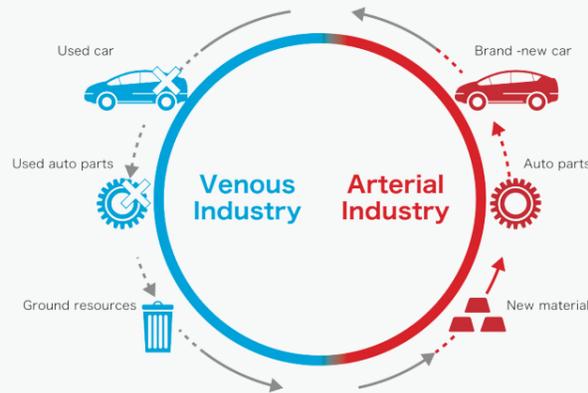


# Sustainability Management

## Sustainability Management Accountability for the End-of-Life Cycle

At Kaiho Industry, our mission is to be a cornerstone of the global circular economy. With global vehicle ownership climbing toward 1.6 billion, the world can no longer afford a "make and sell" mentality. Someone must take responsibility for what happens at the end. The SDGs pledge to "leave no one behind." While the world focuses on responsible production and consumption, we champion the "Responsibility to Clean Up" (Atoshimatsu). Rooted in the traditional Japanese value of altruism, we are proud to be pioneers of the venous industry. The vessels

that return resources to the earth. We remain committed to leading this charge and bravely confronting the world's most pressing environmental issues.



## Our Environmental Philosophy

Kaiho industry reduces environmental impact through the expert dismantling of end-of-life vehicles, active parts reuse, and resource recycling. This policy guides our mission to be an essential contributor to a global, sustainable, and resource circulating society.

- We operate in full compliance with all environmental legislation.
- We establish specific objectives to minimize our environmental footprint and prevent pollution.
- We actively work to preserve natural resources and the ecosystem.
- We foster a culture of sustainability through continuous training and awareness.
- We openly share our environmental initiatives and progress with the public.

## Our Sustainability Priorities

Aligning our corporate values with global needs, we have identified the critical issues where our business can make the greatest impact. This ensures we are delivering long-term value for our customers, partners, and our team.

### 【Environmental Materiality】

Materiality	Story				
<b>Advancing the Circular Economy and Minimizing Waste</b>	<p>Automobiles are a "treasure trove of resources," and we contribute to a circular society by extracting their maximum value. We are committed to increasing our recycling and reuse rates by expanding the sales of reused parts and improving resin recycling efficiency. Furthermore, we aim for zero waste at our own plants and continue to design and sell upcycled products that give new life to materials previously treated as waste.</p> <p>▶▶ p9-11 02 Growth Strategy 1 : Evolving from Recycling into a Global Online Platformer</p>				
<b>Climate Change Mitigation: Contributing to a Decarbonized Society</b>	<p>To help realize a net-zero society, we have formulated science-based GHG reduction targets. We are proud to announce that our goals have received SBT certification, meeting the rigorous 1.5°C pathway set by the Science Based Targets initiative.</p> <p><b>2030 Emissions Reduction Goals</b></p> <p>Commitment to High-Level Targets in Alignment with the Paris Agreement Based on the high standards required by the Paris Agreement, we commit to achieving the following targets:</p> <table border="1"> <tr> <td>Scope1+2<sup>※1</sup></td> <td>43% reduction by FY2030 (compared to FY2020 base year)</td> </tr> <tr> <td>Scope3<sup>※1</sup></td> <td>Measure GHG emissions across Scope 3 and implement reductions by FY2030.</td> </tr> </table> <p><small>※1 Scope 1 : Direct greenhouse gas emissions from facilities owned or controlled by the company Scope 2 : Indirect greenhouse gas emissions from the generation of purchased energy consumed by the company Scope 3 : All other indirect greenhouse gas emissions across the company's value chain, excluding Scope 1 and Scope 2</small></p>	Scope1+2 <sup>※1</sup>	43% reduction by FY2030 (compared to FY2020 base year)	Scope3 <sup>※1</sup>	Measure GHG emissions across Scope 3 and implement reductions by FY2030.
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Scope3 <sup>※1</sup>	Measure GHG emissions across Scope 3 and implement reductions by FY2030.				
<b>Global Technology Transfer and Social Contribution</b>	<p>In developing nations where vehicle use is growing rapidly, we provide vocational training and transfer technology for proper automobile recycling. This is more than just technical aid; it is a "human development" project. We aim to create local jobs, support industrial growth, and raise environmental awareness</p> <p>▶▶ p12-13 02 Growth Strategy 3 : Global Recycling Business</p>				

## [Foundation Materiality : Human Capital Development]

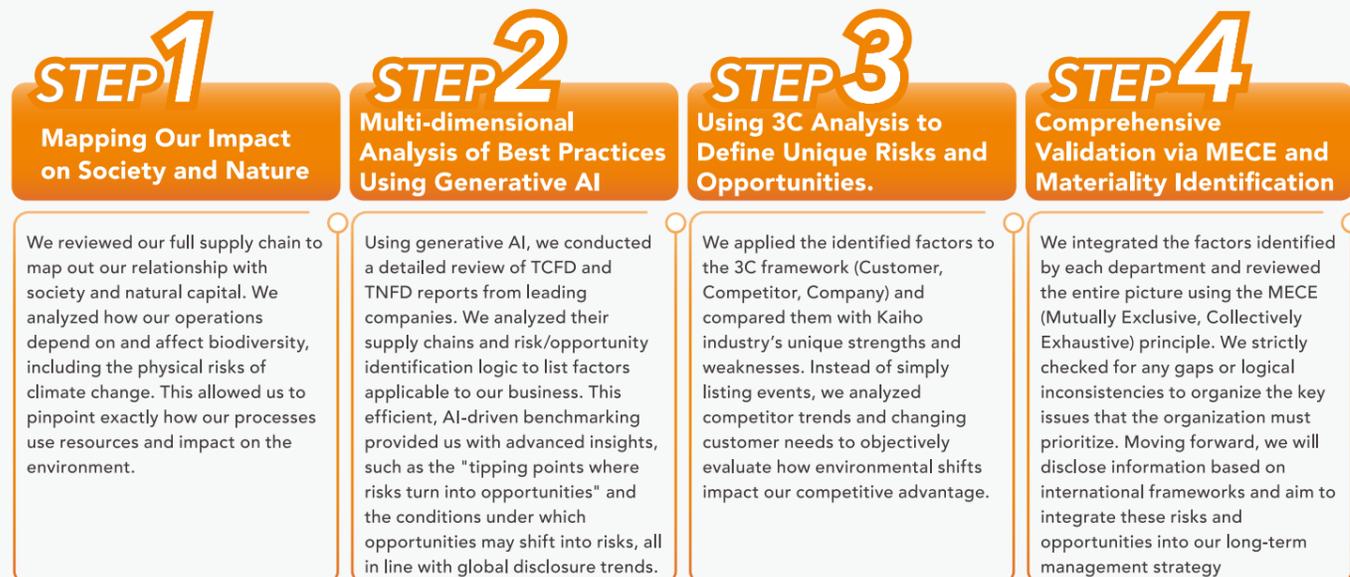
Materiality	Story
<b>Investing in People: Driving Employee Well-being</b>	<p>Employees are the source of our corporate value. We view employee health as a strategic investment and promote well-being so our team can work in good physical and mental health. By creating a supportive work environment, we aim to increase productivity and motivation, leading to sustainable growth. This approach also helps us reduce turnover and attract top talent.</p> <p>▶▶ p14-18 02 Growth Strategy 4 : Health and Well-being Initiatives</p>
<b>Transforming into an Innovative Organization and Promoting DX/SX</b>	<p>We will rebuild our business model by using Digital Transformation (DX) and Sustainability Transformation (SX) as our two core pillars. This change will be supported by an innovative culture where employees embrace challenges without fear of failure. Our goal is to create a resilient and powerful organization that can adapt quickly to the needs of the times.</p> <p>▶▶ p14-18 02 Growth Strategy 4 : Building a Self-Driven Organization</p>

## 1. Environment

As sustainability becomes more important, we recognize that TCFD and TNFD are critical management issues. To align our strategy with global disclosure standards (ISSB/SSBJ), we have begun intensive training across the company. Our goal is to ensure all employees understand the objectives and requirements of these frameworks.

## Process for Identifying Risks and Opportunities for Long-Term Strategy

To achieve both a sustainable society and corporate growth, we identified our risks and opportunities through the following four steps.



## Efforts for the Task Force on Climate-related Financial Disclosures (TCFD)

**Governance** We will establish a management system to promote policies and key initiatives related to climate change issues.

**Strategy** We have identified the following climate-related risks and opportunities, categorized as Transition Risks, Physical Risks, and Opportunities.

### ● Transition Risks

Categories	Specific Events
<b>Policy and Legal Risks</b>	<ul style="list-style-type: none"> <li>◆ Stricter emission regulations in various countries</li> <li>◆ Incentives for purchasing new Electric Vehicles</li> <li>◆ Implementation of Extended Producer Responsibility (EPR)</li> <li>◆ Enhanced compliance requirements from business partners</li> <li>◆ Implementation of carbon pricing systems and carbon taxation</li> </ul>
<b>Technology Risks</b>	<ul style="list-style-type: none"> <li>◆ Modernizing recycling infrastructure in response to the shift toward EVs and electric mobility</li> </ul>
<b>Market Risks</b>	<ul style="list-style-type: none"> <li>◆ Rising raw material and energy costs and shrinking existing markets due to shifts in consumer behavior and market structures.</li> </ul>
<b>Reputation Risk</b>	<ul style="list-style-type: none"> <li>◆ Increased demands for ESG ratings and TCFD disclosures, coupled with rising stakeholder concerns.</li> </ul>

### ● Physical Risks

Categories	Specific Events
<b>Acute Risks</b>	<ul style="list-style-type: none"> <li>◆ Increased frequency and severity of extreme weather events, such as floods, fires, typhoons, and cyclones.</li> </ul>
<b>Chronic Risks</b>	<ul style="list-style-type: none"> <li>◆ Changes in precipitation and weather patterns, rising average temperatures, and sea level rise.</li> </ul>

## ● Opportunities

Strategic Dimensions	Key Perspectives	Specific Events
<b>Resource Efficiency</b>	<ul style="list-style-type: none"> <li>Improving efficiency in transportation and logistics</li> <li>Optimization of manufacturing and distribution processes</li> <li>Utilization of recycled materials</li> </ul>	<ul style="list-style-type: none"> <li>Logistics optimization through domestic networks and LCL/container load efficiency.</li> <li>Optimizing yard logistics and production workflows</li> <li>Maximizing material and part recovery rates from ELVs</li> </ul>
<b>Energy Source</b>	<ul style="list-style-type: none"> <li>Use of low-carbon energy sources</li> <li>Policy-based incentives</li> <li>Adoption of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Transition to Solar Power and Renewable Energy (LIB) at Factories, and Product Development</li> <li>Electrification of Equipment</li> </ul>
<b>Products and Services</b>	<ul style="list-style-type: none"> <li>Development and expansion of low-carbon products</li> <li>Development of climate-adaptive products</li> <li>R&amp;D and Innovation</li> </ul>	<ul style="list-style-type: none"> <li>Certification Services Leveraging EV Parts Reuse and Recycling Technologies</li> <li>Carbon Credit Quantification System</li> </ul>
<b>Markets</b>	<ul style="list-style-type: none"> <li>Access to new markets</li> <li>Public incentives</li> <li>Access to resources and new regions</li> </ul>	<ul style="list-style-type: none"> <li>Entry into the Global Carbon Credit Market</li> <li>Business Expansion into the Indian and African Markets</li> <li>Support for Infrastructure Development Related to Overseas ELV Systems (in collaboration with organizations such as JICA and UNIDO)</li> </ul>
<b>Resilience</b>	<ul style="list-style-type: none"> <li>Advancing Energy Efficiency &amp; Renewables</li> <li>Diversification of resources</li> </ul>	<ul style="list-style-type: none"> <li>Diversification of Domestic and International Sites, with Enhanced Insurance and BCP</li> <li>Stabilization of Energy Costs through Renewable Energy Adoption</li> </ul>

We are currently building our quantitative data set and refining our action plans for these risks and opportunities. Our next priority is to develop and implement strategic responses to the issues we have identified.

## Initiatives for the Taskforce on Nature-related Financial Disclosures (TNFD)

### Identification of natural resources requiring prioritized management

In our business segments (Automotive Recycling, Agriculture, and Wellbeing), we have identified the following "natural resources" with particularly high levels of dependency and impact as priority management items. To realize a sustainable society, we will implement the LEAP approach to identify nature-related risks and opportunities, moving toward information disclosure based on the TNFD (Taskforce on Nature-related Financial Disclosures) recommendations.

#### Core resources for the Recycling Business

Minerals and Metals (iron, aluminum, copper, plastics, rubber, etc.)

#### The Foundation of our Agricultural Business

Soil, Water, and Biodiversity

#### Environmental Factors Underpinning Employee Health and Social Wellbeing

Air Quality

## 2. Social

### Initiatives for a Prosperous Society and Future Environmental

#### awareness activities in collaboration with the local community : Hosting the [Kaiho Recycle Festival]

To share the true value of recycling with our neighbors, we have held our hands-on environmental event, the " Kaiho Recycle Festival " every year since 2011, attracting a total of over 24,000 guests. Our goal is to make learning about the circular economy and car recycling fun for everyone, from kids to adults. We believe in the power of "See, Touch, and Experience "moving beyond textbook knowledge to inspire real-world environmental action. Highlights include exciting car dismantling demonstrations and workshops using recycled parts that bring the concept of resource circulation to life. By also

hosting charity initiatives and collection points for recyclables, we've created a unique space where environmental education meets social good.



#### 2024 Noto Peninsula Earthquake Relief and Recovery Support

Working hand-in-hand with NPO United Earth, we continue to provide heart felt support to the Noto Peninsula, from delivering essential supplies to helping with onsite cleanup and restoration. Our annual "Kaiho Recycle Festival" has also become a platform for recovery, hosting local markets for Notojima and Wajima products and charity auctions to raise reconstruction funds. We also believe in the importance of support through presence for instance by holding our company's year-end gatherings at Noto's hot spring resorts, we aim to contribute to the region's revitalization through local tourism and consumption.



## Health and Safety Policy

We place the highest priority on employee safety and health under our core principle, "Safety First."

Our Health and Safety Committee meets every month to discuss workplace standards and concerns. We focus on managing overtime, preventing overwork, analyzing workplace accidents, and supporting mental health.

While our current efforts emphasize hygiene and health management, we are strengthening physical safety measures through improved

risk assessments.

Each year, we plan activities based on seasonal risks. At the beginning of the year, we share information on stress management and infection prevention. During busy periods, we focus on both physical and mental well-being. From heatstroke and food poisoning prevention to blood pressure management and follow-ups on health checkups, we work year-round to keep our employees safe and healthy.

## Comprehensive Safety Management and Training

Led by our Health and Safety Committee, we integrate safety awareness with human resource development. We use a 5-level grading system to visualize technician skills and safety levels, providing systematic training based on qualifications and experience. This

approach ensures personalized safety education while supporting career growth. Additionally, we hold safety and skill enhancement seminars about four times a year to keep safety awareness high.

## On-site Safety Improvements Driven by Employee Ideas

We hold monthly "Kaizen" (improvement) suggestion activities, receiving 926 ideas from employees in 2025. We prioritize safety-related suggestions, turning on-site feedback into concrete actions. For example, collaboration between factories led to an improved gasoline extraction machine,

preventing fuel splashes on workers. Additionally, by relocating and expanding facilities like our SLC (Spare-parts Logistic Center), we resolved cramped workspace issues, ensuring both physical safety and higher work efficiency.

## Safety Performance Management

To prevent accidents and injuries, we quantify and track all incident reports, including minor accidents and "near-miss" cases that do not result in lost work time. We currently track 17 incidents annually. By continuously

accumulating and analyzing this data, we aim to improve the precision of our recurrence prevention measures and steadily enhance our overall safety management standards.

## External Advisor's Message : Dr. Hiramoto



**Prof. Tokutaro Hiramoto**  
**Senior Advisor to Kaiho Industry Co., Ltd.**  
**Professor at the Faculty of Information Design,**  
**Department of Management Information,**  
**Kanazawa Institute of Technology**

I offer my heartfelt congratulations to Kaiho industry for your pioneering achievement in publishing this Integrated Report a truly visionary step for the industry.

We currently find ourselves in the midst of a Polycrisis—a time of overlapping climate change, geopolitical risks, and economic fragmentation. As the stable supply of resources is threatened globally, the automotive recycling business led by Kaiho industry has evolved beyond simple waste processing. It now carries a vital social mission: ensuring the security of resource circulation by returning essential materials back to society.

In such a rapidly changing world, it is no easy task to define "risks" and "opportunities" while objectively assessing one's own position. However, through the process of creating this report, Kaiho industry has sharpened its "Value Creation Story" and stepped onto the stage of global dialogue to show the value it brings to society.

This sincere approach is the perfect embodiment of the Prow of the Ship pioneer spirit that Kaiho industry so deeply cherishes. By taking the lead, you serve as a beacon of hope for companies driving the circular economy in Japan and across the globe.

I am confident that by sharing Japan's "Mottainai" spirit and advanced technical excellence as a universal language through this report, Kaiho industry will inspire further growth in the industry and the realization of a sustainable global society.