



KAIHO
会宝産業株式会社

KAIHO INDUSTRY CO., LTD.
INTEGRATED REPORT

2026

All-Directional "SHINKA"

01 Value Creation Story Identity

Management Philosophy

Kaiho industry is dedicated to creating value through a positive workplace, earning the trust of our customers, and conducting our business in harmony with the natural environment.

— Commitment —

We treat each other with respect and work in a positive, inclusive environment

We continuously develop our skills through learning and training.

We take responsibility for our actions and embrace improvement and challenge.

We always prioritize health, safety, and well-being in the workplace.

We act with integrity and align our behavior with the values of Kaiho industry.

The Core of Our Value Creation

We believe that when our employees work with genuine joy, that happiness naturally resonates with our customers, fostering a deep sense of peace and trust. This virtuous cycle of joy extends beyond human connections to embrace the natural world, contributing to a harmonious global environment where all people can live in peace. Standing on this foundational spirit, we are committed to continuous "Shinka"—evolving our presence and deepening our value to the world.

PURPOSE

Contributing to environmental sustainability in Japan and globally through responsible vehicle recycling

Arteries and Veins : A Living Economy

Modern society has flourished through the "Arterial Industry"—extracting resources and producing goods. But production without recovery leads to waste and environmental destruction.

Just as a human body needs both arteries and veins to circulate blood, a sustainable society needs both a production industry and a "Venous Industry" (Recovery & Recycling). At Kaiho industry, we provide the "veins" that return resources back to the world.

Our Mission: "Responsibility for Aftercare"

We go beyond SDG Goal 12 (Responsible Consumption and Production). We believe in a third pillar: The Responsibility for Aftercare (Atoshimatsu).

As a pioneer in the Venous Industry, our mission is to ensure that nothing is "wasted," but everything is "reborn." By spreading this cycle across the globe, we create a harmonious Earth where economy and nature thrive together.

CORE VALUE

The Principle of the Water Basin: The Spirit of Altruism

The Principle of the Water Basin: The Spirit of Altruism

At Kaiho industry, we are guided by the "Law of the Water Basin" (Tarai no Hōsoku), a principle taught by our Founder.

When water in a basin is pushed toward oneself, it flows away. When it is directed toward others, it naturally returns. This principle reflects the spirit of altruism (Rita) the belief that by putting the happiness and success of others first, long term value returns to oneself.

We believe that actions driven by short term self-interest do not create sustainable value. Instead, sincere efforts to serve customers and society build trust, shared growth, and lasting prosperity.

This principle shapes our daily operations. Beyond processing resources, we aim to deliver trust and positive impact. By creating a virtuous cycle that benefits customers, employees, partners, and society, we strive to build a truly sustainable future.

CEO's Message



President & CEO
Takayuki Kondo

Why We Published the "Integrated Report 2026"

This report is not simply a compilation of data for external disclosure.

It is a statement of who we are.

Through this report, I wanted to clearly communicate both to our employees and to society.

The fundamental question is Who are we, what do we stand for, and where are we heading?

In an industry where the essential role of recycling and dismantling is often overshadowed by manufacturing, we choose to define our own narrative. This report serves as a bridge between our long-held philosophy and the next generation of employees, while also fostering meaningful dialogue with our partners and future talent. It reflects our commitment to speak in our own voice.

The Four Pillars of the Mid-Term Management Plan

Our Mid-Term Strategy is built around four key priorities:

- Platform Business
- Domestic Recycling & Growth
- Global Circular Expansion
- Strengthening Organizational Agility

Our identity as platformers is rooted in the international used vehicle and parts business established by our founder. In Japan, consumers tend to replace vehicles early, often while they remain in excellent condition. While these high-quality components may be overlooked domestically, there is significant demand for them in international markets. By recognizing the inherent value in these parts, we have successfully expanded our sales channels to numerous countries worldwide.

Historically, the domestic auto recycling industry focused primarily on the "clean and high-margin" Japanese market, largely ignoring global opportunities. We chose a different path. We took the global trade systems built by our founder and opened them to our peers across Japan. By registering on our platform, these companies can increase their profitability by accessing international buyers. This borderless platform removes the traditional barriers to global trade, making it simple and efficient for any recycler to participate in the global market. Beyond business growth, our mission is to ensure that our entire Group shares a deep sense of pride in the work of auto recycling. We understand that international expansion is a significant challenge that requires patience and long-term investment. However, vehicles and parts are essential worldwide, and resources must circulate across borders to be truly sustainable. To lead the future of the circular economy, we must look beyond national boundaries and understand the flow of resources on a global scale. With this future in mind, we continue to embrace new challenges and drive global innovation.

The Heart of Our Management: People

In business, no matter the strategy or tactic, "people" are the engine that drives success. We chose to view the challenges of the pandemic as a unique opportunity to invest deeply in our team's growth.

I firmly believe that the strongest organization is one where every individual takes initiative, thinking for themselves and acting proactively to delight the customers right in front of them.

Our Approach to Sustainability Management

Since its founding, Kaiho industry's core business of promoting reuse and recycling has naturally aligned with the goals of the SDGs. Today, the world demands a renewed commitment to truly sustainable corporate activities.

Humanity exists only within the grace of nature. Yet, by prioritizing short-term capitalistic gains and our own convenience, we have undeniably impacted the natural environment. We must remember that without a healthy environment, our business cannot exist.

To return to this fundamental principle, we have positioned the disclosure frameworks for climate and nature (TCFD and TNFD) as top-priority management challenges for our future.

Preserving Our Values, Embracing "All-Directional SHINKA" for 2026

Our organization is not a collection of silos, but a single, unified entity. With a spirit of challenge, we have established "All-Directional SHINKA" as our management policy for 2026. This is not a linear path, but a total transformation. Within "SHINKA," we embed five core dimensions: True Value, Evolution, Innovation, Deepening, and Connection. By refining our past achievements, integrating new methods demanded by the times, and reconnecting our business to its essential value, we will continue to act as the bow of the ship leading the way through constant challenge to remain the partner of choice for our customers. We hope this Integrated Report marks the beginning of a new cycle of collaboration with all our stakeholders

Corporate History

Domestic & International Expansion

Domestic Operations

1969
Established Kondo Jidosha Shokai Co., Ltd.



1992
Renamed the company to Kaiho Industry Co., Ltd.

1998
Relocated Headquarters to its current location.



2005
Developed the KRA (Kaiho Recyclers Alliance) system.

2007
Increased capital to 57 million JPY.

2008
Launched agricultural business (Kaiho Farm).



2022
Increased capital to 82 million JPY.

2025
Commenced operations at the Yachimata Warehouse (Chiba Prefecture).



International Operations

1991
Launched export business operations.

2007
Established the IREC (International Recycling Education Center).



2010
Formulated the JRS (Japan Reuse Standard) for used engine quality.

2014
Established local subsidiary KAIHO MIDDLE EAST (FZE) in the UAE.

2019
Established Abhishek K Kaiho Private Limited, a joint venture with the Abhishek Group in India.



2020
Formulated the JGES (Japan Good Engine Standard) for used engine quality.

2024
Established local subsidiary KAIHO EAST AFRICA in Kenya



1969

2000

2020

2026

Our Core Strengths

For nearly 50 years, Kaiho industry has embraced a culture of continuous evolution fueled by a relentless frontier spirit. Our greatest competitive advantage is our unwavering commitment to being the navigator in uncharted waters. Amidst drastic shifts in the industry and the global climate, we proactively take the lead, pioneering initiatives for long-term sustainability. We remain dedicated to our mission: preserving the beauty of our Earth for future generations through steady innovation and courage.

Value Creation Model (Process)

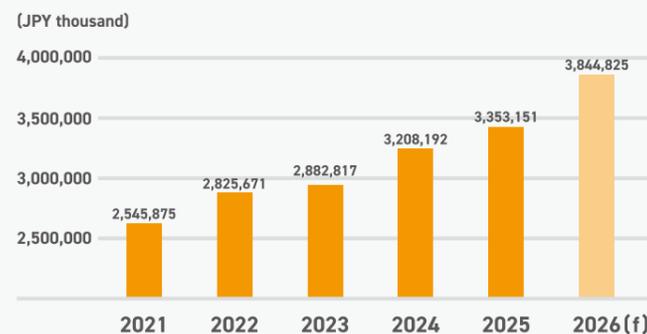
Kaiho industry purpose is to enhance environmental sustainability in Japan and around the world through end-of-life vehicle management. While automobiles bring significant benefits to society, challenges such as illegal dumping and environmental degradation persist.

We advance the proper circulation of used auto parts, promote efficient use of finite resources, and disseminate automobile recycling know, both domestically and internationally. We also prioritize the development of skilled human resources who carry these capabilities forward. Through these efforts, we seek to establish a circular industry that unites arterial and venous industries to enable continuous resource circulation.

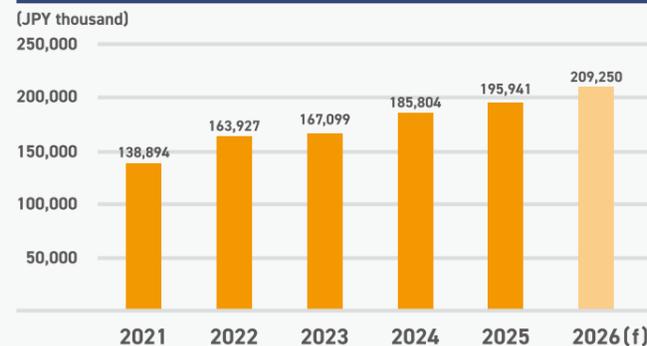
Value Creation

Financial Highlights

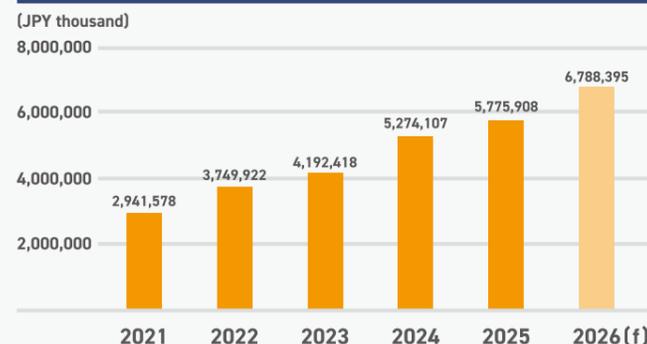
Net Sales



Ordinary Profit



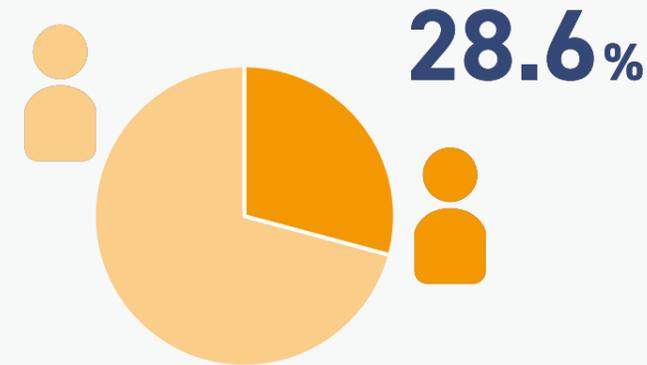
Gross Transaction Value (GTV)



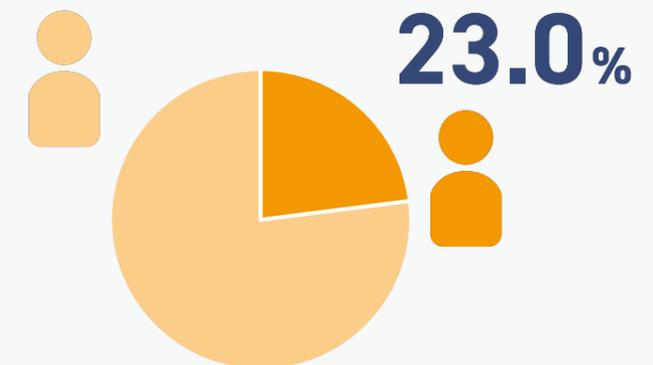
Value Creation

Non-Financial Highlights

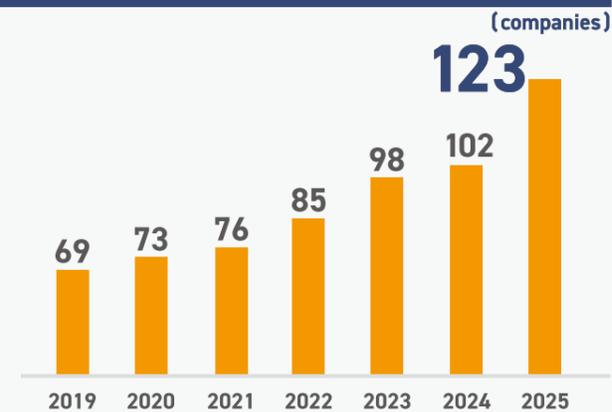
Gender Diversity



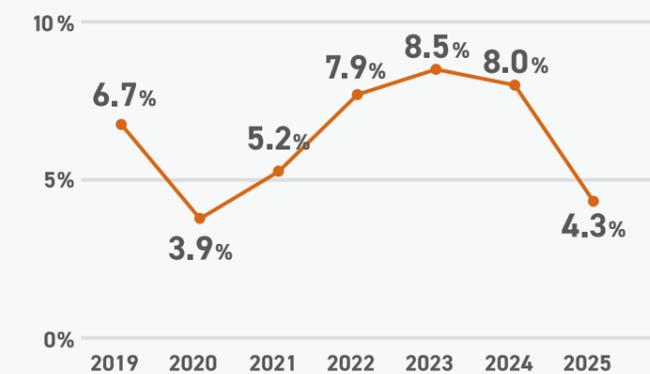
Global Diversity : National Employees



Strategic Alliance Network



Employee Retention



Human Capital Investment



Global Technical Training



Growth Strategy

Our Long-Term Vision and Strategic Business Domains

Beyond our core automotive recycling operations, we are scaling globally by developing the Kaiho Recyclers Alliance (KRA) system a proprietary core management platform specifically designed for the recycling industry. Our digital infrastructure also includes the global rollout of our online marketplaces, ePartsWorld and eCarsAuction, for used automotive parts and vehicles. By exporting our specialized recycling technologies, we empower nations to

establish domestic resource circulation, directly contributing to the realization of a Global Circular Economy. The foundation of these activities is our commitment to Human Capital: cultivating proactive professionals who deliver exceptional value and inspiration to others. Together with our talented workforce, Kaiho industry is committed to sustainable growth as a value-creating enterprise for local communities, global society, and the planet.

Strategy 1 Recycling Business × Global Online Platform Strategy

Our Continuously Evolving Proprietary Core System – KRA System –

The Company operates two online sales platforms, ePartsWorld and eCarsAuction, and provides sales promotion support to industry peers. At the core of building a platform that enables customers worldwide to purchase with confidence is the KRA System, our proprietary core business system. The KRA System centrally manages the entire process from procurement of end-of-life vehicles through production and sales, ensuring product quality information, history management, and traceability. Built on more

than 20 years of operational know-how, the system was launched as a cloud-based platform in 2017 and is now used by 123 member companies across 43 prefectures as of February 2026. Utilizing AI-based image recognition and QR code-based individual management, the system simplifies vehicle and parts procurement and inventory control. It also enables comprehensive management of reused parts as well as scrap materials. Going forward, we will enhance functions such

as dynamic vehicle purchase price assessment based on domestic and international market data, CRM systems to improve customer conversion rates, and integration with external systems, including genuine parts

number databases. Through these initiatives, we aim to support data-driven management and contribute to improved performance across alliance member companies.

Global Distribution Platform for Recycled Parts : ePartsWorld

ePartsWorld is one of the world's largest cross-border e-commerce platforms for used vehicles, recycled auto parts, and new parts. In the past, overseas buyers were required to obtain Japanese visas and incur significant travel costs to source parts in Japan. By using ePartsWorld, customers around the world can search for, order, and purchase the products they need entirely online. The platform supports multiple languages and currencies, with a strong focus on ease of access and ordering from overseas. Its key features include the ability to select parts based on the condition of the vehicle prior to dismantling, as well as full traceability information for all parts even after dismantling. This enables overseas buyers to purchase products with confidence.

The Company began operating ePartsWorld in 2022. Over the two-year period through 2024, export sales increased by 141%, with transactions spanning 90 countries, including the Middle East, Africa, and Central and South America. From 2025, to meet growing global demand, the platform has expanded to accept listings from alliance members across Japan, allowing buyers worldwide to view and order inventory data for used vehicles and recycled parts nationwide. As a result, alliance distribution volume reached approximately ¥270 million in 2025.



eCarsAuction : Connecting the world directly to Japan's used car market.

eCarsAuction is a global online auction that directly connects Japanese companies selling trucks, buses, and heavy machinery with 1,377 buyers across 90 countries. Using our app, sellers can list vehicles from their own parking lot without expensive transport costs. By cutting out the middleman, sellers get higher prices and buyers pay less. In 2025, our

transaction volume grew to approximately 400 million JPY.



Japan's Largest Export-Focused On-Site Auction for Recycled Auto Parts – Chiba Auction –

Chiba Auction, launched in August 2017 at our Chiba branch, is an export-oriented auction specializing in used automotive parts, primarily engines. Each week, around 1,000 items are listed by recyclers nationwide, attracting 110 companies and over 300 overseas buyers. Buyers can inspect a wide range of parts in one location, eliminating the time and cost of sourcing across Japan. In addition to overseas traders based in Japan, remote bidding from abroad is also available. For sellers, the auction removes the burden of individual price negotiations with overseas buyers.

By leveraging the scarcity of used auto parts and concentrating rare items in one marketplace, Chiba Auction maximizes both sales volume and pricing.

In 2025, transaction volume reached approximately JPY 2.53 billion.



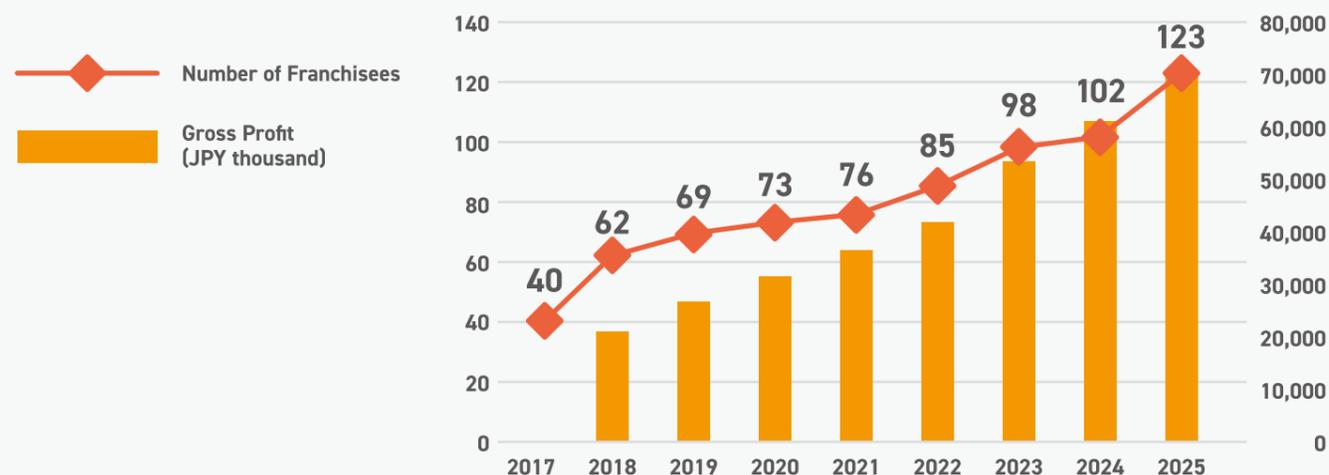
Strategy 2 Expanding the domestic recycling industry

From Competition to Collaboration – Our Alliance Business –

The Alliance business leverages the Company's sales network, data, and know-how across approximately 90 countries to provide services to domestic recycling companies. As of February 2026, 123 companies nationwide participate in the alliance.

Member companies have access to the proprietary KRA System, which enables market data viewing, profitability estimation

for end-of-life vehicles, automated electronic manifest reporting, and listing integration with sales platforms such as ePartsWorld, eCarsAuction, and the Chiba Auction. In addition, the Company promotes knowledge sharing and human resource development through regular information updates and study sessions, contributing to improved industry profitability and social value creation



Strategy 3 Expanding the Global Automotive Circular Economy – Maximizing the life time Value of Every Vehicle. –

Global Recycling Business

Bringing Automotive Recycling Technology to the World

In many parts of the world, old cars are often dumped illegally, causing serious pollution because local communities lack the tools and knowledge to recycle them safely. Kaiho Industry is solving this global challenge by providing a total recycling solution through our specialized training programs. We teach government leaders and private businesses how to dismantle cars properly, recover high-quality parts, and manage hazardous materials safely.

Beyond just teaching skills, we help international partners set up their own eco-friendly recycling factories from scratch.

By transferring this vital knowledge to over 500 graduates across 14 countries by 2025, we are establishing the necessary infrastructure for a global circular economy. We empower local communities to treat every vehicle as a valuable resource rather than a source of pollution, turning automotive waste into a sustainable local industry.



International Recycling Education Center (IREC)

In 2007, we founded IREC to serve as a bridge for technical innovation, inviting trainees from across the globe to learn our specialized recycling methods. This center has been the foundation of our mission to spread high-quality automotive dismantling and recovery skills worldwide



Achievements

2010	14 participants from government agencies and insurance companies in Brazil, Argentina, Mexico, and Colombia
2012 - 2013	35 participants from local governments and private companies in Nigeria
2013	8 participants from a university in the Democratic Republic of the Congo
2014	8 participants from insurance companies in the Philippines
2016	7 university professors from Minas Gerais State, Brazil
2017 - 2019	34 participants from Malaysia's Ministry of Environment, Ministry of Transport, Ministry of Education, and Road Transport Department
2021	10 participants from Vietnam
2022	7 participants from Malaysia's executive branch; 3 university professors and 2 private-sector participants from Kenya
2023	2 instructors from a vocational training institute in Uganda; 100 students trained in Uganda
2024	3 participants from private companies in China; 2 instructors from a vocational training institute in Uganda; 100 students trained in Uganda
2025	Kenya: 2 instructors from a vocational training institute; 150 students Tanzania: 2 instructors from a vocational training institute; 50 students

Total : 539 participants from 14 countries

Strategic Global Hub : Building India's Circular Economy

In 2019, Kaiho industry teamed up with India's Abhishek Group to form AKK, the first government authorized recycling factory in the Haryana region. India is a global leader in car manufacturing, making it the perfect place for our long-term growth. We use advanced Japanese technology to recycle old cars safely and efficiently. This partnership does more than just clean up the environment; it creates local jobs and recovers valuable materials. Today, AKK is not only helping India's own industries but is also exporting quality used

parts to countries like Ghana and South Africa, making it a key part of our worldwide network.



Global Auction Business

Delivering Used Auto Parts to the World from the UAE – A Global Logistics Hub

In 2014, we established our UAE subsidiary, Kaiho Middle East FZE, and launched an online auction for used automotive parts. Sharjah's Industrial Area—home to more than 3,000 auto parts dealers—is widely known as the world's largest hub for used auto parts. Reusable parts from Japan and other advanced countries are imported into this market, where buyers from the Middle East and Africa procure goods for re-export. Traditionally, transactions relied on direct negotiations with limited transparency in quality or pricing. The KME Auction was created to improve market fairness by disclosing product quality, history, and market price information. Leveraging the UAE's

strategic position, KME also serves as a sourcing hub for older reusable parts no longer available in Japan, exporting them mainly to South America.



Strategy 4 Building a Resilient Organization

Initiatives for a Self-Driven Organization

KAIHO 2030 Project

Shaping Our Future Together Since 2018, we have been working on a special initiative called the KAIHO 2030 Project. Instead of just looking at the present, we imagine what the world will be like in 2030 and work backward to set our goals today. To achieve this, we

formed dedicated teams focusing on Health Management, X Trade, Factory Scientists, Metaverse, Next-Generation Batteries, and Liaison work. Through these teams, we are ensuring that both our company and our individuals are ready for the future.

Wellness Team

We want everyone at Kaiho industry to be healthy and happy. Our Wellness Team brings this vision to life by serving healthy lunches made with local Ishikawa vegetables and our own homemade miso. We also focus on rest and energy, running wellness challenges for the staff and testing "Power Nap" breaks to help everyone stay refreshed. At Kaiho, we believe a healthy team is the foundation of a great company.

X Trade Team

Our X Trade Team works to deliver automotive parts to every corner of the globe. By utilizing our international network, we provide customers with access to a wide range of components, including those impossible to source within the Japanese market. We are dedicated to building a world where geography is no barrier to vehicle maintenance, ensuring a steady flow of parts through our global partner hubs.

Factory Data Scientist Team

Our vision is to change industry with technology that benefits the Earth. The Factory Scientist Team uses the KRA System to link our physical tools with digital data, making every step of the recycling process visible. By focusing on productivity and visualizing our workflow, we are creating a "Smart Factory" that maximizes resources and sets a new global standard for the circular economy.

Metaverse Team

Our vision is to share the importance of Atoshimatsu properly closing the loop—with the world. The Metaverse Team uses immersive technology to turn auto recycling into a fascinating digital experience. By creating engaging virtual activities, we inspire a global audience to appreciate the art of finishing well and the true value of our planet's resources.

Next-Generation Battery Team

Our mission is to lead the way in EV battery recycling and reuse. The Next-Generation Battery Team develops the technology needed to handle modern vehicle batteries safely and efficiently. By turning old batteries into valuable resources, we are building the essential infrastructure for a sustainable, electric future.

Liaison Team

The Liaison Team aims to create a space where we can learn together and act as a bridge for people worldwide. We manage the Kaiho Academy, our internal learning center, to help our team grow, and we write our company's Integrated Report to share our progress with everyone. We believe that by learning from each other and communicating clearly, we can build stronger relationships across the globe.

Our Commitment to Mind and Body Health

Certified Health and Productivity Management Organization

We are proud to be certified as a "Health & Productivity Management Outstanding Organization 2025," earning our third Bright 500 selection as one of Japan's top 500 SMEs. Guided by our vision to produce a space of health and happiness, we provide proactive support to ensure every employee works with vitality and stays physically and mentally fulfilled.



Health Promotion Allowance Program

Our "Genki Allowance" rewards the self-discipline needed to stay healthy and productive. This focus on self-care has led to a breakthrough in health data. As of 2024, our average medical cost per employee is 107,690 JPY, remarkably low at 53% of the national average (201,975 JPY). We prove that when employees are empowered to stay "Ultra-Healthy," both the individual and the company thrive.

RANK	Wellness Allowance	Annual Sick Leave	MARK	BMI
Excellent Health	¥ 36,000	0 days	0	18.5-22.5
Good Health	¥ 24,000	0 days	1	18.5-24.9
Mostly Healthy	¥ 18,000	~ 1 day	2	18.5-24.9
Fair Health	¥ 12,000	~ 3 days	~6	17.5-25.9
Other	¥ 0			

Why is a Car Recycler Doing Agriculture? Redefining "Atoshimatsu" for a New Era

Our agricultural business stems from our founder's vision to protect life. Fearing a future global food crisis, he launched this initiative to ensure that our employees and their families are supported no matter what. By securing a stable food supply, we protect the lives and health of our people. This project also realizes our goal of "Lifelong Employment." In line with our philosophy, "I will enjoy working at Kaiho industry for life," the farm offers a place where staff can continue to work with peace of mind even after retirement. By growing pesticide-free

vegetables, we link the "circular philosophy" of car recycling to the health of both nature and our team.



KAIHO Kitchen : Driving Wellness from the Inside Out

We believe our people are our most valuable resource, which led to the creation of KAIHO Kitchen. By providing daily lunches at no cost to our staff, we aim to foster a culture of wellness and connection. This space is designed to boost employee energy and mental clarity by encouraging meaningful interactions during breaks. Furthermore, we practice health management by ensuring the food we serve is safe and vitalizing. By utilizing premium vegetables cultivated without pesticides on our own farms, we link

our agricultural business directly to our tables, ensuring that the health of our team is supported by the very best of our circular economy practices.



Initiatives to Promote DX and Enhance Communication

Implementation of Google Workspace Across the Company

We have redefined our "ideal way of working" and are promoting the company-wide use of Google Workspace as the core of our DX strategy. Previously, tool usage depended on individual discretion, limiting cross-departmental collaboration and preventing on-site improvements from being effectively shared across the organization. This led to gaps in understanding and reduced Transparency. To address these challenges, we are building an internal wiki and portal to create a shared

information foundation across departments. We are also establishing unified usage guidelines and providing company-wide training, including the use of generative AI such as Gemini, to enhance digital literacy and empower employees to drive continuous improvement.

Programs to Support Continuous Skill Development

Advancing Analytical Skills Through Company-Based Data Science Training

We consistently host "Data Science Study Groups" to enhance company-wide data literacy and establish a culture of objective, fact-based decision-making. A key feature of these sessions is their practical approach; we go beyond theoretical statistics by using actual company data for case studies to develop analytical skills directly applicable to our business operations. These talent development efforts do more than just improve individual skills—they foster

an organizational culture where rational, data-backed proposals are exchanged naturally, leading to high transparency and constructive dialogue. As each employee gains the ability to critically evaluate information reliability, the consensus in our decision-making process grows stronger. Furthermore, we have established a framework to accumulate and utilize these analytical insights as collective organizational knowledge.

KAIHO ACADEMY

Since July 2022, the KAIHO2030 Project's Liaison Team has led the planning and operation of our in-house training program, the Kaiho Academy. The Academy provides employees with opportunities to step back from daily operations, reflect on themselves objectively, and gain new insights. By sharing learning and discoveries across departments and roles, the program fosters a sense of unity and strengthens our corporate culture. We believe that individual growth is the driving force behind the Company's sustainable growth. Over the past three and a half years, we have continuously offered diverse programs tailored to evolving needs, including reading sessions on human development, workshops to deepen self- and mutual

understanding, and training programs to enhance generative AI skills in response to rapidly advancing technologies. Through these initiatives, we promote company-wide innovation and behavioral transformation.



Initiatives to Embed Corporate Philosophy

The "Like" Report

The "Like" Report System: Sharing Moments of Inspiration

Since 2012, we have operated the "'Like' Reporting" system, sharing customer praise company wide. By experiencing customer feedback firsthand, employees foster a culture of delighting customers. As of December 2025, a total of 1,652 reports has been recorded, reflecting strengthened trust and serving as a key motivator for our staff

New Employee Presentation Contest

Empowering New Hires: Building Ownership through the Annual Presentation Contest

Every June, we host a New Employee Presentation Competition for all hires within their first year, marking the end of their probationary period. Centered on "The Strengths of Kaiho Industry," this event helps new members internalize our values and build strong peer networks. It is a vital opportunity for new talent to show their potential while developing a deep sense of pride in their new workplace

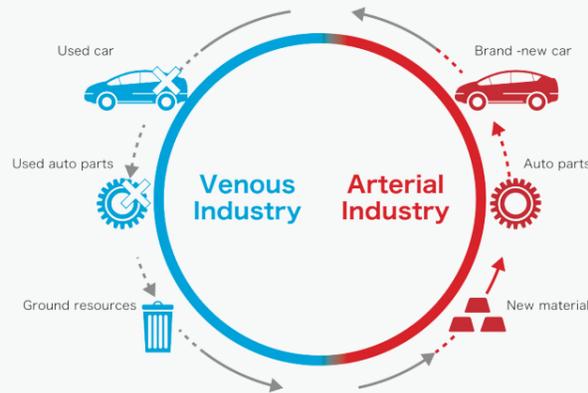


Sustainability Management

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				
Advancing the Circular Economy and Minimizing Waste	<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>				
Climate Change Mitigation: Contributing to a Decarbonized Society	<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>2030 Emissions Reduction Goals</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^{※1}</td> <td>43% reduction by FY2030 (compared to FY2020 base year)</td> </tr> <tr> <td>Scope3^{※1}</td> <td>Measure GHG emissions across Scope 3 and implement reductions by FY2030.</td> </tr> </table> <p>※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</p>	Scope1+2 ^{※1}	43% reduction by FY2030 (compared to FY2020 base year)	Scope3 ^{※1}	Measure GHG emissions across Scope 3 and implement reductions by FY2030.
Scope1+2 ^{※1}	43% reduction by FY2030 (compared to FY2020 base year)				
Scope3 ^{※1}	Measure GHG emissions across Scope 3 and implement reductions by FY2030.				
Global Technology Transfer and Social Contribution	<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]

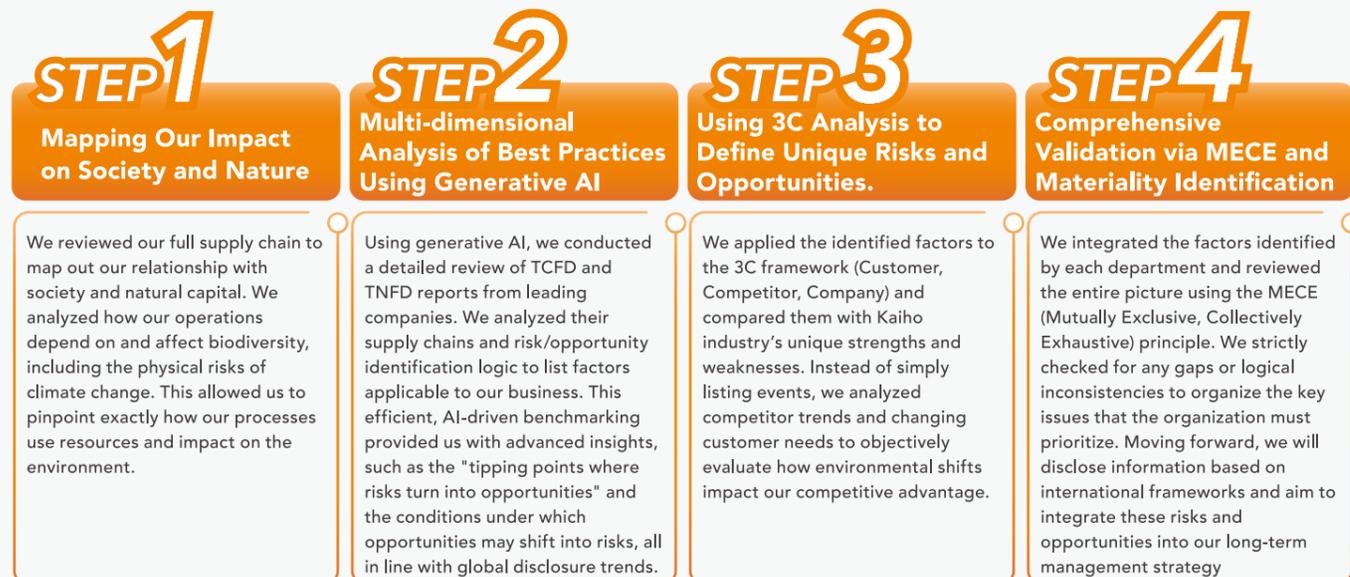
Materiality	Story
Investing in People: Driving Employee Well-being	<p>Employees are the source of our corporate value. We view employee health as a strategic investment and promote well-being so our team can work in good physical and mental health. By creating a supportive work environment, we aim to 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>
Transforming into an Innovative Organization and Promoting DX/SX	<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
Policy and Legal Risks	<ul style="list-style-type: none"> ◆ Stricter emission regulations in various countries ◆ Incentives for purchasing new Electric Vehicles ◆ Implementation of Extended Producer Responsibility (EPR) ◆ Enhanced compliance requirements from business partners ◆ Implementation of carbon pricing systems and carbon taxation
Technology Risks	<ul style="list-style-type: none"> ◆ Modernizing recycling infrastructure in response to the shift toward EVs and electric mobility
Market Risks	<ul style="list-style-type: none"> ◆ Rising raw material and energy costs and shrinking existing markets due to shifts in consumer behavior and market structures.
Reputation Risk	<ul style="list-style-type: none"> ◆ Increased demands for ESG ratings and TCFD disclosures, coupled with rising stakeholder concerns.

● Physical Risks

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

● Opportunities

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

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.

Standard & Professional

Financial Trends and FY2026 Forecast

From 2021 to 2025, net sales grew steadily from 2,545 million yen to 3,349 million yen. Looking ahead to 2026, we forecast further expansion with net sales projected at 3,844 million yen. Our Platform Business has shown remarkable growth, rising from 86 million yen in 2021 to 531 million yen in 2025. In 2026, we position this business as our primary growth driver and plan to achieve net sales of 1 billion yen.

Profitability Indicators and Capital Efficiency

Ordinary profit reached 195 million yen in 2025, and we plan to achieve 209 million yen in 2026. Our profit margin, relative to net sales remains steady in the 5% range, demonstrating our ability to maintain stable profitability.

System Investment Plan to Support the Platform Business

Since deciding to transition into a platform provider in 2020, Kaiho industry has implemented phased system investments totaling approximately 300 million yen. In 2026, we plan to continue this momentum with an additional investment of approximately 70 million yen, focusing on enhancing functionality across the following three pillars.

- **Enhancing Logistics & Sales : ePartsWorld's Next Stage :**

We are expanding our reach beyond traditional FCL trading by introducing LCL, delivery and launching overseas B2C websites. This evolution allows us to build a global sales network that links Kaiho industry directly to end-consumers worldwide.

- **Intelligence and Efficiency in On-site Operations :**

We will deploy our "Integrated Vehicle Imaging System," developed at less than one-tenth the cost of conventional equipment, and provide an AI-powered API for the automatic reading of caution plates and vehicle inspection certificates. These initiatives will significantly reduce the data-entry burden for our partner companies and accelerate the accumulation of data across our platform.

- **Collaboration with Arterial Industries : Reaching Upstream :**

Through the addition of genuine part number lookups and the rollout of our trade-in management system for car dealerships, we can track vehicle data at the "upstream" stage. This proactive approach ensures the most efficient optimization of the circular economy.

Financial Soundness and the Strategic Rationale for New Plant Investment:

Our equity ratio has risen significantly from 39.9% in 2021 to 58.1% in 2025, demonstrating a strengthened financial foundation. With an expected increase to 60.9% in 2026, we believe the proposed investment in our new plant is fully supported by our financial capacity, as outlined below.

- **Strong Equity Capital**

With an equity ratio exceeding 60%, we have established a stable capital structure capable of supporting large-scale investments.

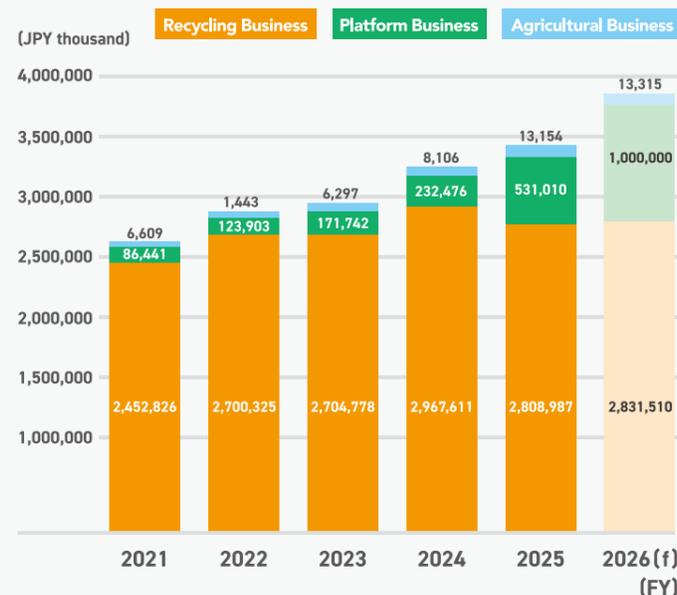
- **Stable Cash Generation**

With an equity ratio exceeding 60%, we have established a stable capital structure capable of supporting large-scale investments.

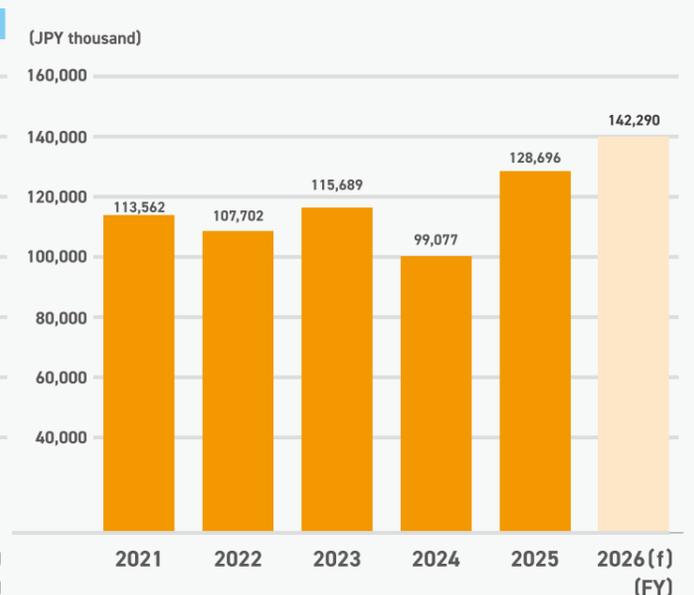
(JPY thousand)

	2021	2022	2023	2024	2025	2026 (f)
Total Net Sales	2,545,875	2,825,671	2,882,817	3,208,192	3,353,151	3,844,825
Recycling Business	2,452,826	2,700,325	2,704,778	2,967,611	2,808,987	2,831,510
Platform Business	86,441	123,903	171,742	232,476	531,010	1,000,000
Agricultural Business	6,609	1,443	6,297	8,106	13,154	13,315
Operating Profit	138,894	163,927	167,099	185,804	195,941	209,250
Net Profit	113,562	107,702	115,689	99,077	128,696	142,290
Operating Margin	5.2%	5.5%	4.9%	5.4%	4.9%	4.9%
Equity Ratio	39.9%	46.3%	52.1%	55.6%	58.1%	60.9%

Sales Breakdown



Net Profit



Corporate Profile

Company Name	Kiaho Industry Co. Ltd
Founded	May 1969
CEO	President & CEO: Takayuki Kondo
Headquarters	1-25 Higashikagatsume-machi, Kanazawa, Ishikawa 920-0209, Japan TEL: +81-76-237-5133 FAX: +81-76-237-1950
Business Activities	Automotive Recycling and Export/Sales of Used Automotive Parts <ul style="list-style-type: none"> Automotive Recycling Business (Domestic & International) Procurement of Used and End-of-Life Vehicles Export & Sales of Used Vehicles and Parts Recycling Technician Training & Education Agricultural Business
Certifications	<p>Industrial Waste Collection and Transportation Service License</p> <ul style="list-style-type: none"> Ishikawa Prefecture, License No. 01709063169 <p>Industrial Waste Disposal Service License</p> <ul style="list-style-type: none"> Kanazawa City, License No. 06020063169 <p>Vehicle Dismantling License</p> <ul style="list-style-type: none"> Kanazawa City: License No. 20603000080 <p>Vehicle Shredding and Pressing License</p> <ul style="list-style-type: none"> Issued by Kanazawa City: License No. 20604000080 <p>Registered Vehicle Collection Operator</p> <ul style="list-style-type: none"> Registered by Kanazawa City: Registration No. 20601000080 <p>Registered Fluorocarbon Recovery Operator</p> <ul style="list-style-type: none"> Registered by Kanazawa City: Registration No. 20602000080 <p>Antique and Secondhand Dealer License</p> <ul style="list-style-type: none"> Ishikawa Prefectural Public Safety Commission: License No. 511020006881 <p>Manpower Dispatching Business License</p> <ul style="list-style-type: none"> License No. 17-300307

Site Area	Head Office & Factory : 6,000㎡ Training Center : 1,200㎡ SLC (Export Parts Shipping Logistics Center) : 3,400㎡	
Vehicle Storage Yard	Vehicle Pool No.1 : 2,900㎡ Vehicle Pool No.2 : 4,000㎡	
Main Banks	The Hokkoku Bank, Ltd. (Kanaishi Branch) The Hokuriku Bank, Ltd. (Higashi-odori Branch) Sumitomo Mitsui Banking Corporation (SMBC)(Kanazawa Branch)	
Affiliated Organizations	<p>Kaiho Parts Service Co., Ltd. > 1-25 Higashikagasume-machi, Kanazawa City, Ishikawa, 920-0209, Japan</p> <p>UP GARAGE Ishikawa Komatsu Store > Ro-35-1 Osada-machi, Komatsu City, Ishikawa, 923-0034, Japan TEL. 0761-48-4499 FAX. 0761-48-4498</p> <p>UP GARAGE Kanazawa Store 1-222 Kami-araya, Kanazawa City, Ishikawa, 921-8065, Japan TEL. 076-220-6216 FAX. 076-220-6217</p> <p>UP GARAGE Toyama Store TEL. 076-425-2866 FAX. 076-425-2851</p> <p>UP GARAGE Toyama Uozu Store 1721 Daikoji, Uozu City, Toyama, 937-0042, Japan TEL. 0765-32-3022 FAX. 0765-32-3025</p>	
Sales Offices	Chiba Sales Office 2082-6 Dainichi, Yotsukaido City, Chiba, 284-0001, Japan	
Overseas Offices Joint Ventures	<p>ABHISHEK K KAIHO RECYCLERS PRIVATE LIMITED [OFFICE] 1, Under Hill Lane, Civil Lines DELHI Central Delhi DL [FACTORY] 7W58+HH Fatehpur, Haryana, India</p> <p>KAIHO MIDDLE EAST (FZE) [OFFICE] X3-33, Sharjah SAIF ZONE, U.A.E [YARD] P.O.Box:69937 Industrial Area No.3 Sharjah-U.A.E</p>	<p>KAIHO EAST AFRICA LIMITED Atalantis Business Park-D31, ICD, Masai Road, P.O.Box:8296-00100 Nairobi Kenya Landline:(+66)-2-116-0165</p> <p>KAIHO INDUSTRY SINGAPORE PTE. LTD. 71 BUKIT BATOK CRESENT #09-09 PRESTIGE CENTRE SINGAPORE</p>
Executive Advisor	Legal Counsel : Owari-cho Law Office Legal Counsel : Tokyo Aoi Law Office Executive Advisor : Tokutaro Hiramoto Tax Advisor : Kanazawa Central Accounting Office	

2025 Highlights

Launched a new copper wire nugget processing line to enhance resource recycling efficiency.

Starting in June 2025, we commenced operation of a wet-type nugget plant to recover materials from wiring harnesses (copper cables) generated from our own end-of-life vehicles (ELVs).

The facility enables precise separation of plastic insulation, copper wiring, and connector terminals, ensuring responsible recycling and value recovery through appropriate processing and sales channels.

In some developing regions, exported wiring harnesses are informally processed through open burning to extract copper, resulting in serious environmental and health risks, including dioxin emissions and air pollution. By conducting proper material separation in countries with advanced recycling capabilities, we help prevent environmentally harmful practices, promote circular resource use, and contribute to the reduction of overall environmental impact.

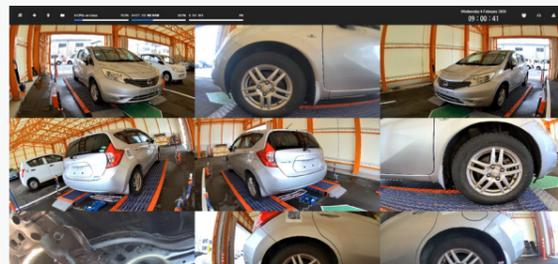


Development of a Vehicle Bulk Photography System

To sell used automotive parts to overseas customers, image registration on ePartsWorld is required. During peak periods, export department staff previously had to photograph each vehicle individually, handling more than 1,000 vehicles per month. This created a significant operational burden.

To address this challenge, we launched an internal initiative called the “Photo Buzz Project” in 2025, aimed at reducing labor through process innovation. The system became operational in January 2026 and has since significantly reduced the workload associated with vehicle photography.

In addition, the system was developed at less than one-tenth of the cost of commercially available bulk photography equipment. We plan to expand this solution to other companies within the industry in the future.



Enhancement of the Liquid-Treated Thrust Cutter

In the processing of end-of-life vehicles, the recovery of waste liquids posed a particular challenge due to gasoline splashing. Even small amounts of gasoline dispersion during recovery can create fire hazards and pose health risks if it comes into contact with the body.

To address this issue, we installed a specially designed attachment jointly developed with a local university onto our existing commercially available gasoline recovery equipment. This improvement successfully eliminated gasoline splashing, significantly enhancing workplace safety and reducing health and fire risks.



Signing of MoU with the Nigerian Government: Supporting the Establishment of an ELV Recycling System.

In 2026, we plan to conduct a feasibility study and technical training for an automotive recycling business in Nigeria.

Earlier, in 2025, a delegation from the National Automotive Design and Development Council (NADDCC) visited our facilities to discuss circular recycling technologies and factory operations.

Following these discussions, we signed a Memorandum of Understanding (MoU) to support the establishment of Nigeria’s first environmentally responsible ELV recycling plant.

We will continue to provide phased support in feasibility assessment, facility design, and human resource development.



Exhibiting at Expo 2025 Osaka, Kansai, Japan

At the 2025 World Expo (Osaka, Kansai), we exhibited an automotive recycling VR game developed through industry-academia collaboration with Kanazawa Institute of Technology, as part of a program organized by the UNIDO Tokyo Office.

The VR content allows visitors to experience the full automotive recycling value chain—from vehicle sourcing and parts production to sales and job creation—helping convey the mechanisms and value of automotive recycling in an intuitive and engaging way.

During the exhibition period (September 23–29, 2025), the booth welcomed approximately 8,000 visitors. On the opening day, we also participated in a talk session to share our mission and vision.



KAIHO INDUSTRY CO., LTD.

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🌐 <https://kaihosangyo.jp/>

