MESSAGE FROM THE PRESIDENT

Creating New Value by Differentiating the Yamato Group through the Promotion of Sustainability Transformation

The Yamato Group is expanding operations in the upstream domain through dynamic collaborations between departments in the last-mile domain and departments in other domains.

Yutaka Nagao
Representative Director, President and Executive Officer

Allocating Management Resources Optimally and Increasing Management Speed

The structural reforms launched by the Yamato Group in April 2020 have entered their fifth year. Through these reforms, I have sought consistently to optimize the allocation of management resources, use the *TA-Q-BIN* network—the Yamato Group's greatest strength—to expand the provision of value to clients, and increase management speed.

I became president in 2019. At that time, despite adopting the goal of achieving discrete growth as a Group, I believe that Group companies had lapsed into suboptimization and operating companies and the holding company lacked the mindset to realize dramatic Groupwide growth. In addition, given that the proper role of the holding company entails identifying the seeds of future growth and quickly investing management resources to commercialize them, the Group needed to improve its governance system to accelerate growth. After concluding that maintaining the previous management system would not allow us to make decisions and act quickly as a Group, or attain the necessary business or management speeds, we decided to transition to One YAMATO, integrating nine operating companies into a single entity.

The Strengths of the *TA-Q-BIN* Network

First, under the "One YAMATO structure," we drew fully on the strengths of the *TA-Q-BIN* network, the Yamato Group's greatest strength, quickly promoting business structure reforms to expand our provision of value.

The strengths of the *TA-Q-BIN* network lie in its Japan-wide deployment of Sales Drivers (SDs) (employees) who share the Group Corporate Philosophy, not only in regions with many business sites (companies) but also those with many private homes (consumers). This feature of the network is grounded in the idea of deploying SDs with a focus on clients waiting for parcels to arrive (delivery recipients), rather than clients who ship parcels (pickup points), the latter of which is the norm in the transportation industry. As the volume of parcels shipped by individual clients is smaller than that by companies, our competitors do not deploy employees in regions with many private homes. However, since the freight charges for parcels shipped from private homes are relatively high, we can, in some cases, earn higher revenue from them than we can in commercial areas by extensively collecting such parcels. In addition to BtoB deliveries, the *TA-Q-BIN* business handles many parcels for delivery to individual clients, such as BtoC and CtoC deliveries. The Group focuses its deployment of SDs on clients waiting for parcels to arrive (delivery recipients). Accordingly, leveraging this strength to engage fully with individual clients and corporate clients rooted in communities and developing relationships that allow us to receive requests and consultations is vital. We build our network based on this approach, including our systems for supporting the front lines. Today, even as we promote the consolidation and enlargement of pickup and delivery facilities, we place great importance on maintaining and strengthening connections between our approximately 60,000 SDs and our clients.

Network for Corporate Clients

In addition to the aforementioned *TA-Q-BIN* network, the Yamato Group has a network for corporate clients featuring approximately 400 facilities centered on regions with clients who ship parcels (pickup points). This network, comprising *TA-Q-BIN* Sales Offices and operation facilities, the facilities of the Contract Logistics (CL) and Global Businesses, and other infrastructure geared toward major corporate clients, is designed to meet the diverse needs of such clients, which Sales Offices—served mainly by SDs and small trucks—are unable to fully address. In my view, having so many facilities for corporate clients in addition to the *TA-Q-BIN* network differentiates the Yamato Group from its competitors.

Sales representatives at the previous iteration of Yamato Transport made proposals within the scope of the *TA-Q-BIN* service lineup. Today, however, as their areas of responsibility have expanded through the transition to One YAMATO, they make a wide range of proposals. These include supply chain optimization solutions—encompassing everything from inventory control to sales—in the CL Business, and solutions leveraging the three-temperature-range network, including frozen and refrigerated, as well as *TA-Q-BIN*. In addition, sales representatives originally from the former Yamato Logistics, whose responsibilities had hitherto centered on services in relation to contract logistics, currently sell *TA-Q-BIN* services as members of One YAMATO while using the network's extensive client base to bolster proposal capabilities for contract logistics and *TA-Q-BIN* clients in the upstream domain of supply chains.

Refining logistics operations in the upstream domain is indispensable for expanding business activities targeting corporate clients. External human resources with advanced expertise in logistics operations took part in planning efforts with the Yamato Group in the process of strengthening the *TA-Q-BIN* network. To further leverage the expertise of these external human resources and strengthen their cooperation with *TA-Q-BIN*, which is in the downstream domain, we unified the *TA-Q-BIN* and contract logistics operation teams. Using each other's expertise and resources, members of the unified team are currently deepening cooperation and working in an integrated manner to increase the efficiency of corporate customer transportation and design the operation of contract logistics. I believe that such team integration was only possible with the transition to One YAMATO, which centralized management resources in Yamato Transport, and the participation of human resources with advanced expertise.

The benefits of the transition to One YAMATO are also steadily emerging in business terms. In the cross-border EC (e-commerce) domain, for example, a lack of close cooperation between the operating company with responsibility for import operations and that for last-mile operations prevented us from capitalizing fully on business opportunities prior to One YAMATO, even if they understood client transport needs. However, with both operating companies working together as members of Yamato Transport following the transition to One YAMATO to promote measures to incorporate cross-border EC parcels through creative efforts in areas including customs operations, we are steadily increasing the volume of such parcels.

I am certain that skillfully combining our network for corporate clients, which can also operate in the upstream domain, with the *TA-Q-BIN* network—the Yamato Group's greatest strength—will enable us to evolve into a corporate group that develops differentiated and original business models.

The Yamato Group's Aspiration through Sustainability Transformation 2030

It is vital that the Yamato Group translates the structural reforms currently underway into business growth for the Group. One YAMATO 2023, the previous medium-term management plan, was affected by dramatic changes in the external environment, including the COVID-19 pandemic, subsequent sharp fluctuations in parcel volume, and a prolonged consumer slump due in part to skyrocketing commodity prices. As a result, our performance did not improve in accordance with the schedule we had anticipated, which we take very seriously. Although operating profit declined in fiscal 2024, as progress in reducing fixed

MESSAGE FROM THE PRESIDENT

costs was outweighed by a decrease in operating revenues, the Group will work together to meet the diverse needs and expectations of clients by continuing to promote business structure reforms and restore operating revenues to a growth track while realizing profit growth.

In February 2024, the Group unveiled "Sustainability Transformation 2030 ~1st Stage~," its latest medium-term management plan, to further accelerate reform and growth and to realize the ongoing improvement of its corporate value. The Group defined its vision for 2030 as becoming a value-creating company that contributes to the realization of a sustainable future. Based on which, it will create steady change during the three years beginning in fiscal 2025 that constitute 1st Stage by promoting initiatives under a two-pronged approach of reinforcing the *TA-Q-BIN* network and reforming its business portfolio.

The Yamato Group is a corporate group centered on the *TA-Q-BIN* business, which is rooted in communities. The sustainability of communities and society is the basis for the Group's businesses. Accordingly, the Group must address issues faced by communities and ensure the sustainability of resources by working to achieve the sustainability of its businesses as a logistics company that uses many human resources, such as employees and partners, and energy resources, such as fossil fuels.

We have positioned these efforts as proactive and strategic activities to create competitive advantages and elements of differentiation, rather than passive activities to be engaged in due to societal expectations on us a company. At one time, the quality of its service was recognized as an element of differentiation for the Yamato Group. However, amid dramatic changes in the world, the needs of clients today are highly diverse. We are no longer in an age in which providing a one-size-fits-all service will meet needs and earn satisfaction. Without an extensive product lineup and detailed customization, we will not be able to address diverse client needs, making differentiation difficult. With this in mind, we aim to create elements of differentiation in areas other than convenience while offering clients options tailored to their diverse needs.

One answer lies in our corporate stance. Based on the premise that resources are finite, the Yamato Group strives to be a corporate group that works to address issues in communities and society and to achieve sustainability. I believe that the ability to provide services as such a corporate group can become an element of differentiation going forward. Carbon neutral delivery through three *TA-Q-BIN* services—*TA-Q-BIN*, *TA-Q-BIN Compact*, and *EAZY*—in accordance with ISO 14068-1:2023*, demonstrates that corporate stance. Immediately after releasing these services, we received particularly many inquiries from corporate clients promoting advanced initiatives to reduce their greenhouse gas (GHG) emissions, along with requests that go beyond *TA-Q-BIN*, including on building a supply chain that further reduces GHG emissions. Going forward, the Yamato Group will expand its provision of value to clients with carbon neutral deliveries as a new, differentiated element.

* An international standard that specifies principles, and requirements for achieving and demonstrating carbon neutrality

The M&A Option for Accelerating Growth

As previously stated, the Group expects to accelerate organic growth by refining its contract logistics and global businesses. It is also prepared to consider business and capital alliances with other companies and M&As as ways to accelerate the speed of growth.

Although we are seeing an increase in M&As in the logistics industry in Japan due to labor shortages, we believe that it is important to develop M&A scenarios in advance based on our growth strategies, rather than considering them only after receiving an inquiry. To this end, we have adopted an M&A strategy in the medium-term management plan and positioned it as one way to realize growth. In my role, I believe that it is critical to capitalize fully on relationships with business managers and executives to identify combinations that can create synergies.

The Yamato Group has commenced carbon-neutral deliveries as a new element of differentiation. With innovation as its starting point, the Group will create new logistics and new value.

The Importance of Specialist Skills

People are the Yamato Group's most important management resource for realizing continuous growth. When I transferred to the Yamato Transport head office 15 years ago, most employees at the head office had joined under the regular new graduate recruitment program. As someone who had spent his career on the front lines, I was surprised by the gap between frontline operations, where mid-career recruitment is common and most employees have different backgrounds, and head office. In recent years, however, as mid-career hires with a diverse range of specialist skills have joined the head office, it has become the norm to see a more diverse group play active roles. This represents an extremely positive change in realizing the future growth of the Yamato Group.

In addition to advancing job-focused mid-career recruitment, it is vital to ensure that new graduate recruits learn specialist skills. There are many businesses and departments within the Group. We are therefore looking into developing a system to refine the specialist skills of all employees, not only those on the front lines or at head office. We also hope that mid-career hires who join the Group with advanced specialist skills will provide motivation, encouraging those around them to learn.

Ensuring that the Yamato Group becomes a more attractive corporate group, the preferred choice of talented external human resources, is vital to achieving this goal. Conversely, I hope that human resources who worked hard at the Group will earn strong recognition for their skills in the event that they leave to work outside it. Although we have long updated employee skill sets and strengthened our training system, we will further develop systematic frameworks.

I am also keen to enhance the social status of truck drivers. The logistics industry in Japan, particularly truck transport, which carries 90% or more of domestic freight volumes, is an indispensable presence in society. Those working in the industry have sophisticated, specialist skill such as heavy haul truck drivers, who require more advanced driving skills, and delivery drivers, who multitask safety, sales, deliveries, and pickups at a high level. To enable them to feel pride in the work they do, Yamato Transport holds a commendation ceremony recognizing long-term driving without any accidents for drivers who have achieved 25 years of continuous accident-free driving to attend with their families. At the ceremony, the drivers are praised for their achievements and rewarded with special leave and an overseas vacation. I hope that these kinds of initiatives can be extended throughout the industry. To enhance the appeal of the logistics industry as a whole and ensure its sustainability, I will strive to create a world where everyone involved in logistics earns greater recognition, including those engaged in warehouse operations as well as drivers.

Becoming a Sustainable Corporate Group

Through its structural reforms thus far, the Yamato Group has transformed itself steadily into a corporate group that creates value by using its management resources efficiently. I am convinced that the Group's future performance will reflect this positive change.

With innovation as its starting point, the Yamato Group aims to become a corporate group that creates new logistics and new value. Under the current medium-term management plan, the Group will enhance profitability in its base domain and expand business activities in its growth domains. In addition, I will identify new business seeds and provide support for their commercialization in my role leading the management of the Group. We are actively promoting efforts in new domains, such as initiatives to create business models that offer new value to corporate clients. For example, a mobility business that leverages the expertise in the adoption and utilization of electric vehicles developed in the last-mile domain.

The Yamato Group will deliver new value and experiences to clients by creating new elements of differentiation while continuing to capitalize on the *TA-Q-BIN* network, its greatest strength. It will also pursue business structure reforms to accomplish its evolution into a sustainable corporate group. To earn the further support of all our stakeholders, including clients, shareholders, and investors, we will conduct reforms aimed at realizing sustainable value provision.

December 2024

Overview of the Previous Medium-Term Management Plan, "One YAMATO 2023"

Under the Transformation Plan YAMATO NEXT100, announced in 2020, and the previous Medium-Term Management Plan, "One YAMATO 2023," launched in April 2021, the Group weathered huge changes in the business environment. These included a rapid surge and subsequent fallback in demand due to the spread of COVID-19, a stall in the global economy associated with instability in international relations, a slump in consumption driven by a decrease in real wages, and increases in resource and energy prices as well as hourly wage rates. Due to these and other factors, the Company did not achieve its targets, including operating profit of ¥120 billion and ROE of 10% or higher. Nevertheless, the Group shifted to a structure that directly addresses customer needs through a program of Group management structure reform, promoted business structure reform, and worked steadily to achieve expansion of the corporate business domain, structural reform of network operations, and reinforcement of its management foundation (digital strategy, human resource strategy, and environmental strategy).

Overview of One YAMATO 2023

	2022/3	2023/3	2024/3
Operating revenues	¥1,793.6 billion	¥1,800.6 billion	¥1,758.6 billion
Operating profit	¥77.1 billion	¥60.0 billion	¥40.0 billion
Operating profit margin	4.3%	3.3%	2.3%
Ordinary profit	¥84.3 billion	¥58.0 billion	¥40.4 billion
Profit attributable to owners of parent	¥55.9 billion	¥45.8 billion	¥37.6 billion
ROE	9.6%	7.6%	6.3%

Group Management Structure Reform

In April 2021, we created the One YAMATO structure by centralizing the management resources of nine Group companies to build a structure that directly addresses customer needs. We are also proceeding to review our business portfolio and, in tandem with this, in the fiscal year ended March 31, 2024, we started initiatives with the Japan Post Group and World Holdings Co., Ltd. to contribute to the sustainable development of Japanese society through the optimization of management resources across the entire logistics industry.

Main Results

Creation of One YAMATO Management Structure
Centralization and redeployment of management resources by integrating nine Group companies as one Yamato Transport

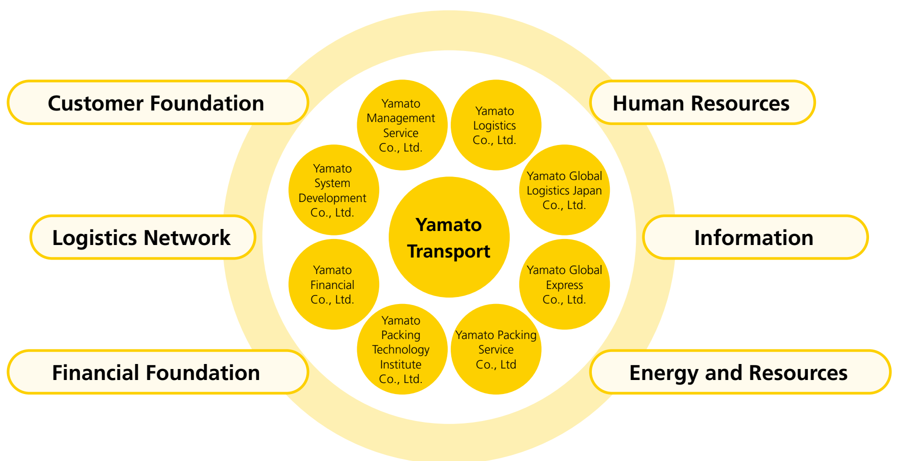
Review of Business Portfolio
- Transfer of shares issued by Yamato Lease Co., Ltd. and Yamato Home Convenience Co., Ltd.* (wholly-owned subsidiary-equity-method affiliates)
  * Transfer of all shares is scheduled for January 1, 2025
- Withdrawal from development of *TA-Q-BIN* in East Asia and Southeast Asia
- Start of contracting postbox delivery services to Japan Post

Issues to be Addressed

Delivery of Results after Completing the Management Structure

Ongoing Review of Business Portfolio

One YAMATO Management Structure



Business Structure Reforms: Expansion of Corporate Business Domain

In response to expanding e-commerce (EC) demand and changes in the supply chains of corporate customers, we strengthened our proposal sales under the One YAMATO structure by utilizing information obtained by Sales Drivers (SDs) through their observations from contact with customers. We also built deeper relationships with individual corporate customers and worked to expand the value we provided for customers' entire supply chains, such as support for logistics and inventory optimization.

Main Results

Expansion of Value Provision
- Captured EC demand that expanded rapidly during the COVID-19 pandemic
- Provision of cross-border EC for Japan and logistics in three temperature ranges for food distributors
- Creation of Lead Logistics Partner (LLP) projects

Strengthening of Pricing Strategy
Set a policy of revising *TA-Q-BIN* delivery charges and fees each fiscal year based on changes in the external environment

Issues to be Addressed

Expansion of Growth Domains
Acceleration of growth in Contract Logistics (CL) and Global Businesses

Setting and Receiving of Appropriate Pricing Based on Value Provided
Strengthening of individual negotiations for receiving appropriate delivery charges based on shipment volume and load on operations

Business Structure Reforms: Structural Reform of Network Operations

To respond to changes in customer needs and the distribution structures, we worked to maintain and reinforce our transportation and delivery network and to create a business environment that continues to provide customers with excellent services. Working with partners, we are building an EC logistics network, working to respond more flexibly to fluctuations in operation volume, and realize more efficient transport between facilities by consolidating and enlarging pickup and delivery facilities, which had previously been in a small, multi-store format, mainly in urban areas.

Main Results

Consolidation and Enlargement of Last-Mile Pickup and Delivery Facilities
Completed overall plan and started execution (Total number of pickup and delivery facilities as of March 31, 2024: 2,915)

Creation of EC Logistics Network
Created extendable capacity in response to expansion of EC demand through cooperation with partners

Issues to be Addressed

Completion of Consolidation and Enlargement of Last-Mile Pickup and Delivery Facilities

Redefinition of Terminal Functions

Creation of a Fully-Digital Operation
Automation of work instructions and optimal allocation of management resources according to operation volume

Reinforcement of Management Foundation

As a way of reinforcing the management foundation to support business structure reforms, we promoted our Sustainable Medium-Term Plans 2023 along with our digital strategy, human resource strategy, and environmental strategy.

Main Results

Digital Strategy
- Built a structure for planning and development together with business
- Built the new digital platform, Yamato Digital Platform

Human Resource Strategy
Formulated Human Resources Management Policy and clarified definition of duties

Environmental Strategy
- Achieved target for GHG emissions reduction: Reduced 11% compared with the fiscal year ended March 31, 2021
- Carbon neutrality declaration for the three parcel delivery products

Issues to be Addressed

Digital Strategy
Increase in operation productivity via the utilization of technology

Human Resource Strategy
- Building an optimal human resource portfolio for creation of added value
- Enhancement of employee-friendliness and job satisfaction for diverse employees

Environmental Strategy
- Ascertainment of actual emissions volume in the supply chain (Scope 3) and setting of reduction targets
- Contribution to society and the overall logistics industry based on know-how accumulated in environmental investment

Overview of the New Medium-Term Management Plan, "SX2030 ~1st Stage~"

The Yamato Group is promoting initiatives in accordance with the Medium-Term Management Plan "Sustainability Transformation 2030 (SX 2030) ~1st Stage~," which finishes in the fiscal year ending March 31, 2027. The plan sets out our vision for 2030 as "a value-creating company that contributes to the realization of a sustainable future" in order to realize sustainable increase in corporate value through the objective of "enrich our society," articulated in our Management Philosophy.

SX2030 ~1st Stage~ Targets

Financial Targets

Category	Item	2024/3 Results	2027/3 Targets
Operating Results	Operating Revenue	¥1,758.6 billion	¥2,000–2,400 billion
	Operating Profit	¥40.0 billion	¥120–160 billion
	Ordinary Profit	¥40.4 billion	¥120–160 billion
	Profit Attributable to Owners of Parent	¥37.6 billion	¥80–100 billion
Profitability	Operating Margin	2.3%	6% or above
Efficiency	ROIC	4.2%	8% or above
	ROE	6.3%	12% or above

Non-Financial Targets

	Material Issues	Indicators	2024/3 Results	2027/3 Targets
E Environmental	Energy & Climate	GHG emissions*1 reduction (compared with the fiscal year ended March 31, 2021)	–11%	–25% Setting of scope 3 emissions reduction targets
		Percentage of electricity generated via renewable energy sources	37%	70%
S Social	Labor	Human resource productivity*2	1.34	Increase labor productivity
		Employee awareness survey	• Employee-friendly 66% • Rewarding 60% • Desire to continue employment 68% • Sense of growth 64% • Sense of contribution to the Company 66%	Increase engagement
	Human Rights & Diversity	Percentage rate of employees with disabilities	3.1%	3.1%
		Percentage of women in management (executive roles)	5.9%	10%
	Safety & Security	Number of traffic accidents where bodily injury occurs (Fatal accidents for which the Company is responsible)	Compared to the fiscal year ended March 31, 2020 –26%	Compared to the fiscal year ended March 31, 2024 –15%*3
		Frequency of lost workday injuries	Compared to the fiscal year ended March 31, 2020 +4%	Compared to the fiscal year ended March 31, 2024 –15%*3
	Data Utilization & Security	Number of serious information security incidents	Zero	Zero
	Supply Chain Management	Percentage rate of support from major suppliers regarding the Code of Conduct	—	100%
G Governance	Increasing the effectiveness of the Board of Directors / Dialogue with shareholders and investors / Enhancement of disclosure			

*1 Scope 1 & Scope 2 emissions of consolidated companies in Japan and Swan Co., Ltd. *2 (Consolidated operating revenues – consolidated subcontracting expenses) ÷ consolidated personnel expenses *3 For Yamato Transport

For details on non-financial targets, please refer to Sustainable Management starting from P.44

Main Measures

Base Domain
Reinforcement of the *TA-Q-BIN* network and expansion of value provided
- Enhancement of service lineup
- Strengthening of pricing strategy
- Structural reform of network operations

Growth Domain
Expansion of Corporate Business Domain
- Support for corporate customer's supply chain transformation
- Expansion of business through M&As and alliances

New Domain
Commercialization of New Business Models
- Respond to diversifying customer and societal needs
- Utilization of existing management resources
- Co-creation with diverse partners

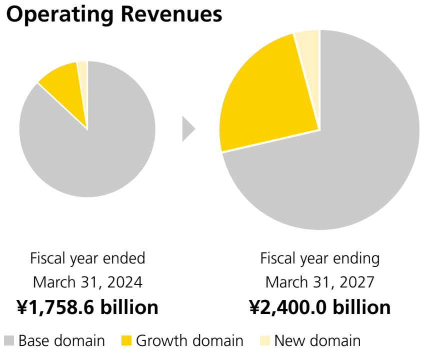
Reinforcement of Group Management Foundation
- Human Resource Strategy
- Digital Strategy
- Strengthening of Sustainable Management (Environmental Strategy and Social Strategy)
- Strengthening of Corporate Governance

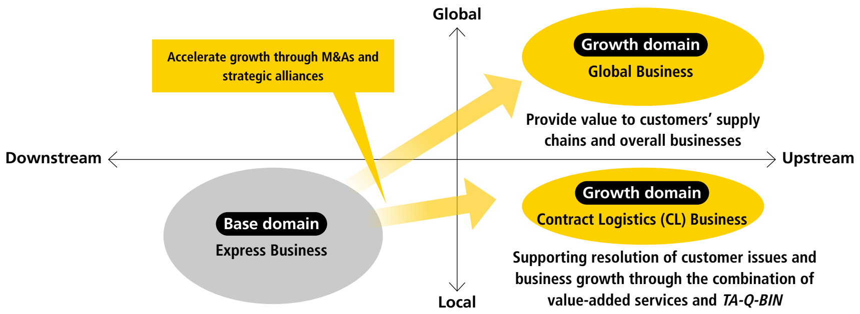
SX2030 ~1st Stage~

Embed Management that Places more Focus on Capital Efficiency within the Group
- Realization of capital efficiency exceeding the cost of capital
- Setting of ROIC as a new management indicator

Business Portfolio Transformation

Operating Revenues





Investment Plan for SX2030 ~1st Stage~: ¥400 Billion (Excluding M&As)

	Three-year investment amounts	Transaction	Objective
Growth investment ¥200 billion	¥140 billion	Facilities strategy	Enhance productivity and reduce fixed costs Create a worker-friendly workplace
	¥50 billion	Promoting DX	Productivity improvement through operational reform Enhance value provision to customers
	¥10 billion	New businesses	Create new businesses that contribute to future business growth and to a sustainable future
Environmental investment ¥80 billion	¥40 billion	3,250 EVs* and charging equipment	Realize a low-carbon society, and provide corporate clients with logistics services that have low environmental impact
	¥40 billion	Solar power generation, batteries, etc.	
Regular investment ¥120 billion	¥50 billion	Repair of existing *TA-Q-BIN* facilities, internal combustion vehicles, etc.	Maintain existing network
	¥70 billion	Maintenance of other facilities and existing systems, etc.	Maintain existing business, etc.

* EV introduction plan for 8,500 vehicles (investment: 3,250 vehicles, operating lease: 5,250 vehicles)

Message from the CFO

Continuing to Focus on Increasing Shareholder Value and Corporate Value

Toshizo Kurisu
Representative Director, Executive Officer and Vice President

Review of the Previous Medium-Term Management Plan "One YAMATO 2023"

Under our previous Medium-Term Management Plan "One YAMATO 2023," which ended in the year ended March 31, 2024, we promoted reforms that progressed the Company toward our target business structure for the Group under the One YAMATO structure. These included structural reform of network operations and expansion of the corporate business domain. Regrettably, we were unable to reach our performance targets of operating profit of ¥120.0 billion, operating profit margin of 6%, and ROE of 10% or higher. We were unable to respond completely to factors such as increased costs, which were driven by changes in the external environment such as rising resource and energy prices and wages, a fallback in demand after the COVID-19 pandemic subsided, and a slump in demand due to a decrease in real wages. In this situation, we aimed to maximize earnings per share (EPS), which is related to share price and dividends, through a resolution to liquidate our overseas consolidated subsidiaries and the introduction of the Japanese Group Relief System, and strove to implement financial strategies, such as selling non-current assets. Despite these efforts, we did not reach our promised targets, and I take this very seriously as a business manager. Looking ahead, I will accelerate our business reform initiatives, assuming even greater uncertainty in the external environment.

Scenario for Achieving the Targets of the Medium-Term Management Plan

Under the Medium-Term Management Plan "Sustainability Transformation 2030 (SX2030)~1st Stage~," which finishes in the fiscal year ending March 31, 2027, we aspire to become a "value creating company that contributes to the realization of a sustainable future." Our plan is to simultaneously create economic value as well as environmental and social value, while realizing a medium- to long-term increase in corporate value.

To achieve the performance targets provided in the Medium-Term Management Plan, we will prioritize efforts to strengthen the earning power of the core Express Business. In particular, it is important to strengthen our *TA-Q-BIN* network, which is the foundation of the Yamato Group, in response to changes in the business environment, as well as providing valuable products and services to customers. Up until now, the Company's Sales Drivers (SDs) have supported the growth of *TA-Q-BIN* through their accumulated conversations with customers when delivering parcels, leading to further business. For example, they ask parcel delivery recipients if they have any parcels for dispatch, or ask recipients of parcels from overseas whether they have had any difficulties in importing. When making *TA-Q-BIN* deliveries to customers who are using other delivery companies for shipping, our SDs take the opportunity to engage in sales talks with them. Recently, however, as non-contact needs such as EC demand and work style reforms spread under the COVID-19 pandemic, the main duties of SDs have become deliveries, and I feel that awareness of sales, including management roles, has faded. The Group's sales happen through person-to-person contact. They cannot simply be decided by price alone. We will use our management resources concentrated together as One YAMATO to provide services that delight our customers while receiving appropriate consideration for them. This return-to-our-roots approach will deepen our conversations with customers and lead to sales opportunities, thereby enabling our customers and the Yamato Group to grow together.

The foundation for these activities is our network operations, where we are promoting structural reforms that we plan to complete over this three-year period. By consolidating and enlarging our last-mile pickup and delivery facilities, we will standardize the workload for SDs and eliminate excessive loads, which should create some flexibility in our operations. Then, we can leverage this flexibility to increase the amount of time for conversations with customers. It will take around two years to realize the optimal allocation of facilities and human resources, but we are already making progress with our facility strategies and related human resource and digital strategies based on our overall design.

However, as we promote our facility strategies, we need to be wary of making consolidation itself the objective—that would be putting the cart before the horse. We will objectively analyze the differences between our envisaged and actual investment results due to factors such as regional characteristics, and share issues with management and the Business Department in order to make improvements and appropriate investment decisions going forward. For this reason, we will utilize ROIC as a common indicator in future decisions. We recognize that our immediate challenge is to internally promote ROIC and incorporate it in our frontline operations. To achieve this, we will build a structure that naturally connects the KPIs pursued in our frontline workplaces and in each division to increasing ROIC in our administrative units, such as regions, businesses, and groups.

Capital Allocation

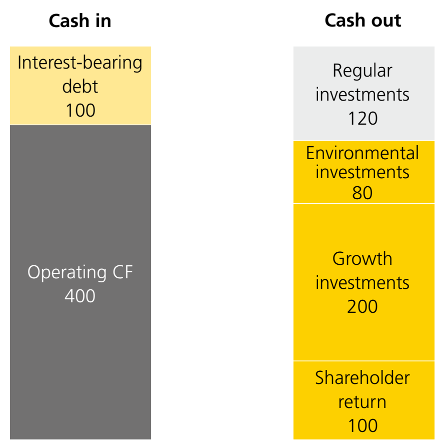
During the period of the current Medium-Term Management Plan, we will make aggressive growth investments aimed at strengthening the earning power of the Yamato Group, especially in the Express Business, which is our base domain. In doing so, we will promote our facility strategies and digital transformation, among others, while carefully examining the effects of investments.

In addition, we will make environmental investments, including the introduction of EVs and solar power generation facilities, promote the development of energy management systems, and so forth. These investments will not only reduce our GHG emissions but will also help to reduce costs by improving energy efficiency, which will lead to growth in operating revenues through the value proposition of reducing the Scope 3 emissions of our corporate customers. I believe that the expertise we have accumulated in environmental investments and demonstration tests undertaken with our partners will also play a role in new businesses that will contribute to the overall sustainability of society and the logistics industry. For example, the introduction and operational support for commercial EVs that we are undertaking in the Mobility Business.

▶ Capital Allocation under the Medium-Term Management Plan

Cumulative image for the 3 years (FY2025/3 – FY2027/3) without the impact from M&As*

(¥ billion)



* Please refer to P.29 for information about our M&A strategy

Investment policy

- **Growth investments**
  - Focus on facilities strategy, digitalization, creation and expansion of new businesses
  - → Set ROI at a level above WACC
- **Environmental investments**
  - Invest from the standpoint of GHG emissions reduction and enhancing financial value

Shareholder return policy

- **Dividends**
  - Focus on stability and continuity of dividend
  - Aim to grow dividend per share, while being mindful of DOE
  - Dividend payout ratio: 40% or above
  - Total shareholder return ratio: 50% or above
- **Acquisition of our own shares**
  - Consider acquisitions flexibly, based on factors such as the progress of disciplined growth investments (ROI above WACC), cash flow, share price, etc.

Message from the CFO

Furthermore, we have positioned the Contract Logistics Business and the Global Business as growth domains, and we are examining multiple M&As as a means of accelerating their expansion. The operating revenues target for the fiscal year ending March 31, 2027, is between ¥2.0–2.4 trillion. We envisage achieving ¥2.0 trillion through organic growth and a further ¥400 billion through M&As. The Business Department and dedicated M&A departments will work as one to ensure financial discipline with regard to ROIC and other aspects. In recent years, M&A activity in the domestic logistics industry has been increasing. However, to discern which companies are a sound investment, it is necessary to look beyond financial figures alone and consider the candidate company's business model and the potential synergies that could be generated by combining its human resources and customers with those of the Yamato Group. When we do this, we work with the Business Department through due diligence to check the governance of the target company, and proceed with discipline, including in areas such as post-merger integration, making every effort to reduce risk.

In shareholder returns, we have increased the dividend payout ratio from the previous level of 30% to 40% or higher. For many years, we have maintained stability and continuity in dividends, with an awareness of DOE (ratio of dividends to shareholders' equity). However, in light of individual investor trends under the new NISA system, we felt it was time to set our dividend payout ratio higher in order to appeal more to investors. Moreover, we have maintained a total return ratio of 50% or higher.

In the financial results for the second quarter of the fiscal year ending March 31, 2025, we announced a treasury share acquisition with an upper limit of ¥50.0 billion from a capital efficiency perspective. Going forward, we will continue striving to generate cash and make effective use of debt by strengthening balance sheet management, looking to prioritize growth investment while also allocating cash for shareholder returns.

Balance Sheet Management

With regard to financial soundness, we aim to continue having an equity ratio of around 45–50%, while maintaining our credit rating (Rating and Investment Information, Inc.; AA–). In addition to aggressive growth investments, in principle we procure funds through borrowings from financial institutions and the issuance of corporate bonds. Based on our demand for funds going forward, we have been pooling funds within the Group. However, we will conduct fund procurement at the appropriate time to cover shortages, while giving consideration to the phase of rising interest rates going forward.

Moreover, while promoting measures such as the reinforcement of the *TA-Q-BIN* network, from a perspective of capital efficiency, we are also examining measures to reduce the size of our balance sheet. Looking ahead to the revision of lease accounting standards that is scheduled to take place in Japan, we consider our options for holding assets to include ownership, leasing of properties, and asset securitization. Naturally, if we simply expense everything, then we can cause undue degradation to our profit and loss statement, so it is necessary to keep a balance as we proceed. However, in addition to our existing assets, we also consider this as an option for assets to be acquired under our facility strategies.

Increasing Corporate Value

In addition to rising interest rates, we have also seen a rise in volatility in company financial results in the past few years. We recognize that this has resulted in a higher cost of capital than in past years. To realize a return on capital that exceeds the cost of capital, we must resolutely carry out structural reforms, reinforcing the existing *TA-Q-BIN* network and expanding the corporate business domain to establish a business structure than can achieve stable profit growth. Furthermore, we will conduct clear information disclosure in line with the Yamato Group strategies, such as the change in reportable segments that was conducted in the fiscal year ending March 31, 2025. By having deeper conversations with shareholders and investors, we will reduce the cost of capital, which will drive increases in both shareholder value and corporate value. I hope you will look forward with expectation to the Yamato Group creating value throughout "SX 2030 ~1st Stage~." While maintaining a healthy financial position, we will accelerate investments for the Yamato Group's growth.

Investment Plan for the Medium-Term Management Plan: ¥400 billion (excluding M&As)

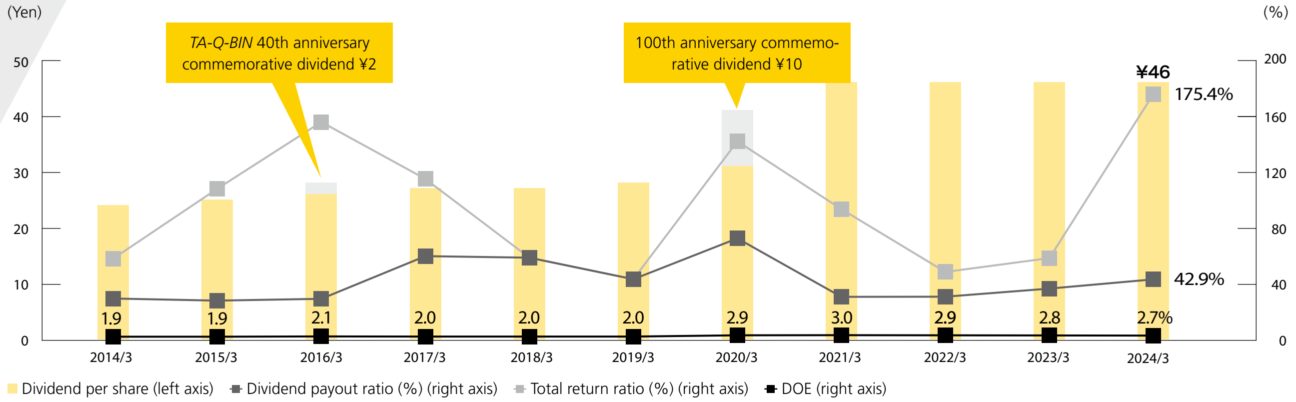
	Three-year investment amounts	Transaction	Objective
Growth investment ¥200 billion	¥140 billion	Facilities strategy	Enhance productivity and reduce fixed costs Create a worker-friendly workplace
	¥50 billion	Promoting DX	Productivity improvement through operational reform Enhance value provision to customers
	¥10 billion	New businesses	Create new businesses that contribute to future business growth and to a sustainable future
Environmental investment ¥80 billion	¥40 billion	3,250 EVs* and charging equipment	Realize a low-carbon society, and provide corporate clients with logistics services that have low environmental impact
	¥40 billion	Solar power generation, batteries, etc.	
Regular investment ¥120 billion	¥50 billion	Repair of existing *TA-Q-BIN* facilities, internal combustion vehicles, etc.	Maintain existing network
	¥70 billion	Maintenance of other facilities and existing systems, etc.	Maintain existing business, etc.

* EV introduction plan for 8,500 vehicles (investment: 3,250 vehicles, operating lease: 5,250 vehicles)

Policy and Performance on Shareholder Returns

We emphasize the stability and continuity of dividends, targeting a dividend payout ratio of 40% or higher and a total return ratio of 50% or higher in our Medium-Term Management Plan. Furthermore, we will take a flexible approach to share repurchases, giving consideration to the status of progress of our growth investments, cash flow trends, share price, and other factors.

Shareholder Return Results (Fiscal Year Ended March 31, 2014, to Fiscal Year Ended March 31, 2024)



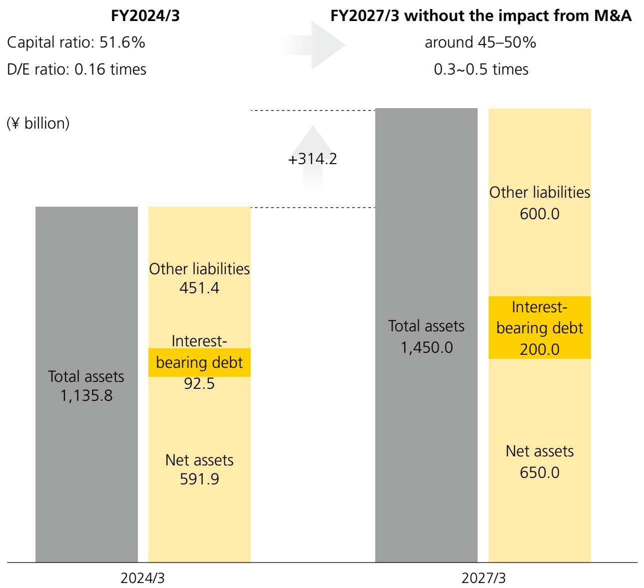
Balance Sheet and Capital Effeciency Improvements

Balance Sheet Management

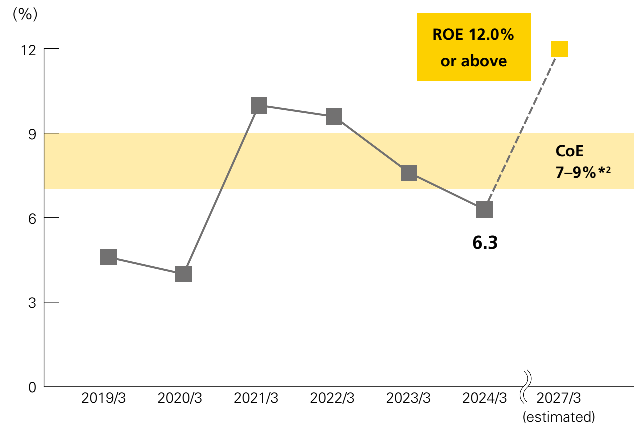
Maintain financial soundness, while actively investing in growth, including investments funded by debt

[Financial discipline]	Capital ratio: around 45–50% D/E ratio: 0.3~0.5 times
[Financial soundness]	Credit rating (R&I): AA-

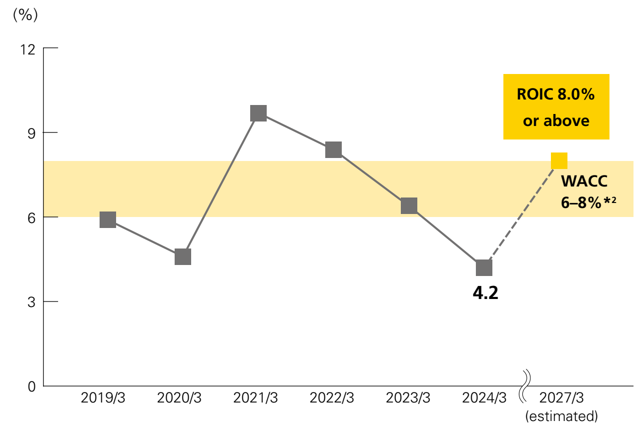
Image of Balance Sheet



ROE (vs CoE*1)



ROIC (vs WACC*3)



*1 CoE: cost of shareholders' equity
*2 Assumptions for the period during the Mid-Term Management Plan (FY2025/3–FY 2027/3)
*3 WACC: weighted average cost of capital