

Corporate Governance

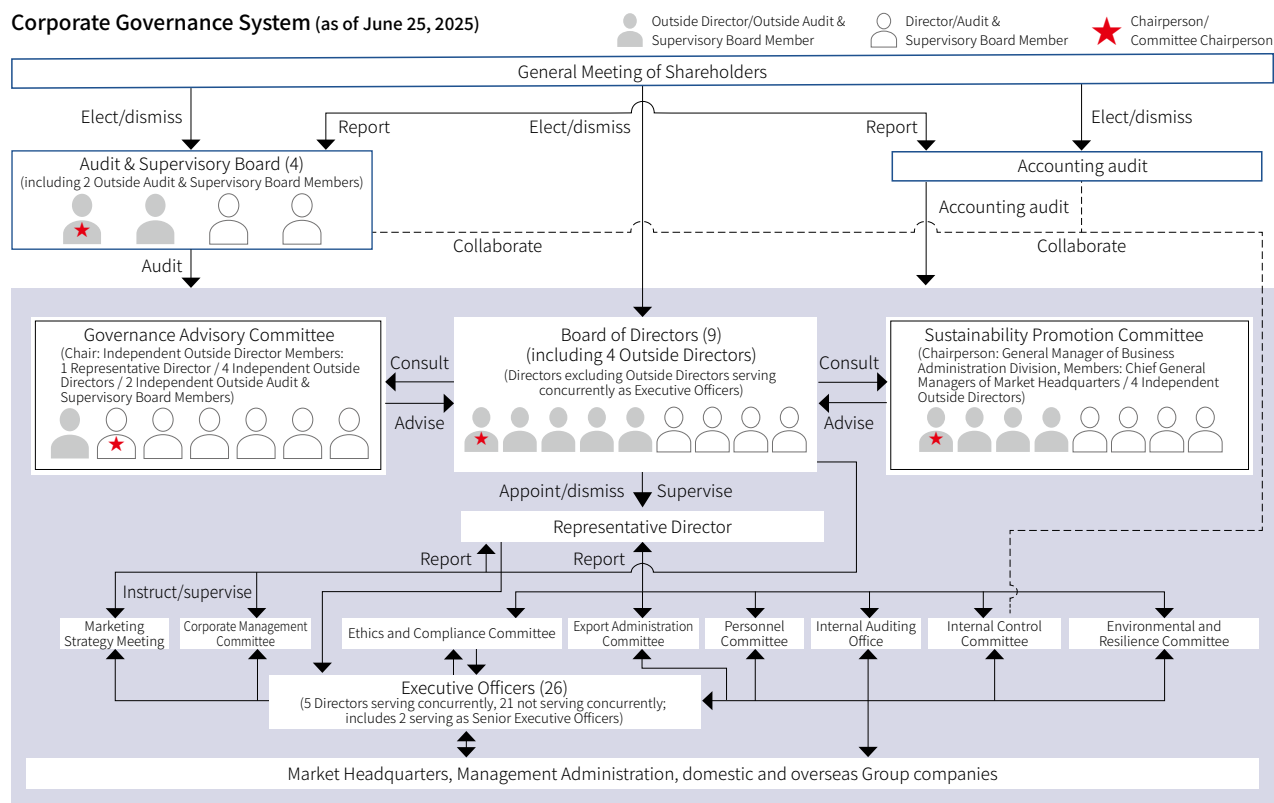
Basic Approach to Corporate Governance

As a social entity, the YUASA TRADING Group aims to maximize corporate value, return profits to society, and continue to operate in the long term by maintaining and expanding a multi-faceted and positive relationship between management (Directors) who are entrusted by many shareholders and various stakeholders, including shareholders who delegated responsibility to management, employees, suppliers, sales partners, and financial institutions.

The YUASA TRADING Group is a large conglomerate comprised of 41 affiliated companies*, including 29 consolidated subsidiaries and one equity method affiliate. However, centered on YUASA TRADING, the Group maintains close cooperation and strives for disciplined company management that improves the value of the overall corporate group based on the policies of our governance system.

* As of May 31, 2025

Corporate Governance System (as of June 25, 2025)



The Company implemented an Executive Officer system in order to strengthen the function of the Board of Directors as a decision-making body and an organization that oversees business execution. In addition to aiming to optimize the number of Directors, the Company elected four Outside Directors as we strengthen the execution structure by accelerating business execution and clarifying responsibilities.

On the other hand, the Audit & Supervisory Board that serves as the supervising body is comprised of a total of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends important meetings, such as the Board of Directors meetings, and conducts strict audits on the business execution of Directors from an independent perspective as they contribute to the strengthening and enhancement of the governance system.

Timeline of Corporate Governance Strengthening Efforts

FY2024

- Verified the rationality of holding cross-shareholdings in accordance with the Securities Investment Guidelines
- Held Independent Outside Directors exclusive discussions

FY2023

- Continued reducing cross-shareholdings
- Reviewed agenda items to be discussed by the Board of Directors (strengthened the monitoring function of the Board of Directors)

FY2022

- Continued reducing cross-shareholdings
- Reviewed agenda items to be discussed by the Board of Directors (strengthened the monitoring function of the Board of Directors)

FY2021

- Continued reducing cross-shareholdings
- Determined remuneration for individual Directors at the Board of Directors (canceled re-entrustment to the Representative Directors)
- Strengthened the monitoring function of the Board of Directors
- Increased the number of Outside Directors (Outside Directors account for over one third of all Directors)

FY2020

- Reduced strategic shareholdings
- Strengthened the monitoring function of the Board of Directors

FY2019

- Elected a female Independent Outside Director
- Established Governance Advisory Committee centered on Independent Outside Directors
- Eliminated advisor system

FY2018

- Introduced performance-linked share awards

FY2015

- Elected two Independent Outside Directors

Corporate Governance

Evaluating the Operation and Effectiveness of the Board of Directors

Operation of the Board of Directors

Chaired by Hiroyuki Tamura, Representative Director and President, the Board of Directors is the body making decisions related to important business execution and monitoring business execution of Directors. The Company holds Board of Directors meetings once a month, in principle, as well as other extraordinary meetings as necessary. Directors with expertise in internal operations and Outside Directors with extensive experience and insight in corporate management supervise and provide advice from an objective standpoint on important management decisions in a specialized and wide-ranging business environment, fulfilling their responsibilities such as flexible decision-making and supervision.

In order to further strengthen corporate governance and ensure management transparency, the Company designated four Outside Directors and two Outside Audit & Supervisory Board Members as Independent Officers. In addition, the four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) attend Board of Directors meetings, where they express their opinions as appropriate and survey the execution of their roles as Directors.

Initiatives to Improve the Effectiveness of the Board of Directors

In addition to the Directors and Audit & Supervisory Board Members doing a self-evaluation of their execution of duties, we use a questionnaire (self-evaluation) about the effectiveness of the Board of Directors to evaluate the aptness of operational methods, procedures, and deliberation standards. These results are reported to the Board of Directors in order to improve the operation of the Board of Directors.

We recognize the need to continuously improve the effectiveness of the Board of Directors by identifying issues, as well as by spreading awareness of the current state of affairs. Based on the questionnaire's findings, which analyzed and evaluated the operation of Board of Directors meetings, the Company reviews the criteria for Board of Directors meetings as appropriate, and convenes meetings attended only by Independent Outside Directors for the purpose of exchanging information and establishing a shared awareness based on independent and objective viewpoints on the management of the Company. We will continue to make improvements that enhance the functions of Board of Directors meetings.

Overview of “Questionnaire on the Effectiveness of the Board of Directors”

Evaluation Method

- Written questionnaire (5-point scale and free response)

Evaluation Items

- Operation and agenda of Board of Directors meetings (12 items in total)

Results of FY2025 Effectiveness Evaluation

- For many items, the average score in the 5-point evaluation exceeded 3.5, and we do not think there are any major problems with the effectiveness and operation of the current Board of Directors.
- An overview of the questionnaire results was reported to the Board of Directors, and based on the results, measures to further improve the effectiveness are being considered and implemented. FY2023 Initiatives Based on Evaluation Results

Strengthening Governance Through Feedback on Evaluation Results

- Based on the evaluation findings and the principle of “separating oversight and execution,” we continuously carry out revisions and other related activities to the criteria for Board of Directors meetings as part of building an agile business execution structure by transferring power to the executive side, to enrich discussions on management and oversight of Board of Directors meeting functions.

Term of Office, Attendance at Board of Directors Meetings, and Number of Company Shares Held

	Term of Office as a Director	Number of Board of Directors Meetings Attended (FY2024)	Number of Company Shares Held (as of June 30, 2025)
Hiroyuki Tamura	15 years	14/14	9,300 shares
Haruo Sanoki*1	12 years	4/4	—
Kenichi Tanaka	11 years	14/14	7,600 shares
Mamoru Hamayasu	3 years	14/14	2,200 shares
Takaomi Omura	2 years	14/14	700 shares
Maresuke Takeo*2	1 year	10/10	1,000 shares
Shinzo Maeda	10 years	14/14	—
Kyosuke Kimura*1	4 years	4/4	—
Yoshiro Hirai	2 years	14/14	—
Miki Mitsunari	2 years	12/14	—
Yukiko Machida*2	1 year	10/10	—

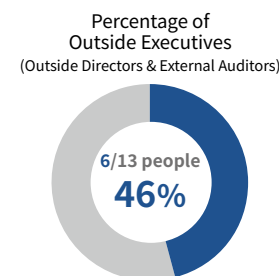
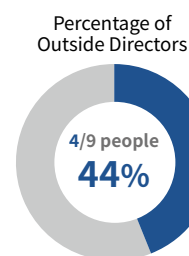
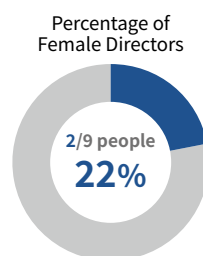
*1 Denotes attendance record up to the 145th Ordinary General Meeting of Shareholders held on June 26, 2024.

*2 Denotes attendance record after the 145th Ordinary General Meeting of Shareholders held on June 26, 2024.

Term of Office, and Attendance at Audit & Supervisory Board Meetings

	Term of Office as an Audit & Supervisory Board Member	Number of Audit & Supervisory Board Meetings Attended (FY2024)
Yoshiyuki Furumoto	7 years	14/14
Takeshi Maeda	3 years	14/14
Mitsuhiro Honda	7 years	14/14
Chinami Kajo*4	2 years	14/14
































Board of Directors (as of June 26, 2025)



Corporate Governance

Initiatives to Ensure the Effectiveness of Governance (Board of Directors)

Skill Matrix for Directors

Name	Position and main responsibility in the Company	Corporate management	Marketing	Organization and personnel development	Finance and accounting	Legal affairs & risk management	Global operations
Hiroyuki Tamura	Representative Director, President & CEO In charge of Overseas Business Development						
Kenichi Tanaka	Representative Director, Senior Managing Director Chief General Manager of Management Administration						
Mamoru Hamayasu	Managing Director Chief General Manager of General Sales General Manager of Industrial Market Headquarters						
Takaomi Omura	Director Deputy Chief General Manager of General Sales General Manager of Construction Market Headquarters						
Maresuke Takeo	Director General Manager of Living Environment Market Headquarters						
Shinzo Maeda	Outside Director						
Yoshiro Hirai	Outside Director						
Miki Mitsunari	Outside Director						
Yukiko Machida	Outside Director						

* The above table lists up to four areas in which a Director is expected to have some expertise, based on their past experience. It is not an exhaustive list of all the expertise and experience the Director possesses

Approach to Board Size, Director Selection Criteria and Diversity

The Company's Articles of Incorporation stipulate that the number of Directors shall not exceed ten (10) in the context of maintaining a Board of Directors. In addition, the criteria for appointment of Directors is without regard to gender, race, professional background or age, and that they shall have high ethical standards, as well as outstanding character, insight, ability and a wealth of experience. At the 146th Ordinary General Meeting of Shareholders held on June 25, 2025, nine Directors (of which two are women) including four Independent Outside Directors were elected to increase the Company's sustainable growth and enhance medium- to long-term corporate value. More than a third of the board are Outside Directors, three of whom hold current appointments as business executives and have management experience at other listed companies.

Qualifications and Criteria for Determining the Independence of Independent Outside Directors

With the objective of increasing objectivity in management decision-making and further improving the soundness and transparency of management, when appointing Outside Directors, in addition to the requirements under the Companies Act, the Company uses the factors for determining (independence criteria) when there is a risk of conflict of interest with general shareholders in the Guidelines Concerning Listing Control, etc. of the Tokyo Stock Exchange as the criteria for determining the independence of Independent Outside Directors. Furthermore, when selecting candidates for Independent Outside Directors, the criteria for selection is based on their ability to provide advice on management policies and improve management based on their own knowledge, from the perspective of promoting the Company's sustainable growth and increasing its corporate value over the medium to long term, and to supervise management through the appointment and dismissal of senior management and other important decisions of the Board of Directors.

Provision of Training for Directors and Audit & Supervisory Board Members

The Company continuously provides the necessary opportunities, facilitation, and financial support, including holding seminars by outside instructors, for all the Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, to acquire the business, accounting, finance, legal affairs, and organizational knowledge required to fulfill their roles and responsibilities. Newly appointed officers also strive to acquire knowledge of corporate law by attending outside seminars.

Support for Outside Directors

Members of the Secretariat provide the Outside Directors with an explanation of the agenda for the meeting of the Board of Directors before the date when the meeting is held each month. The full-time Audit & Supervisory Board Member, who participates in the Corporate Management Committee meetings and other key meetings, also provides the Outside Audit & Supervisory Board Members with an explanation of the agenda for the meeting of the Board of Directors before the meeting is held each month. In principle, the meeting of the Audit & Supervisory Board is also held on the day of the meeting of the Board of Directors to discuss the agenda again. The Company has assigned one member of staff to the Audit & Supervisory Board and works to strengthen the auditing system to make it more effective.

Strengthening Group Governance

YUASA BUSINESS SUPPORT Co., Ltd., a consolidated subsidiary of the Company, has been entrusted with accounting processing for consolidated subsidiaries in Japan with the aim of enhancing control over these subsidiaries. In addition, we have introduced an overseas business monitor for the purpose of strengthening financial monitoring, and have prepared a management book specializing in overseas consolidated subsidiaries.

Corporate Governance

Efforts to Ensure Effective Governance (Audit & Supervisory Board, Advisory Board)

Audit & Supervisory Board

The Audit & Supervisory Board of the Company is chaired by full-time Audit & Supervisory Board Member Takeshi Maeda, and is comprised of two full-time Audit & Supervisory Board Members and two part-time Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members). In accordance with the auditing policies and plans established by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends Board of Directors and other important meetings, listens to reports from directors and others, inspects important decision-making documents, etc. in order to strictly audit directors in the execution of their duties. In addition, the Company examines the maintenance and operation of the internal control system and verifies its consistency and soundness, while investigating the legality, appropriateness, and efficiency of business operations by collaborating with the Internal Audit Department on regular reports, closely sharing information with accounting auditors, collaborating with the Ethics and Compliance Committee and the Internal Control Committee, having corporate auditors perform site visits to each facility, and investigating each company, including affiliated ones.

Cooperation between Accounting Auditors and the Internal Audit Department

Each corporate and accounting auditor holds meetings as necessary to exchange information on audits, and each corporate auditor works closely with the accounting auditor by, for example, accompanying the accounting auditor on their site visits, thereby enhancing audit practices and ensuring the audit is carried out efficiently. Although the Internal Audit Department, which reports directly to the Representative Director and President, is in charge of internal audit operations, it also conducts audits of internal departments based on internal audit plans to ensure that each department is executing its duties properly. The results are reported approximately once a month to the Audit & Supervisory Board in the form of internal audit reports, and discussions are held between the parties concerned as necessary.

Audit & Supervisory Board Structure (as of June 25, 2025)

Audit & Supervisory Board Member	Takeshi Maeda
Audit & Supervisory Board Member	Hiromitsu Otani
Independent Outside Audit & Supervisory Board Member	Mitsuhiro Honda
Independent Outside Audit & Supervisory Board Member	Chinami Kajo

Governance Advisory Committee

To strengthen its governance, the Company has established a Governance Advisory Committee chaired by an independent Outside Director, Shinzo Maeda, as a voluntary advisory body. The Governance Advisory Committee is composed of all the independent Outside Directors and independent Outside Audit & Supervisory Board Members as well as one Representative Director. The committee deliberates on the following matters and reports to the Board of Directors.

- (1) Matters related to appointment and dismissal of Directors
- (2) Matters related to remuneration of Directors
- (3) Matters related to analysis and evaluation on the effectiveness of the overall Board of Directors and other proposals related to governance

This committee meeting was held three times in the fiscal year ended March 31, 2025 and reported to the Board of Directors on the following matters.

Main Items for Discussion

- Matters related to the appointment and dismissal of Directors, Audit & Supervisory Board Members, and other officers
- Matters related to the remuneration of Directors and other officers
- Analysis and evaluation of the overall effectiveness of the Board of Directors, and deliberation on other governance and related proposals

* Matters to be deliberated by the Governance Advisory Committee, which are to be submitted to the 146th Ordinary General Meeting of Shareholders, will be deliberated at the Governance Advisory Committee meeting to be held in March 2026 and reported to the Board of Directors.

Note: The Governance Advisory Committee submitted to the Board of Directors the matters they deliberated at the Governance Advisory Committee meeting, held in the fiscal year ending March 31, 2026, pertaining to items they later went on to discuss at the 146th Ordinary General Meeting of Shareholders.

Composition of the Governance Advisory Committee (as of June 25, 2025)

Independent Outside Director	Shinzo Maeda (Committee Chairperson)
Independent Outside Director	Yoshiro Hirai
Independent Outside Director	Miki Mitsunari
Independent Outside Director	Yukiko Machida
Independent Outside Audit & Supervisory Board Member	Mitsuhiro Honda
Independent Outside Audit & Supervisory Board Member	Chinami Kajo
Representative Director, Senior Managing Director	Kenichi Tanaka

In addition, Mr. Shinzo Maeda has been selected as the lead Independent Outside Director by means of an internal vote among the Independent Outside Directors. The lead Independent Outside Director will, as necessary, summarize the opinions of the other Independent Outside Directors, convey them to the Board of Directors and Audit & Supervisory Board, and deliberate on how to respond.

Sustainability Promotion Committee

The Company has established the Sustainability Promotion Committee with the aim of promoting management practices that contribute to sustainability, including critical ESG issues, with the Committee reporting on sustainability policies and action plans to the Board of Directors, toward the achievement of sustainable growth and enhancement of the medium- to long-term corporate value of the YUASA TRADING Group.

The Sustainability Promotion Committee comprises three or more members appointed by the Company's Board of Directors, and deliberates on the following matters before reporting to the Board of Directors.

- (1) Identification of key sustainability issues for the YUASA TRADING Group from a medium- to long-term perspective, study for resolution of issues, and design of future vision
- (2) Establishment, revision, and abolition of basic policy, rules, and procedures, etc. for the implementation of the aforementioned
- (3) Matters the Sustainability Promotion Committee deems necessary related to the YUASA TRADING Group's sustainability management
- (4) Matters for consultation from the Board of Directors

Composition of the Sustainability Promotion Committee (as of June 25, 2025)

Chief General Manager of Management Administration	Kenichi Tanaka (Committee Chairperson)
General Manager of Industrial Market Headquarters	Mamoru Hamayasu
General Manager of Living Environment Market Headquarters	Maresuke Takeo
General Manager of Construction Market Headquarters	Takaomi Omura
Independent Outside Director	Shinzo Maeda
Independent Outside Director	Yoshiro Hirai
Independent Outside Director	Miki Mitsunari
Independent Outside Director	Yukiko Machida

Corporate Governance

Remuneration for Directors and Other Officers

Total Amount of Remuneration, Total Amount of Remuneration by Type, and Number of Recipient Directors and Other Officers Indicators (results for fiscal year ended March 31, 2025)

Categories	Total amount of remuneration (millions of yen)	Total amount of remuneration by type (millions of yen)			Number of recipient directors (and other officers)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors	253	137	70	45	6
Audit & Supervisory Board Members	50	50	-	-	2
Outside Directors	48	48	-	-	5
Outside Audit & Supervisory Board Members	20	20	-	-	2
Total	372	256	70	45	15

*1 The above table includes two Directors who resigned at the conclusion of the 145th Ordinary General Meeting of Shareholders on June 26, 2024.

*2 The limits of remuneration for Directors and Audit & Supervisory Board Members are set as below based on a resolution of the 139th Ordinary General Meeting of Shareholders held on June 22, 2018. In addition, the portion of this remuneration that is for the Outside Directors is set as shown in parentheses based on a resolution of the 142nd Ordinary General Meeting of Shareholders held on June 24, 2021.

(1) Directors

A maximum of ¥380 million per year (of which not more than ¥50 million is for Outside Directors). Separately, a maximum amount of money funding for the performance-linked share awards system in the applicable period comprising three fiscal years is a total of ¥540 million. However, the total for the system is a maximum of ¥360 million for the two fiscal years of FY2019 and FY2020. Further, the Company abolished the remuneration of share acquisition rights as it implemented the performance-linked share awards system. As of the conclusion of the 139th Ordinary General Meeting of Shareholders, the number of Directors is 10, and as of the conclusion of the 142nd Ordinary General Meeting of Shareholders, the number of Outside Directors is three.

(2) Audit & Supervisory Board Members

A maximum of ¥80 million per year. The Company has abolished the remuneration of share acquisition rights. As of the conclusion of the Ordinary General Meeting of Shareholders, the number of Audit & Supervisory Board Members is four (two of whom are Outside Audit & Supervisory Board Members).

*3 The bonus above is the maximum provision for performance-linked remuneration for Directors (excluding Outside Directors) for the six Directors (excluding Outside Directors) for this fiscal year.

*4 Total amount of remuneration for Directors (excluding Outside Directors) does not include the ¥49 million (including bonuses) in employee wages for Directors who serve concurrently as employees.

*5 The content of non-monetary remuneration is the performance-linked remuneration described in “Concept of Remuneration (1) Remuneration for Directors (b) Performance-linked remuneration.”

Concept of Remuneration

(1) Remuneration for Directors

Remuneration for Directors (excluding Outside Directors) is comprised of basic remuneration and performance-linked remuneration (bonuses/shares). Outside Directors only receive basic remuneration.

(a) Basic remuneration: Monetary remuneration paid as a fixed sum depending on the position

(b) Performance-linked remuneration: Comprised of bonuses and performance-linked stock-based compensation.

- Bonuses are monetary remuneration that fluctuate in amount based on consolidated results and individual results of the previous fiscal year.
- Performance-linked share awards are comprised of a “fixed portion” that provides points for each fiscal year and a “performance-linked portion” that provides points based on the achievement level of performance targets at the final fiscal year of the Medium-term Management Plan. This remuneration is paid upon retirement (one point = one share). Further, since 50% is paid as shares of the Company and 50% is used to pay income taxes, etc., the latter is paid as monetary value equivalent to the realized shares.

(2) Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is paid only as a fixed monetary amount as basic remuneration, which separately established for full-time and part-time members through deliberations of all Audit & Supervisory Board Members in order to reflect the independent nature, based on the remuneration system and standards corresponding to their duties and responsibilities.

Performance Indicators

This remuneration system aims to provide incentives to improve medium- to long-term company results and corporate value and share interests with shareholders. The following indicators were used for evaluations in the Medium-term Management Plan “Growing Together 2026” that ended in FY2025.

Evaluation indicator (standard)	Evaluation weight	Performance linked factor
Consolidated net sales (¥600.0 billion)*	1/3	0~2.0
Consolidated ordinary profit (¥20.0 billion)	1/3	0~2.0
Profit attributable to owners of parent (¥13.2 billion)	1/3	0~2.0

* Before revenue recognition

Relationship Between Evaluation Indicators and Performance-linked Factors

(method of determining performance-linked share awards amount)

Consolidated net sales	Consolidated ordinary profit	Profit attributable to owners of parent	Performance linked factor
¥660.0 billion or more	¥26.0 billion or more	¥17.2 billion or more	2.0 (upper limit)
¥600.0 billion	¥20.0 billion	¥13.2 billion	1.0
¥540.0 billion or less	¥14.0 billion or less	¥9.3 billion or less	0 (lower limit)

Coefficient Related to Performance-linked Compensation for the Fiscal Year Ended March 31, 2023, in the Final Year of the Medium-term Management Plan “Growing Together 2023”

Performance indicators	FY2022 results	Evaluation weight	Performance linked factor (actual values)
Consolidated net sales (before revenue recognition)	¥523.8 billion	1/3	0.6
Consolidated ordinary profit	¥15.3 billion	1/3	0.7
Profit attributable to owners of parent	¥10.0 billion	1/3	0.5

* The performance-linked coefficient for performance-linked compensation for the fiscal year ended March 31, 2023, the final year of the Medium-term Management Plan “Growing Together 2023,” was 0.6 based on the actual values of the performance evaluation indicators

Corporate Governance

Dialogue with Stakeholders

Basic Philosophy

In order to achieve the sustainable growth of the Company and increase its corporate value over the medium to long term, the Company promotes constructive dialogue with shareholders, clearly explains its management policies in an easy-to-understand manner, and strives to gain the understanding of shareholders.

(1) Appointment of a Member of Management or a Director to Oversee Overall Dialogue

The Director in charge of Management Administration oversees overall dialogue with shareholders, and through various initiatives, such as earnings briefings by the Representative Director, President & CEO, the Company strives to proactively engage in constructive dialogue with stakeholders.

(2) How Departments Work Together to Support Dialogue

Each department in the Management Administration Division actively collaborates with each other to share IR information and knowledge, examine the direction of IR, and prepare disclosure materials.

(3) Enhancement of Investor Briefings and IR Activities

As an opportunity to explain our business and managerial policy, in principle, financial results briefings for analysts, institutional, and private individual investors are held twice a year on a regular basis. In addition, we are actively engaged in IR activities, such as setting up opportunities for meetings with suitable institutional investors.

(4) Feedback of Shareholder Opinions to the Company

Feedback obtained through dialogue with shareholders is summarized as appropriate and fed back to the management team and relevant departments in an effort to disseminate and share information.

(5) Insider Information Management during Dialogue

Rules for the management of insider information (Insider Trading Prevention Rules, and Information Security Policy Rules) have been established and are managed. In addition, the Management Administration Division, which serves as the point of contact, is fully aware of insider information and fair disclosure rules when communicating with shareholders, and responds accordingly.

Toward an Open General Meeting of Shareholders

From the perspective of ensuring sufficient time for shareholders and institutional investors to consider proposals, the Company strives to accelerate the delivery of convocation notices for the Ordinary General Meeting of Shareholders and distributes them on-demand for the purpose of disclosing information to as many stakeholders as possible.

Dialogue with Institutional Investors and Analysts

The Company disseminates information to shareholders and investors around the world by holding financial results briefings online, providing video explanations (financial results for each fiscal year, medium-term management plans, etc.) through the Company's website, and publishing factbooks and other materials.

In addition, individual IR meetings are held from time to time on a wide range of topics, such as the progress of management targets and priority strategies, financial standing and shareholder return policies, and initiatives to promote sustainability and achieve non-financial KPIs, with importance attached to them as opportunities to receive valuable opinions and impressions from the market and external parties regardless of the ownership status of the Company's shareholders.

In FY2024, a total of 25 IR meetings were held with institutional investors and analysts in Japan and overseas.

Our Answers to Your Main Questions

Your questions	Answers
On impacts of downturn in machine tool orders and prospects for recovery	The Company's Machine Tools Business Unit derives a large portion of its turnover from orders for machine tools, and we recognize that this downturn had a particularly significant impact in FY2022 and FY2023. We believe that recovery in this market will take some time, due to factors such as trade policy and uncertainty surrounding the future of the automotive industry.
On methods and policies for shareholder returns	We are committed to returning profits to shareholders through dividends, and have set a goal in our Medium-term Management Plan "Growing Together 2026" of maintaining a standard of a minimum total payout ratio of 33% and a minimum dividend on equity (DOE) of 3.5%. Furthermore, we will actively continue to pay dividends.
On factors informing the continuous improvement of the gross profit margin	One factor which can be cited in the continuous improvement of the Company's gross profit margin is the development and expansion of high value-added products through our "TSUNAGU" solutions. We are collaborating with manufacturers and sales partners to develop and deploy products and services with proprietary functions and unique characteristics not available from other companies through the Company's sales network and feeding these efforts into improving profitability.

Measures to Instill Evaluations from the Capital Market within the Company

The feedback obtained through communication with investors is shared with management and related internal departments, and is used as valuable input in considering future management policies and elements to be disclosed.

In our Medium-term Management Plan "Growing Together 2026," based on the growing needs of investors and capital markets and, in addition to the "33% shareholder return" indicator, we have set a new KPI to "maintain a DOE (dividend on equity) of 3.5% or higher" as an indicator that demonstrates a stable dividend policy, and have decided to disclose the status of our efforts to achieve this.

Corporate Governance

Ethics and Compliance

The YUASA TRADING Group has enacted a management philosophy, ethics policy, and code of conduct. The Representative Director and President is prioritizing the execution of these policies. By repeatedly expressing this mindset to Directors and employees, the hope is that laws and regulations and compliance to corporate ethics become a foundation for all company activities.

Ethics and Compliance System

We have established the Ethics and Compliance Committee under the direct control of the Representative Director and President, with the chair of this committee selected by the Representative Director and President from among the Directors. The Ethics and Compliance Committee formulates the “Ethics and Compliance Manual” and utilizes this alongside in-house training to increase its effectiveness while monitoring the compliance status alongside the Internal Auditing Office, thereby consolidating an ethics and compliance system that comprehensively covers the entire YUASA TRADING Group.

At the same time, we are expanding the scope of the Group’s ethics and compliance systems to encompass overseas subsidiaries and

promoting awareness-raising activities through the drafting of translations of the Ethics and Compliance Manual in English, Thai, and Chinese.

Ethics and Compliance Hotline

A permanent hotline has been established to directly report to and receive advice from with the Ethics and Compliance Committee if Directors or employees of the Company violate or may have violated laws and regulation, the Articles of Incorporation, or other regulations. This system also ensures that persons who issue such reports will not receive disadvantageous treatment for this reason. After receiving an inquiry or report, the Ethics and Compliance Committee will investigate the incident, enact measures to prevent reoccurrence, and endeavor to report important cases to the Board of Directors through the Representative Director and President.

Accompanying the revision of Japan’s Whistleblower Protection Act, the Company revised its internal reporting rules, limited the internal hotline for reporting and advice to the Ethics and Compliance Committee Secretariat, the Audit & Supervisory Board Members and the external hotline to the lawyers in charge at the advising law firm, and strengthened compliance with the obligation to protect confidentiality.

At the same time, the Company expanded the scope of people eligible to seek advice to allow former officers and employees to also avail themselves of the hotline up to one year after leaving their positions.

In addition, we have distributed the Ethics and Compliance Handbook to all employees of YUASA TRADING Group companies in Japan to ensure access to internal reporting hotlines.

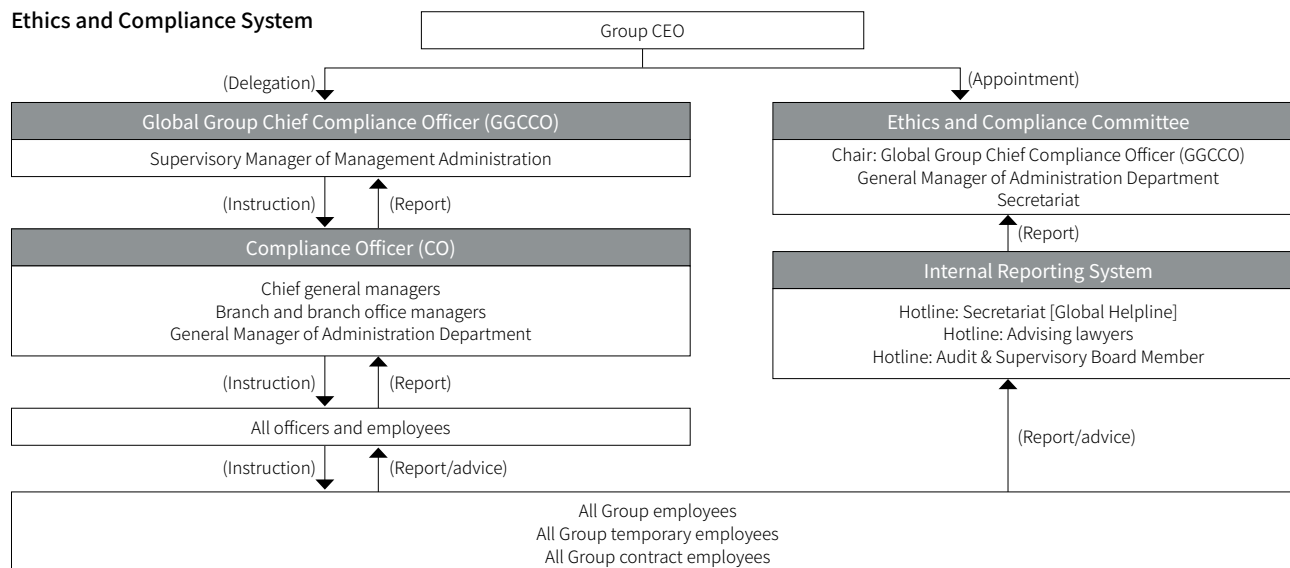
Response Against Anti-social Forces

The code of conduct declares the severance of any relationship with anti-social forces. Furthermore, the Company is standardizing the management of information through manuals and in-house training in order to eliminate and eradicate anti-social forces. External approaches are managed in the Ethics and Compliance Committee. The Company also participates in the Tokyo Metropolitan Police Organized Crime Prevention Association (Tokubouren) and strives to gather information and preempt transactions with anti-social forces.

Compliance Education and Training

The Company implements grade-specific (new employees, employees hired mid-career, newly appointed site managers, newly appointed line managers, etc.) education and training on compliance in general, and e-learning education on preventing harassment for YUASA TRADING Group employees (implemented once a year). In addition, through follow-up training for young employees (two to three years after joining the Company) with practical experience, we strive to continuously instill awareness of legal compliance from a frontline perspective.

Ethics and Compliance System



Corporate Governance

Risk Management

Risk Management System

The YUASA TRADING Group has stipulated that the Chief General Manager of Management Administration serve as the “Risk Management Supervisory Manager,” and established a system to swiftly and appropriately transmit information and respond to emergencies for each expected risk. The Risk Management Supervisory Manager reports on the status of risk management to the Board of Directors as necessary and works to establish a business continuity management system to minimize business disruption and impact in the event that a risk materializes.

Overview of Operational Status

The Risk Management Supervisory Manager implements comprehensive and cross-sectional risk management and works to strengthen business continuity capabilities after appropriately identifying and assessing the risks associated with business activities. Specifically, the Group classifies and evaluates risks based on management strategies and operational processes, identifies key risks that may have a significant impact on the YUASA TRADING Group's financial position, operating results, and cash flow conditions, and ascertains the degree of impact of those risks. In addition, the Risk Management Supervisory Manager is directly responsible for conducting education and awareness-raising activities for YUASA TRADING Group employees and providing an overview of these in reporting the details to the Internal Control Committee.

Environmental and Resilience Committee

The Environmental and Resilience Committee, which is comprised of the Chief General Manager and Deputy Chief General Manager and Supervisor of Management Administration of the Company, formulates environmental policies aimed at maintaining and improving the global environment through our business activities, as well as a business continuity plan (BCP) in anticipation of situations with the potential to cause significant damage, such as large-scale disasters and the outbreak of new viruses.

Specifically, the Environmental and Resilience Committee shares information on workplace environment management based on ISO 14001 and environmental laws and regulations, formulates and consolidates BCP and disaster prevention plans, and coordinates responses and conducts drills in the event of disasters.

Export Administration Committee

The Export Administration Committee, which is chaired by the Chief General Manager of Management Administration, has established the Safe Export Management Guidelines as internal standards related to compliance of export laws and regulations. This is intended to improve compliance related to overseas transactions and exports in particular, and the Committee is also responsible for awareness raising and monitoring activities.

Internal Control Committee

The Internal Control Committee, which is chaired by the Chief General Manager of Management Administration, identifies risks that may lead to false statements, and takes effective measures for reductions in the occurrence of such risks for matters of high importance, to ensure the reliability of financial reporting, including for risks pertaining to control of the entire YUASA TRADING Group as well as control of IT systems, and those relating to operational, accounting, and financial processes.

Key Risks Assumed Main risks recognized with the potential to have a material impact on financial position, operating results, and cash flow

Risk item	Overview	Countermeasures to mitigate risk
Economic fluctuation risk	Risk in the event of unforeseen changes in the economic trends in industrial equipment- and construction-related investments	We are focusing on the expansion of new areas and new markets outside Japan
Share price fluctuation risk	Risk in the event of changes in share prices	We are reviewing our shareholdings as appropriate in accordance with our “Securities Investment Guidelines”
Interest rate fluctuation risk	Risk in the event of changes in the interest rate for interest-bearing debt with variable interest rates	Convert interest-bearing debt from variable interest rates to fixed interest rates, etc., as appropriate
Credit risk	Risk in the event of credit extended to business partners inside and outside Japan involving credit losses risk	We are implementing credit management in accordance with internal management regulations
Exchange rate fluctuation risk	Risk in the event of changes in the exchange rate in import and export transactions	We are executing exchange forward contracts for import and export transactions in foreign currencies
Compliance risk	Risk in the event of major changes in or application of unexpected interpretations of relevant laws and regulations, including laws and regulations related to business activities	In addition to establishing an ethics policy and code of conduct, we have established an Ethics and Compliance Committee, which is under the direct control of the Representative Director, to ensure thorough compliance and provide guidance throughout the Group
Risk related to information systems and information security	Risks such as leaks of confidential corporate information or personal information due to unexpected unauthorized external access or invasion by a computer virus, as well as non-operation of information systems due to damage to system equipment or issues with communication lines from a natural disaster or an accident	In order to promote information sharing and business efficiency, we have constructed and operated an information system, and in order to ensure the safety of information system operations, we have established information security operating rules and are thoroughly tackling crisis management responses
Product liability risk	Risk in the event of product defects that lead to a large-scale recall or product liability compensation	We are engaged in the manufacture and sale of household appliances, and we take every precaution to ensure the quality of these products, as well as carrying product liability insurance
Country risk	Risk that it will be difficult to collect receivables or investments and loans due to policy changes or changes in the political and economic environment of counterparty countries overseas	We are responding carefully based on various information regarding the country risks that can be anticipated, and making efforts to manage and hedge risks, such as carrying trade insurance
Natural disaster risk, etc.	Risk of shutdown of business site functions, damage to equipment, and interruptions in the supply of power and other services in the event of a natural disaster, such as an earthquake or large-scale flooding, or an unexpected outbreak of an infectious disease, such as a new virus	In order to continue our business activities, we have formulated a business continuity plan (BCP), introduced a safety confirmation system, prepared a disaster countermeasure manual, and implemented earthquake countermeasures, and are conducting disaster drills, etc.
Business investment risk	Risk that anticipated returns will not be realized or that losses will be incurred due to withdrawal from a business occasioned by a business plan for an investment project failing to achieve its objectives	The Company engages in thorough considerations by means of key meetings such as those of the Board of Directors and Corporate Management Committee before proceeding with an investment.