

Outside Directors Round-table Discussion

We discussed the YUASA TRADING Group's expected future growth and the state of its corporate governance.



Miki Mitsunari
Outside Director

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Shinzo Maeda
Outside Director

Yukiko Machida
Outside Director

▶ Nine Years of Business Reforms Bear Fruit

Q: YUASA VISION 360 was formulated in 2017.

How do you view the changes in the YUASA TRADING Group over the course of this nine-year, long-term vision, from your position as an outside director?

Maeda: I joined as an outside director in 2015, and have been involved with YUASA VISION 360 for the past eight years. Few companies can envision where they need to be nine years in the future, so at the time it was formulated, I thought it was quite a bold move.

I think the goals set out in the vision, such as transforming into a profit-oriented structure and promoting growth strategies, are steadily yielding results. However, if I were to point out a challenge, it would be our international business. Demonstrating a commitment to global growth calls for leadership, but more importantly, leadership backed by tangible results. Currently, our international share of consolidated net sales is around 6%, but if we can push that share to 10% and keep growing, I'm sure the mindset of the Company as a whole will start to shift. I hope we can steadily expand our presence through ongoing efforts, such as hosting

the Grand Fair in Thailand and establishing new international operations.

Mitsunari: During a previous web meeting with a representative from a foreign environmental business, the uniqueness of YUASA TRADING's business model became a topic of discussion. It's not just about selling products. We also offer installation services and provide information on relevant regulations and subsidies, a one-stop solution that helps customers determine which equipment or facilities best suit their needs. I think this is a real strength. Since YUASA TRADING Group is already developing this business in Japan, I see a real opportunity to expand it internationally.

Hirai: International expansion isn't just about the business model. It's also about getting people to turn their motivation in an international direction. Rather than taking a foreign posting simply because the Company told you to do so, I think it's important to create an environment and culture where people feel that YUASA TRADING Group's international assignments have appealing aspects that motivate them to grow internationally too.

Maeda: Mr. Hirai's comment reminds me of a woman I know who volunteered for an assignment in Indonesia and took her young child with her. She told me there was a widespread babysitter culture in the region where she was assigned that helped facilitate her exceptional work performance, even while in a foreign country, before returning to her original posting. Of course, strong personal determination was a major factor in her choosing to work abroad. But we need to eliminate the fixed idea that parents or people with children aren't suited for international assignments.

Hirai: That anecdote is a good example of the importance of staying true to your own principles and values in your work. In traditional Japanese companies, people tend to be praised based on their performance compared to standards set by the Company or some other person. But you can't demonstrate your true capabilities when your motivation isn't truly yours.

Mitsunari: Outside Japan, the emphasis is often more on how well you perform with your team, rather than on the Company's values per se. Because our employees possess advanced specialist expertise and communication skills, I think they'll be well suited to drive international expansion, where individual relationships are key.

In FY2024, we made strategic investments such as acquisition of HENKO Group and LINE-UP CO., LTD.. Furthermore, I get a concrete sense of tangible progress in strengthening our international network and broadening business domains.

Machida: Because our current performance is strong, I hope we can invest actively, not only in financial but also in non-financial areas, to build the foundation needed for future growth.

▶ The Mindset Required for an Era When Uncertainty Is the Norm

Machida: With society and its values changing rapidly, I think it's increasingly important for companies and organizations to incorporate diverse values into their foundations.

At the recent Grand Fair in Thailand, more than 40 young employees made the trip from Japan to support the event. I think the stimulus they experienced was very good for them. I also sense that the increasing number of employees indicating interest in getting involved with YUASA TRADING Group's international business will not only contribute to bolstering its global expansion, as we discussed, but is also linked to a diversification in employee interests and a broader realization of diversity.

When we hear the term "diversity," discussion tends to focus on consideration for people's attributes, or ensuring equality, but the real point of diversity is diverse values within the Company. I think such diversity creates new challenges for employees, drives personal growth, and encourages organizational transformation. Going forward, I hope we can create opportunities whenever possible for employees to explore a wide range of interests and passions.

Mitsunari: As Mr. Machida said, non-financial value is increasingly being used in investment evaluations. In addition to the environment and climate change, the scope of human capital disclosure is expanding. I think it would be helpful to highlight individual employee strengths in terms of expertise and knowledge.

In terms of change, I think YUASA TRADING Group has endured for nearly 360 years precisely because it has been able to adapt flexibly to the times in products, services, organizational structure, and so on. The current era is also one of significant change, and it's important to make nimble decisions about which areas to maintain and invest effort in, and which to reassess.

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Maeda: Change sometimes means denying your past self.

As times and society evolve, so do values and standards. The question then becomes whether you can steer resolutely toward transformation, without being held back by past judgments or customs. Reflecting on one's own actions and decisions and noticing a need for change would seem simple, but it's very difficult. I think leaders in particular must be able to recognize the necessity for change objectively, and take action before circumstances force them to. I believe that supporting the Company's efforts to keep changing in the right direction is an important oversight function for us as outside directors.

Hirai: Because we are a Service Integrated Shosha Group, I believe we contain infinite potential for transformation.

Of course, the number of combinations we could create using "TSUNAGU" thinking to create value is endless, when we consider the tens of thousands of key business partners we have and their products and data. But only those working on the front line are positioned to notice that value and potential.

That's why, to create new connections and combinations, we need individuals who notice and take an interest in things, and who stay true to their own principles and values instead of acting on those of others and simply joining up the dots as told. Expanding the number of people who think this way should help build a genuinely sustainable organization that can adapt to change.

Strengthening Governance and Promoting Sustainability to Enhance Value Across the Entire Supply Chain

Q: As members of the Governance Advisory Committee and the Sustainability Promotion Committee, YUASA TRADING Group's outside directors participate in discussions concerning corporate governance and sustainability. How do you view the changes that have resulted from these discussions, and future efforts?

Maeda: The essence of corporate governance lies in ensuring both transparency and fairness.

During this period, through discussions within the committee, we advanced initiatives to enhance transparency and fairness, such as reforming the executive remuneration system and abolishing the advisor system. At the same time, to improve speed of execution and effectiveness of oversight, we reviewed the board's resolution items and submission criteria regularly. As chairperson, and from an external perspective, I believe these discussions have resulted in a better brake and accelerator, so to speak.

Going forward, I hope to build on these achievements and continue to refine our approach through ongoing dialogue that matches the changing times, such as exploring more incentive-driven executive remuneration models.

Mitsunari: The Sustainability Promotion Committee was established in 2021, and I believe that significant progress has been made thanks to discussions held during this period, for example in strengthening the disclosure of non-financial KPIs and developing a robust promotion framework. The publication of the integrated report is an example.

Mr. Hirai mentioned the importance of staying true to one's own principles and values, and I think that concept is of the essence of sustainability. By identifying key themes tailored to each individual, department, or Group company based on their specific business content and characteristics and engaging actively with them, we can encourage new ideas and demonstrate synergies within the Group. I hope this will generate business activities that are even more dynamic and engaging.

Hirai: Acting while staying true to one's own principles and values means being able to think through the "why." Why should I do this?

Take for example the theme of promoting women's advancement. The goal isn't simply to increase their headcount. It's about cultivating a corporate culture where diverse ideas can circulate. When we can correctly envision the future we should aim for, we won't be influenced by trends or lose our focus. Whether it's governance or promoting sustainability, I hope YUASA TRADING Group's efforts will propagate positive effects throughout the supply chain.

Maeda: If the efforts continue, I'm sure they will have that kind of effect

on the supply chain.

Mitsunari: Some of our business areas may have a reputation as male-dominated, but even in industries with that sort of image, I think there are quite a few instances where women are a great fit and bring unique strengths.

Machida: I think it would be beneficial to create more opportunities for participation, regardless of gender, not only in outward-facing roles like interfacing with customers, but in internal forums like management meetings. Actively promoting cross-departmental redeployment could also be a valuable strategy for enhancing organizational diversity.

Mitsunari: Speaking of internal discussions, during this term we had a valuable opportunity to engage in individual conversations with our full-time internal directors, allowing us to share insights in such areas as the business and its current challenges. I hope to see more of these informal discussions in the future.

Machida: I agree. Going forward, I hope to deepen close discussions on non-financial value, not only through the Board of Directors, but also via the Governance Advisory and Sustainability Promotion Committees, while sharing current perspectives with the internal directors.

Hirai: I believe the role of these committees is to connect insights gained from external perspectives with the special knowledge and passion of our internal directors. Through continuing active discussions, I hope to help YUASA TRADING Group extend its 360 years of operation into the future.