehensive work position: 6.0% Percentage of employed females in comprehensive work position: 12.0% Percentage of male employee taking childcare leave and leave for the purpose of childcare: 100.0% Percentage of taking paid leave: 70.0% Average hours of labor: 1,920 hours Managerial talent cultivation: total 370 (number of training program participants)	<ul style="list-style-type: none"> ● Human resources strategy (corporate culture reform) P.32 ● Diversity P.35 ● Respect for human rights P.37 
		 Promote diversity (hiring of women, foreigners, experienced people)		
		 Enhance education and training (strengthening human resource capacity)		