

# Message from the Chief General Manager of Management Administration

Aiming to Realize Offense-focused Management That Contributes Toward Enhancing Overall Corporate Value



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## Determining What We Need to Change, and Outlining Where We Should Be in the Future

It is now just over a year since I was appointed to serve as Chief General Manager of Management Administration in April 2024. During this time, the Company has been working to strengthen its governance system, and in June 2024 we welcomed Ernst & Young ShinNihon LLC to be our new accounting auditor.

Companies are required by law to have an accounting auditor, and some things in particular need to remain unchanged regardless of whichever auditing firm is being used. Nevertheless, the new perspective that Ernst & Young ShinNihon LLC has provided in relation to auditing and communication has given us valuable insights into what we need to change.

Not just in relation to auditing, but also in relation to the day-to-day operations of the Management Administration, there is no point in undertaking purely superficial reasons, such as work focused only on whether it meets formal requirements, or preparing reports only because you are required to do so. We will be proceeding with reforms to make ourselves into an organization that undertakes genuinely meaningful work, by using new insights to outline where we need to be in the future, thereby leading to an enhancement of our corporate value.

## Realizing Not Just Defensive Management but Also Offense-focused Management

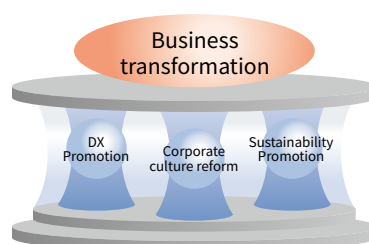
In last year's report, I noted that defensive management in relation to fundamental aspects of corporate value such as compliance and governance constitutes an important role for the Management Administration. From now on, besides implementing thorough defensive

management, I believe that it is also very important for us to adopt an offense-focused management perspective and work to enhance operational effectiveness and overall corporate quality.

Just as in General Sales, the Management Administration has key performance indicators (KPIs), such as reducing overtime hours worked and increasing the percentage of male employees who take childcare leave. The responsible departments are implementing various initiatives to achieve these goals, but it is not enough just to set a target. Without effective communication that strikes a chord with employees and leads them to take practical action, initiatives will not be effective.

For example, as part of our health management promotion efforts, we have set a target of ensuring that 100% of employees who are found to be at high risk during health examinations see a doctor. In the past, employees to whom this applied received individual guidance and were encouraged to see a doctor, but because of factors such as being busy at work, the percentage who actually did so was less than 100%. Responding to this situation, in FY2024 the Deputy Chief General Manager of Management Administration called all employees who had been diagnosed as high risk but had yet to see a doctor, urging them to do so within the specified deadline. As a result, we were able to achieve our goal of getting 100% of our employees to see a doctor. This may seem like a relatively trivial matter, but having the Deputy Chief General Manager (who is also an Executive Officer) personally engage in communication that makes employees feel valued and demonstrates a proactive commitment to employees' health constitutes an important first step in the implementation of offense-focused management. At the same time, we think that this also embodies what I always say about needing to be a "responsive and passionate group," which takes responsibility for one's day-to-day work.

### Three Measures to Support Our Business Transformation (Overview)



#### Corporate culture reform

We will foster a corporate culture that has normalized "TSUNAGU" innovation through the means of personnel reforms, environment-building, and strengthened governance.

P. 31

#### DX Promotion

To promote business transformation, we will build a data utilization infrastructure, develop DX talent, reform business processes, and create innovation.

P. 26

#### Sustainability Promotion

We aim to make the YUASA TRADING Group as a whole carbon-neutral, and accelerate the carbon neutrality promotion business.

P. 12

## Message from the Chief General Manager of Management Administration

Starting from this fiscal year, we are implementing various new initiatives to strengthen connections between the Management Administration Headquarters at head office and our individual business locations throughout Japan (branch offices, branches, and business offices). These initiatives include meetings to address operational issues that bring together the general managers and deputy general managers of each unit, and also regular meetings to invigorate communication between the Management Administration Headquarters and the Regional Officer (there are seven Blocs covering the whole of Japan). Besides aiming to enhance efficiency through the proactive adoption of digital technology such as AI, we are also striving to increase the contribution that each individual employee can make by raising productivity through a strengthening of logistics and inventory management throughout the YUASA TRADING Group as a whole.



## Sustainability Promotion Initiatives

In 2021, the YUASA TRADING Group announced its 2021 Sustainability Declaration, with a focus on harmony with the global environment, business activities for service with good products, and management that respects humanity.

Recognizing the level of quality that is expected of companies listed on the Prime Market of the Tokyo Stock Exchange, we aim to improve assessments of our ESG activities by incorporating external organizations' perspectives while also working to maximize corporate value by strengthening linkage with businesses in which we are particularly strong, such as our green businesses.

## Long-Term Investment Policy

The policy of the YUASA TRADING Group is to allocate ¥21.2 billion, equivalent to slightly more than half of cumulative operating cash flow during the period of the Medium-Term Management Plan (2024 to 2026), to growth strategy investments (including core businesses) and DX and IT digital investments to realize future business growth.

We will implement growth strategy investments with the purpose of contributing to the expansion of core businesses and the implementation of business strategy, such as M&A, particularly the expansion of overseas business, and human resources development, as well as the development of products and services through "TSUNAGU" innovation, and strengthening promotion and logistics. Additionally, DX and IT digital investments will be utilized to introduce and build the necessary systems in line with our company-wide DX promotion policy, including the development of data infrastructure.

### Investment Policy for Growing Together 2026

		Growing Together 2026	
Investment		Plan	Details
Growth Strategy Investment	Overseas Business	¥6.0 bn	<ul style="list-style-type: none"><li>● M&amp;A investment</li><li>● Strengthened investment in South Asia (Thailand and India)</li><li>● Product and service development investments<ul style="list-style-type: none"><li>• TSUNAGU innovation development</li></ul></li><li>● Function strengthening investments<ul style="list-style-type: none"><li>• Human resource development</li><li>• Strengthened sales promotion</li><li>• Development of logistics infrastructure</li></ul></li></ul>
	Green Business		
	Digital Business		
	Resilience & Security Business	¥4.0 bn	
	New Distribution Business		
	Sharing Business		
	Long-term Care & Medical Business		
	Food Equipment Business		
	Agriculture Process Business		
Core Businesses			
DX and IT digital investments		¥11.2 bn	<ul style="list-style-type: none"><li>● Development of data utilization infrastructure, etc.</li></ul>
Total		¥21.2 bn	

## Measures Aimed at Realizing Management That Embodies Awareness of the Cost of Capital

Taking into account the analysis of various factors performed by the Finance Division, as well as information received from external assessment providers, it was estimated that cost of capital in the fiscal year ended March 31, 2025 would be in the range of 5.64%–6.53%. We are implementing the following measures aimed at achieving the target set in the current Medium-term Management Plan of achieving return on equity (ROE) of at least 11.8%, which exceeds the cost of capital.

### 1. Enhancing profitability and growth

By increasing the added value derived from "TSUNAGU" innovation and by implementing our growth strategy, we are continuing to improve profit margins of all kinds, starting with gross profit margin [P.59] and to boost sales related to growth strategy [P.16].

### 2. Growth-oriented investment

In line with the strategy noted on the left, we have already implemented investment totaling ¥18.14 billion, accounting for over 80% of the planned investment, with a particular focus on investment in DX.

### 3. Measures aimed at reducing the cost of shareholder's equity

We are practicing proactive disclosure and communication, including the issuing of an English language translation of our Corporate Governance Report and the simultaneous issuing of Japanese language and English language versions of disclosure documents, as well as increasing the number of opportunities for one-on-one meetings [P.48].

### Trends in Shareholders' Equity, Adjusted Net Income Before Tax, and ROE

