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# “One YAMATO 2023”

Medium-Term Management Plan  
Based on “YAMATO NEXT100”

The Yamato Group's Important Role as a Part of Social Infrastructure

Since its founding in 1919 as Yamato Transport Co., Ltd., the Yamato Group has created a large number of services that were unprecedented at the time, starting with *TA-Q-BIN*. By doing so, the Group has established itself as a corporate group that serves as a crucial part of social infrastructure. Recently, there have been major changes in the business environment surrounding Yamato and changes to consumption behavior and logistics structures have accelerated. Accordingly, the active participation of corporations in resolving social and environmental issues is becoming increasingly important to the achievement of a sustainable society.

Under such circumstances, the Yamato Group aims to realize sustainable business growth by expanding the value we provide to the "End to End" of our customers' supply chains. We will achieve this by promoting business structure reform centered on the structural reform of network operations and expanding the corporate business domain based on the One YAMATO management structure, which centralizes the management resources of all Group companies.

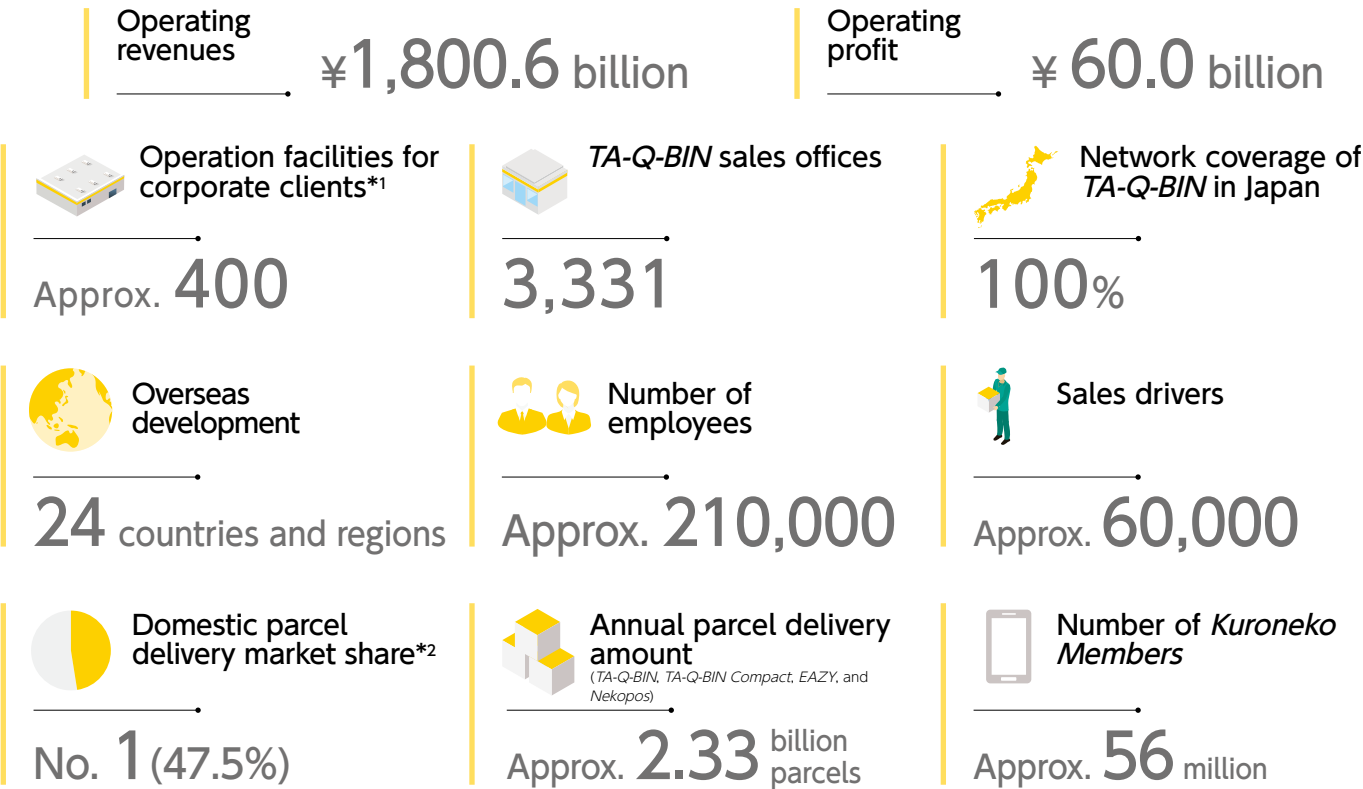
Through these efforts, we will contribute to the creation of an enriched society, a goal laid out in our Management Philosophy, and improve medium- to long-term corporate value.

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Group Summary\*

\* The fiscal year ended March 31, 2023, or as of March 2023



\*1 Warehouses, pickup and delivery facilities for corporate clients, and other locations  
\*2 Source: "Survey and Calculation Method for Parcel Delivery Amount" (provisional translation) compiled by Japan's Ministry of Land, Infrastructure, Transport and Tourism

Forward-Looking Statements

This integrated report contains forward-looking statements concerning Yamato Holdings' future plans, strategies, and performance. These statements represent assumptions and beliefs based on information available at the time this report was created. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, customer demand, foreign currency exchange rates, tax laws, and other regulations. Yamato Holdings therefore cautions readers that actual results may differ materially from these predictions.

Editorial Policy

Having built up long-standing relationships of trust with all of its many and varied stakeholders, the Yamato Group discloses not only information of a legal nature but also information considered necessary for those stakeholders. The Yamato Group adopted the policy that such information shall be conveyed promptly and accurately as well as fairly and equitably. Conveying information, including that of a non-financial nature, on such aspects as management strategies, business overviews, and environmental, social, and governance (ESG) activities, this integrated report is intended to deepen the reader's comprehensive understanding of the Yamato Group. Please visit our website for more detailed information.

Guidelines Referenced

- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0, Ministry of Economy, Trade and Industry
- Integrated Reporting Framework, International Financial Reporting Standards Foundation (IFRS Foundation)



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# Group Corporate Philosophy

The Yamato Group's foundation lies in its Core Values, which serve as the spirit of the Group's founding and have remained unchanged since their establishment in 1931. Supported by our Group Corporate Philosophy, created based on our unchanging Core Values, we aim to become a corporate group that can make sustainable contributions to the realization of an enriched society.

## Management Philosophy

Yamato helps enrich our society by enhancing our social infrastructure, creating more convenient services for evolving lifestyles and industries, and developing innovative logistics and distribution systems.

## Core Values

### 1. We all represent the Company.

This value represents the spirit of "inclusive management," whereby employees make decisions based on their own judgments and engage with our customers and business partners with an awareness that they represent the Company.

### 2. We connect our customers' hearts with every delivery.

This value defines deliveries as not simply the transportation of goods, but rather a chance for us to connect with our customers' hearts and offer them joy.

### 3. We conduct ourselves both professionally and ethically.

This value reflects the importance of ensuring that all our employees adhere to laws and regulations as members of society while conducting themselves in an ethical manner.



Company founder  
Yasuomi Ogura

## Incorporating the Founding Spirit within Our Core Values

Our Core Values, which were established by our founder Yasuomi Ogura in 1931 shortly after our founding, have always been considered something that should remain unchanged throughout our over 100-year history. When it came to corporate management, Yasuomi Ogura believed that no matter how logically a businessperson ran a company, the efforts of each individual employee are the most important aspect of preventing that company's organization from becoming a mere formality and of having that company be accepted by society.

Personnel involved in our transport businesses work on their own individual routes on a daily basis, which means it can take a certain amount of time before the direction of upper management is communicated to them. Yasuomi Ogura believed that the independence of each employee who places importance on the Core Values could compensate for this time lag. He therefore took steps to spread awareness of the Core Values across the Company.

For more details, please refer to our corporate website.

► Corporate Philosophy, including Corporate Stance and Employee

Code of Conduct

<https://www.yamato-hd.co.jp/english/company/philosophy.html>

► Various Policies and Declarations

<https://www.yamato-hd.co.jp/english/csr/esg/policy.html>

## Mission

The mission and purpose the Yamato Group should fulfill in society

## Management Philosophy

## Vision

Our vision for the Yamato Group in the future

## Transformation Plan "YAMATO NEXT100"

### Environmental Vision

### Social Vision

## Medium-Term Management Plan "One YAMATO 2023"

Expansion of value provided to the "End to End" of supply chains

## Values

Values that are key to realizing the Yamato Group's Mission

### Corporate Stance

### Employee Code of Conduct

## Yamato Group values and policies for demonstrating approaches

Yamato Group  
Human Rights  
Policy

Basic Policy on  
Diversity

Yamato Group  
Human Resources  
Management  
Policy

Yamato Group  
Environmental  
Policy

Yamato Group  
Responsible  
Procurement  
Policy

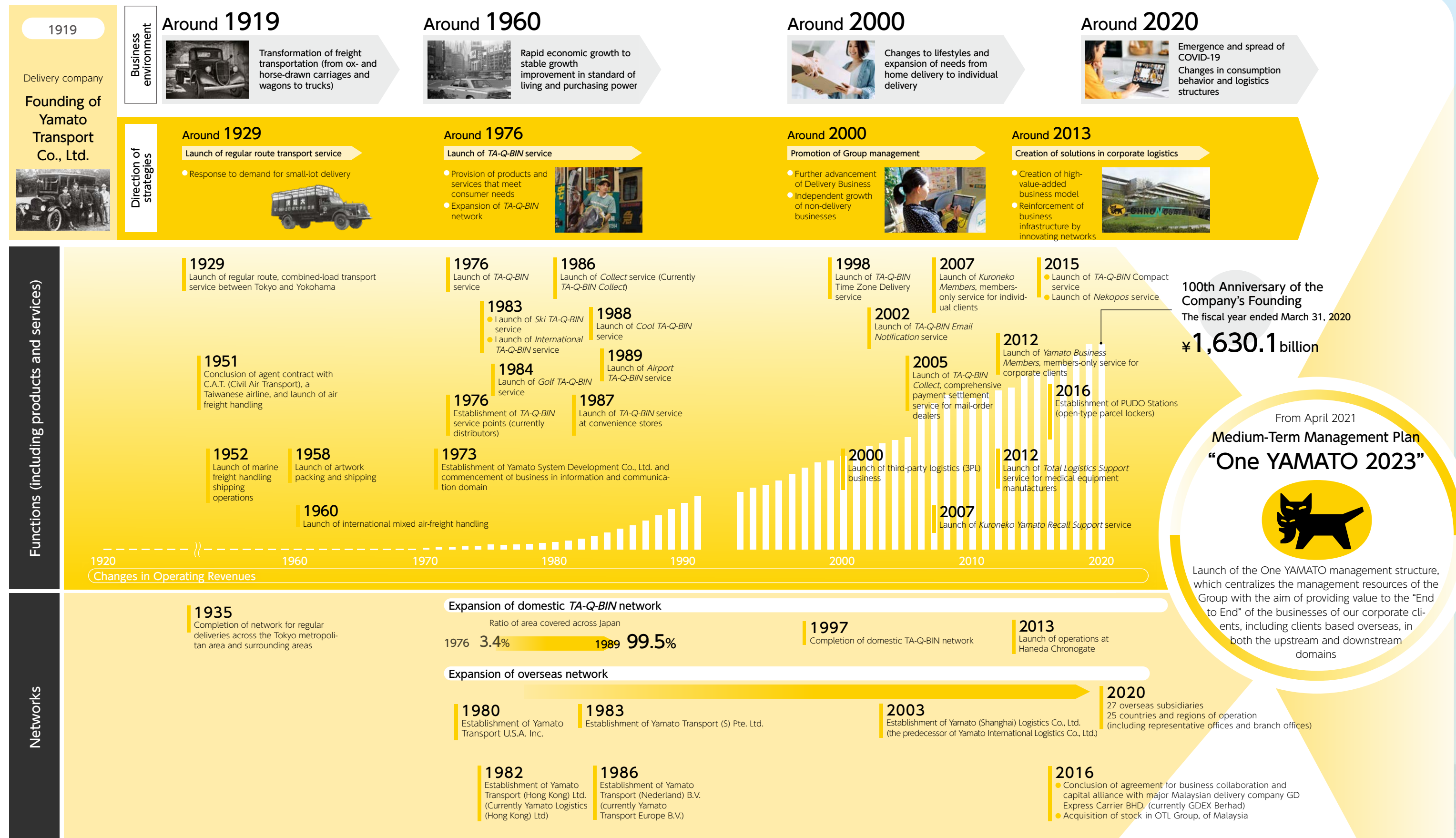
etc.

## Core Values



# History of Expanding the Value We Provide (100 Years of Progress)

The Yamato Group has developed into what it is today by accepting the changes each era brought and proposing products and services required by customers. We commenced a route-based, regular delivery service (Japan's first regular route transport service). Following this, we launched the *TA-Q-BIN* service to meet the delivery needs of countless customers and expanded the value we provide to meet the needs of varied customers, from individuals to corporate clients. In 2019, we celebrated our 100th anniversary. Based on the sudden and significant changes in the business environment, we embarked on structural reform to realize sustainable growth and improvement of medium- to long-term corporate value.



**100th Anniversary of the Company's Founding**  
The fiscal year ended March 31, 2020

¥1,630.1 billion

From April 2021  
**Medium-Term Management Plan**  
**"One YAMATO 2023"**



Launch of the One YAMATO management structure, which centralizes the management resources of the Group with the aim of providing value to the "End to End" of the businesses of our corporate clients, including clients based overseas, in both the upstream and downstream domains



# Expanding Value Provision to the “End to End”

Recently, there have been major changes in the business environment surrounding Yamato, and changes to consumption behavior and logistics structures have accelerated. Accordingly, the active participation of corporations in resolving social and environmental issues is becoming increasingly important to the achievement of a sustainable society. Under such circumstances, the Yamato Group aims to realize sustainable business growth by expanding the value we provide to the “End to the End” of our customers’ supply chains. We will achieve this through promotion of business structure reform centered on the structural reform of network operations and expansion of the corporate business domain based on the One YAMATO management structure, which centralizes the management resources of all Group companies.

From April 2020  
Transformation Plan “YAMATO NEXT100”

From April 2021  
Medium-Term Management Plan “One YAMATO 2023”

## Identification of Issues

We are embarking on Group management structure reform and business structure reforms to sustainably meet the expectations and needs of customers and society, based on the accelerating changes to the business environment and worsening social issues.

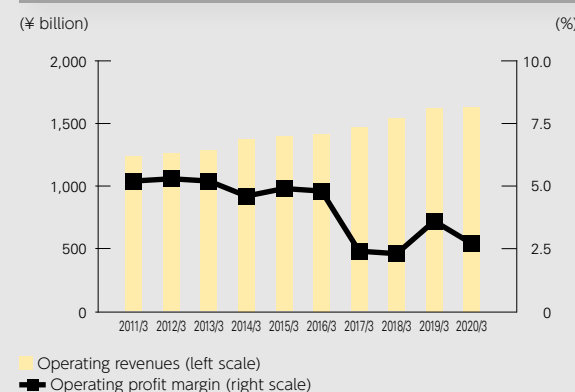
### Business Environment / Social Issues

- Diversification of customer expectations and needs
- Rapid progress of EC (e-commerce) adoption in various industries
- Declining population and rural depopulation
- Declining workforce
- Climate change and resource scarcity

### Issues with the Management Structure

- Decentralization of management resources of operating companies for each function (partial optimization)
- Limits of conventional business model that utilizes *TA-Q-BIN*
- Dependency on experience and intuition in individual decision-making
- Corporate culture focused on self-reliance

Changes in Operating Revenues and Operating Profit Margin  
(Fiscal Year Ended March 31, 2011, to Fiscal Year Ended March 31, 2020)



## Group Management Structure Reform

### Creation of One YAMATO Management Structure

- ▶ Centralization and redeployment of management resources by integrating Yamato Transport with eight Group companies

### 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)
- ▶ Withdrawal from development of *TA-Q-BIN* in East Asia and Southeast Asia

### Review

(Fiscal Year Ended March 31, 2022, to Fiscal Year Ended March 31, 2023)

### Medium-Term Management Plan “One YAMATO 2023”—Results and Issues

- Results**
- Creation of One YAMATO management structure, which centralizes Group resources
  - Progress in creation of EC logistics network as a starting point
  - Completion of overall design and launch of phased implementation to reinforce existing *TA-Q-BIN* network
  - Expansion of domains in which we provide value, such as domestic EC procurement and returns domain, cross-border EC for Japan, logistics in three temperature ranges for food distributors, and Lead Logistics Partner projects (LLP contacts)
- Issues**
- Structural reform for integration of sales and operations
  - Continuous reinforcement of management foundation that supports business structure reforms
  - Optimization of pricing based on changes to the external environment

## Business Structure Reforms

### Structural Reform of Network Operations ▶ P18–21

- ▶ Reinforcement of existing networks as well as creating and expanding designated networks

#### Point

Strengthening of response to logistics needs in growth domains as well as enhancement of network quality and efficiency

### Expansion of Corporate Business Domain ▶ P22–25

- ▶ Expansion of value provision by combining domestic and international facilities and transportation and delivery networks, third-party logistics, and international forwarding

#### Point

Expanding value provision to the “End to End” of domestic and global customer supply chains

### Promotion of Fundamental Strategies that Support Structural Reforms

Human Resource Strategy  
▶ P26–31

Digital Strategy  
▶ P32–33

Environmental Strategy  
▶ P34–37

### Reinforcement of Foundation for Improving Sustainable Corporate Value

Strengthening of sustainable management × Strengthening of corporate governance

▶ P38–43

▶ P44–61

### Vision

Expanding value provision to the “End to End” of customer supply chains

Achievement of sustainable business growth

# Value Creation Process

## Business Environment / Social Issues

- Diversification of customer expectations and needs
- Rapid progress of EC adoption in various industries
- Declining population and rural depopulation
- Declining working population
- Climate change and resource scarcity

### Rising costs due to changes in the external environment

- Now: Impact on infrastructure following uncertain international circumstances
- Future: Labor shortage (2024 problem and 2030 problem)

## Our Vision

- **Management Philosophy:**  
Contribute to the creation of an enriched society
- Environmental Vision: Connect. Deliver the future via green logistics
- Social Vision: Through co-creation and fair business activities, help create a society that "leaves no one behind"



**Sustainable corporate value improvement**

## Management Resources / Strengths (As of March 31, 2023)

### Customer Foundation

- Corporate clients ▶ *Yamato Business Members*: Approx. **1.60** million
- Consumers ▶ *Kuroneko Members*: Approx. **56** million



### Human Resources

- Employees ▶ Approx. **210,000**
- Sales drivers ▶ Approx. **60,000**



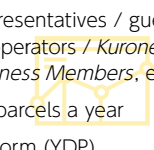
### Logistics Network

- Base network ▶ Corporate operation facilities: Approx. **400**
- Transportation and delivery network ▶ Sales offices (*TA-Q-BIN*): **3,331**
- ▶ *TA-Q-BIN* network
- Designated networks (EC logistics, refrigerated and frozen, and corporate)
- International transport (forwarding and cross-border land transportation in Asia)



### Information

- Physical and digital customer contact points Data ▶ Sales drivers / sales representatives / guest operators / call center operators / *Kuroneko Members* / *Yamato Business Members*, etc.
- ▶ Approx. **2.33 billion** parcels a year
- ▶ The Yamato Digital Platform (YDP)



### Financial Foundation

- Soundness ▶ Credit rating (R&I): AA-



## Value Creation Strategies

### Expanding value provision to the "End to End" of supply chains

Enhancement of profitability and growth potential through business structure reform to integrate sales and operations

### Expansion of Corporate Business Domain

### Structural Reform of Network Operations

Promotion of fundamental strategies that support structural reforms

Human Resource Strategy

Digital Strategy

Environmental Strategy

Reinforcement of foundation to improve sustainable corporate value

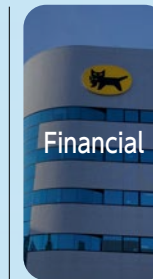
Strengthening of sustainable management



Strengthening of corporate governance

## Output

Enhancement of financial value

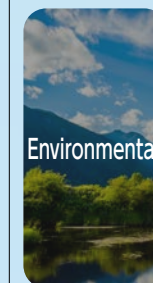


Medium- to long-term viewpoint\*1

Consolidated operating profit margin: Over **7%** (fiscal year ending March 31, 2027)

ROE: Over **13%** (fiscal year ending March 31, 2027)

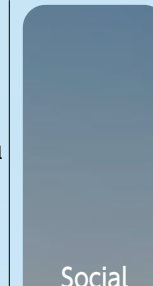
Enhancement of non-financial value



Medium- to long-term viewpoint targets

Greenhouse gas (GHG) emissions\*2:  
**Virtually zero** by 2050  
**48% reduction** by 2030\*3

\*2 In-house emissions of consolidated companies in Japan and Swan Co., Ltd. (Scope 1 & Scope 2)  
\*3 Compared to fiscal year ended March 31, 2021



Medium- to long-term viewpoint\*1

Human productivity\*4:  
**+15%** compared with the fiscal year ended March 31, 2023 (fiscal year ending March 31, 2027)  
Improvement of engagement:  
Level that exceeds record-high figures in employee awareness surveys\*5 (fiscal year ending March 31, 2027)

\*4 (Consolidated operating revenues - consolidated subcontracting expenses) ÷ consolidated personnel expenses  
\*5 For consolidated companies in Japan and Swan Co., Ltd.

Medium- to long-term viewpoint targets

Serious traffic accidents\*6: **zero**  
Serious occupational diseases\*7: **zero**

\*6 Fatal accidents for which the Company is responsible  
\*7 Incident involving a fatality

\*1 Expectation for beginning of fiscal year ending March 31, 2024

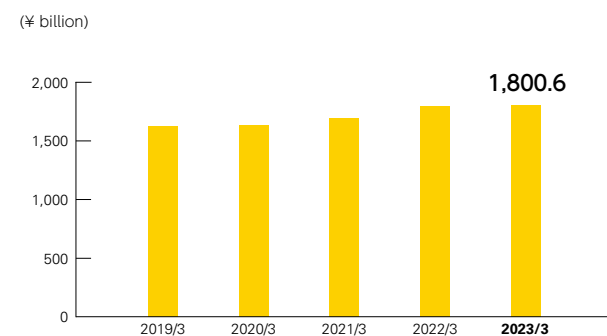


# Performance Highlights (Year Ended March 31, 2023)

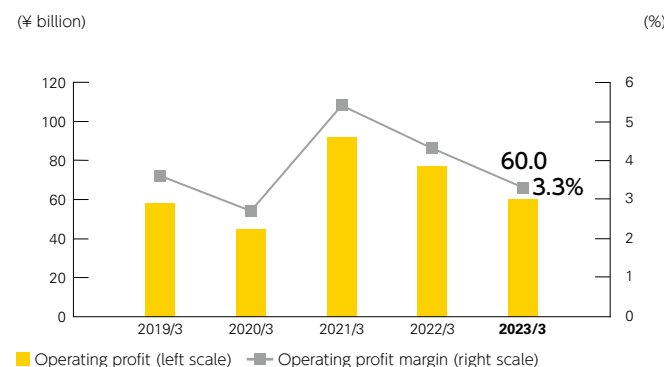
## Financial Information

Operating revenues amounted to ¥1,800,668 million, up 0.4% year on year, owing to an increase in the number of parcels handled by the Company in response to the continued growth of the EC domain, and Yamato's focus on the optimization of logistics for customers. As a result of rising fuel prices, hourly wages, electricity rates, and other expenses, and an increase in costs associated with the promotion of our medium-term management plan "One YAMATO 2023," such as structural reform of network operations, operating profit came to ¥60,085 million, down 22.2% year on year. Due to a decline in total income taxes, following the approval to liquidate overseas consolidated subsidiaries, profit attributable to owners of parent stood at ¥45,898 million, a decline of 18.0%, and ROE was 7.6%, decreasing 2.0 percentage points

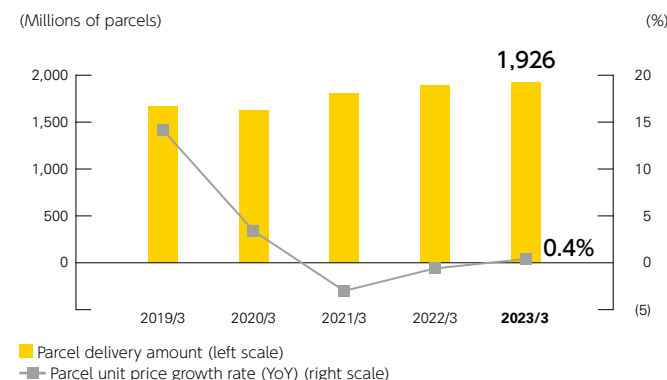
### Operating Revenues



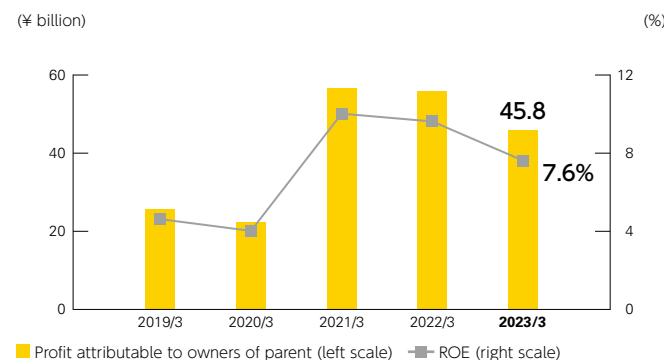
### Operating Profit / Operating Profit Margin



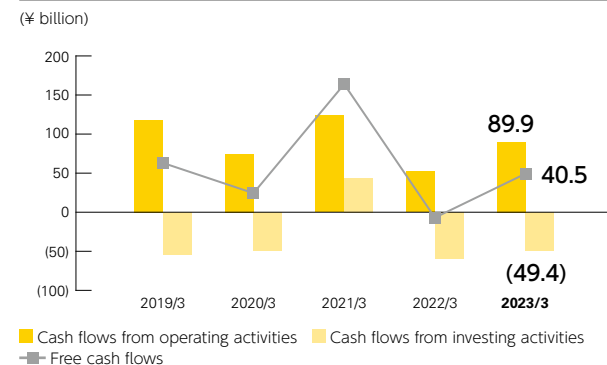
### Parcel Delivery Amount\*1 / Parcel Unit Price Growth Rate (YoY)



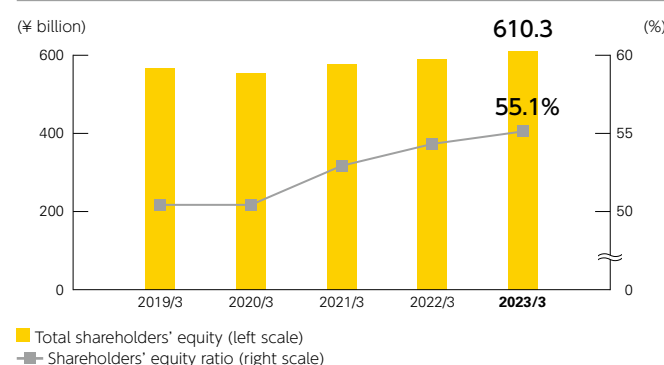
### Profit Attributable to Owners of Parent / ROE



### Operating and Investing Cash Flows / Free Cash Flows\*2



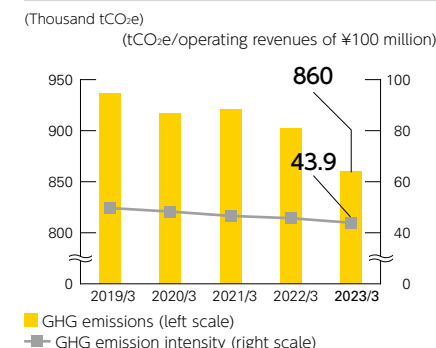
### Total Shareholders' Equity / Shareholders' Equity Ratio



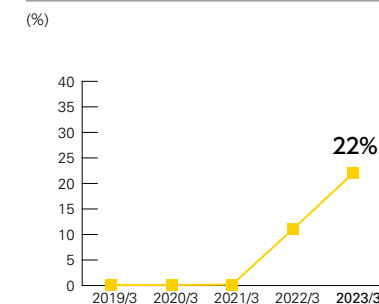
## Non-Financial Information

We are working to promote sustainable management to improve medium- to long-term corporate value and realize a sustainable society. During the fiscal year ended March 31, 2023, (the second year of these plans), we have been engaging in reducing GHG emissions through the introduction of EVs and solar power generation equipment, reinforcing the recruitment and development of specialized personnel, and creating a working environment that respects the diversity of human resources and enables employees to play an active role, based on Sustainable Medium-Term Plans 2023, which sets out targets and specific actions for material issues in 2023. We will continue promoting various measures leading to sustainable growth that supports business structure reform.

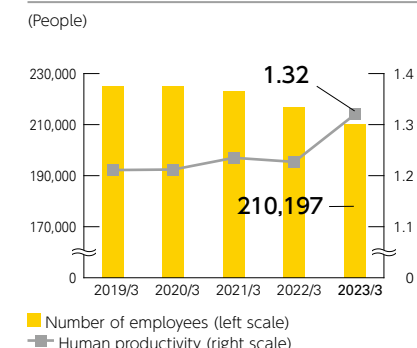
### GHG Emissions\*3 / GHG Emission Intensity



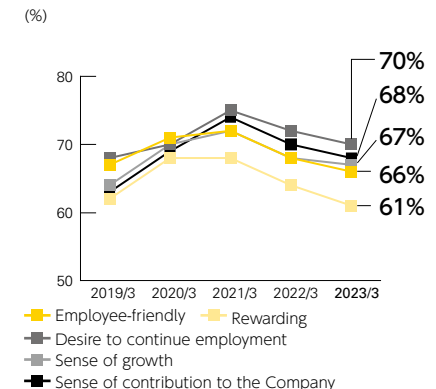
### Percentage of Electricity Generated via Renewable Energy Sources in Electricity Consumption\*3\*4



### Number of Employees / Human Productivity\*5



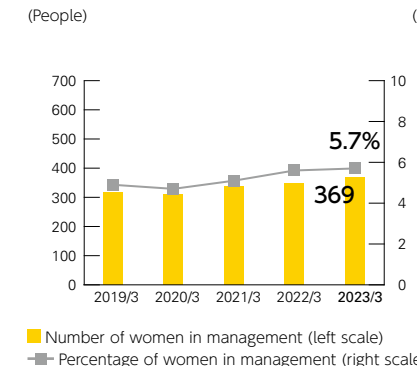
### Employee Awareness Surveys\*6



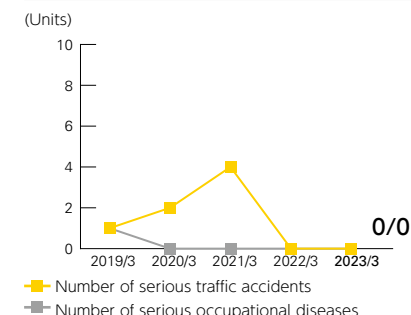
### Percentage of Annual Paid Vacation Days Taken\*7



### Number of Women in Management / Percentage of Women in Management\*3



### Number of Serious Traffic Accidents\*8 / Number of Serious Occupational Diseases\*9



\*1 Definition: TA-Q-BIN, TA-Q-BIN Compact, and EAZY

\*2 Free cash flows = Cash flows from operating activities + Cash flows from investing activities

\*3 Scope: consolidated companies in Japan and Swan Co., Ltd.

\*4 Electricity generated via renewable energy sources (MWh) ÷ Total power generated (MWh)

\*5 (Consolidated operating revenues – consolidated subcontracting expenses) ÷ consolidated personnel expenses

\*6 Awareness surveys regarding working styles administered on an annual basis (scope: full-time and part-time employees of Yamato Group companies in Japan)

\*7 Number of employee resignations in respective fiscal year (of their own accord) × 100

Number of registered employees as of respective fiscal year-end + Number of employee resignations in the respective fiscal year (including those due to retirement, etc.)

(Scope: Full-time employees of consolidated companies in Japan and Swan Co., Ltd.)

\*8 Fatal traffic accidents (for which the employee is responsible)

\*9 Incidents involving a fatality

## Message from the President



**Yutaka Nagao**

Representative Director,  
President and Executive Officer

## Business Reform Over the Next Four Years

### —Expanding Value Provision to the “End to End” of Supply Chains

#### » Structural Reforms Amid a Sense of Impending Crisis

In 2019, I was appointed the President of the Yamato Group during a time of impending crisis. An awareness of two major issues formed the background of this. The first issue being that our management structure did not provide services drawn from a customer standpoint in the face of changes to society and customers. Up to 2019, the Yamato Group was organized by function—such as a company that provided *TA-Q-BIN* services, a company that provided logistics services for corporate clients, and a company that developed IT systems—and was partially optimized. The second issue I was aware of was that many of the managers responsible for the management of each operating company did not see this existing management structure as a problem and strongly felt that there was no sense of crisis.

I believe that “corporate management” can be rephrased

as “effective utilization of management resources.” No matter how many excellent management resources you gather, you cannot achieve the performance you are capable of if they are not optimally allocated. Accordingly, under YAMATO NEXT100, our grand design for management over the medium to long term announced in 2020, and Medium-Term Management Plan “One YAMATO 2023,” launched in April 2021, we have been engaging in Group management structure reform. In other words, how to change the form of management to fully utilize management resources. By integrating nine existing operating companies into one entity, Yamato Transport, creating “One YAMATO structure”, and centralizing and reallocating Group management resources, I believe we have been able to shift to a structure that directly addresses customer needs.

#### » Reinforcement of the *TA-Q-BIN* Network

As we have visualized the management resources of the entire Group, issues that need to be addressed have become clear. One of these issues is the structural reform of network operations. We are engaging in an enhancement of the quality and efficiency of the entire network to respond to various changes in the market environment, such as the expansion of online consumption and the development of small-lot, high-frequency logistics between companies.

As part of these reforms, we first responded to the sudden expansion of EC demand during the COVID-19 pandemic by creating an EC logistics network in collaboration with partner companies. Over the next four years, we will focus on reinforcing the existing *TA-Q-BIN* network. Now, three years away from celebrating the 50th anniversary of *TA-Q-BIN*s launch, the time has come to revise the way bases that make up the network are organized, in response to changing customer needs.

Specifically, we will consolidate and enlarge the size of small, multi-store sales offices. *TA-Q-BIN* was originally launched as a service for individual customers and we allocated sales offices in smaller areas to collect small-lot deliveries from a wide variety of customers. As a result, our sales offices increased to approximately 4,000 at their peak. Now, however, there has been a change in the type of packages being shipped with 90% of deliveries being made for corporate clients, and approximately half of those deliveries for

large-lot clients. Accordingly, we are focusing on reviewing the purpose of facilities, particularly in urban areas with a high density of them, while consolidating and enlarging their size in line with changes to the flow and volume of packages. While there is currently a total of approximately 3,300 sales offices, I think eventually having approximately 1,800 would be appropriate.

Furthermore, we are advancing revisions to the pickup and delivery operations available at each facility, in conjunction with the consolidation and enlargement of their size. We aim to standardize the workload for each driver by designing pickup and delivery operations through data utilization, not just entrusting the response to the fluctuating workload to the judgment and ingenuity of frontline staff.

It is important to optimize facility allocation and operations in line with regional and customer needs rather than aimlessly reducing the number of facilities. Naturally, it is essential we do not damage the national network as a social infrastructure. To maintain a national network in which all employees can respond to customers in all regions, we will enhance the safety, quality, and ease of operation for employees and partners even more than before. At the same time, we will increase the productivity of the entire network, optimize processes for transportation between facilities and sorting operations at each sales office, and further enhance the performance of employees.

#### » Establishment and Expansion of Dedicated Networks

In addition to reinforcing the existing *TA-Q-BIN* network, we are promoting the creation of dedicated networks. While one of these is an EC logistics network, we also established, in June 2023, a low temperature transportation and delivery center and began operation of a network dedicated to temperature-controlled operations. To date, the Yamato Group has contributed to the culture of consumers ordering fresh produce directly from other regions and the development of related businesses by building a transportation and delivery network that handles three temperature ranges (room temperature, refrigerated, and frozen). Meanwhile, against a backdrop of changing consumption

behavior due to the recent COVID-19 pandemic, there has been a significant advancement of the shift to EC for food distribution. Under such circumstances, we will maintain and enhance quality while expanding transportation and delivery capacity to further meet demand by aggregating refrigerated and frozen delivery under a new, dedicated network in urban areas, where demand is particularly concentrated. Refrigerated transportation and delivery is a growth domain that is not limited to food. Demand is expected to increase for pharmaceuticals and we plan to expand this dedicated network as necessary.

#### » Expanding Value Provision to the “End to End” of Supply Chains

The Yamato Group aims to achieve sustainable business growth through expanding value provision to the “End to End” of supply chains. The Group management structure reform that we have promoted to date and the structural reform of network operations we are currently advancing are to help us evolve into a business that can provide

further value to customers. Since launching One YAMATO 2023, we have created several examples of solutions, such as initiatives to optimize the entire supply chain of our corporate clients, which are steadily yielding results.

Additionally, we are striving to expand the value provided in the cross-border EC domain. To date, the conventional



## Message from the President

method for individual clients to obtain products purchased from overseas was via logistics by international and domestic operators. In recent years, however, individual clients have been able to directly purchase and receive products from overseas sellers. The Yamato Group has been focusing on this domain for many years and has been proposing the use of Yamato's logistics network to overseas sellers. The number of parcels we handle has expanded to a volume beyond our initial expectations. This was achieved through collaboration between domestic and overseas units of the Yamato Group, who worked together to establish operations and make proposals to customers. We could not have

realized this under the existing partially optimized structure and this achievement is one result of the Group management structure reform.

Meanwhile, while we are still at the development stage for fields such as third-party logistics and international forwarding, I believe there is significant room for growth in light of the Yamato Group's management resources and potential. Over the next four years, we aim to further reinforce the networks, operations, and corporate sales functions, including collaboration with other companies, to expand the scale of transactions.

### » Visualization of GHG Emissions as a New Differentiating Factor

We are currently developing tools for visualization of GHG emissions. These tools are expected to become a new strength aimed at expanding the value provided in corporate client supply chains. While to date there has been no global formula for calculating GHG emissions in logistics, the Yamato Group has signed a basic agreement for collaboration in the environmental domain with the major European home delivery company, DPDgroup. We have been participating in the creation of ISO 14083:2023, an international standard related to transportation-based GHG emission calculation and reporting methods, and promoting the development of a tool for visualizing emissions based

on this standard. We plan to complete development this fall. For the Yamato Group, who have adopted the target of achieving virtually zero GHG emissions by 2050,\* visualizing GHG emissions is an opportunity to further contribute to the sustainability of society and the environment. As interest in and standards for global GHG emissions increase, we expect that contributing to the optimization of distribution and inventory while reducing these emissions through visualization of GHG emissions in the supply chains of corporate clients will become a major differentiating factor in expanding the corporate business domain.

\*Scope 1 and Scope 2

### » Planning and Development of Human Resource Measures in Conjunction with Our Management Strategy

A major driving force in promoting a series of reforms and measures was the existence of professional human resources that have joined the Yamato Group over the past few years. Now, over 20% of Yamato Transport executive officers have outside knowledge and we have ensured we can set out new challenges and measures by gathering the appropriate people from within the Company to work under them.

For the Yamato Group, our most important management resource is people. We plan and develop human resource measures under the recognition that our HR strategy is so important, it can be called a management strategy.

Specifically, we are promoting the clarification of definitions of duties in line with our management strategy and new business structure. For example, this clarification has been implemented in some cases in the sorting operations



at each terminal, where definitions of duties remained vague. Furthermore, while we have further clarified the duties of sales drivers, there is an increasing necessity to subdivide duties to meet diversifying customer needs, such as increasing the shipping ratio for large-lot clients. We are also adding new duties based on our management strategy, such as in the digital and corporate business domains. In light of such circumstances, we will cultivate a corporate

culture that enables employees to accomplish their tasks independently, enhance their performance, and feel their work is rewarding. We will achieve this by implementing a cycle of further clarifying the definitions of duties for all employees, establishing appropriate evaluation criteria for measuring performance according to these definitions, and holding meetings between evaluators and each employee to give detailed feedback.

### » Response to the 2024 Problem

From April 2024, a cap on overtime work will be applied to automobile driving operations. The entire logistics industry is facing the serious issue of workstyle reforms for drivers and securing transportation capability. We have already implemented workstyle reforms for Yamato Group employees and employee working hours have reached an appropriate level. However, we are now promoting cooperation with each partner company, such as reviewing the purpose of transportation and introducing a standardized contract system based on the transport distance and time period, to advance the workstyle reforms in our partner businesses that support trunk-route transportation.

Furthermore, I feel it is necessary to improve inefficient business practices, which has previously been an issue, such as decreasing efficiency of loading operations for

charter flights following a shift to small-lot, high-frequency delivery, loading operations outside of contracts, and long waiting times for cargo in logistics between companies. Accordingly, we will make proposals for resolving such issues for corporate clients. For example, we can enable more efficient methods of delivery by combining packages from numerous clients through a package transportation service in pallet units, even if the cargo area of a charter flight is empty on the return journey. The Yamato Group has the knowledge to standardize transportation, as shown by TA-Q-BIN. We are pursuing sustainable logistics by standardizing transportation in logistics between companies and creating more efficient delivery methods that also contribute to even better workstyles for drivers.

### » Achievement of Sustainable Growth by Building the Trust of Customers

I believe that the most important factor for the sustainable growth of a company is building up trust with customers. The growth the Yamato Group has achieved to date is a result of building up trust through provision of our TA-Q-BIN service. However, there have been changes to the business environment and customer needs. Simply maintaining the same services we have provided to date will not result in growth in the future.

I view the year ending March 31, 2024, and the three years of the next medium-term management plan as four vital years in which the true value of reforms based on the

reallocation of management resources will be tested in order to achieve sustainable growth. We aim to be a company that is trusted by all our customers and stakeholders by fully utilizing Group management resources to pursue even better services that fit the times, rather than being content with our past experience of success.

October 2023 



# Message from the Chief Financial Officer

## Contributing to Improving Shareholder Value and Corporate Value by Supporting Management Strategies from a Financial Perspective



### PROFILE

**Toshizo Kurisu**

Representative Director,  
Executive Officer and Vice President

### Q1 Please share your approach to financial strategies and awareness of your role as CFO.

I believe that my role as CFO is to support management strategies from a financial perspective to realize sustainable growth and the improvement of corporate value in the medium to long term. I am also aware of the need to continuously enhance the overall market price of the shares as shareholders value and place importance on earnings per share (EPS) and ROE accordingly. By promoting medium- to long-term strategies centered on business structure reforms, the Yamato Group aims to achieve ROE of over 13%. As CFO, I engage in implementing investments that increase the profitability of the business and its growth potential while engaging in maintaining and strengthening shareholder returns and optimizing balance sheets. I hope to continuously enhance shareholder value by achieving ROE that fully exceeds shareholder capital costs.

### Q2 Two years have passed since the launch of Medium-Term Management Plan "One YAMATO 2023." Please explain the second-year results and business performance evaluation.

When creating the "One YAMATO Structure," we engaged in formulating a plan to fully transform our business structure. While Yamato's performance in fiscal 2022 did not fully meet the targets adopted under the Medium-Term Management Plan "One YAMATO 2023," I believe that we are steadily implementing measures to enhance profitability, which is always a challenge, by defining our vision for facilities and personnel. By doing so, we can gradually generate results.

In the structural reform of network operations, we are lowering the break-even point by reducing fixed costs through consolidation and enlargement of sales offices. At the same time, we are optimizing all costs by flexibly allocating the management resources of both Yamato and our partners in response to fluctuations in workload. We are also aggregating and standardizing administrative operations in tandem with facility strategies, making steady progress toward our ideal cost structure.

Furthermore, measures including a resolution to liquidate our overseas consolidated subsidiaries and the introduction of the Japanese Group Relief System helped to secure net income for the fiscal year ended March 31, 2023. We will strive to continue enhancing income by also addressing tax aspects as part of Yamato's financial strategies.

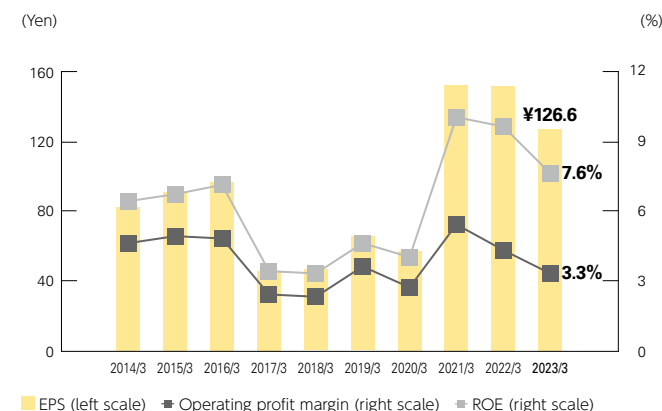
### Q3 Have you considered how to enhance ROE, which is a KPI, going forward?

Increasing operating revenues and operating profit—namely, strengthening earning power—are essential for enhancing ROE. To this end, it is important to expand value provision to the "End to End" and to receive corresponding compensation, and

we are advancing the expansion of the corporate business domain and structural reform of network operations in an integrated manner.

At the same time, we are optimizing balance sheets, promoting the selection and concentration of our businesses, products, and services to make full use of management resources, and actively examining collaboration with business partners. In addition, we are continuing to reduce our cross-shareholdings and, while we sold four assets in fiscal 2022 for approximately ¥2.7 billion, we will continue to sell stocks that we deem to lack significance to the Company, as appropriate. Meanwhile, while condensing our balance sheets, we intend to maintain a certain level of shareholders' equity ratio, which is required as a corporate group that serves as a crucial part of social infrastructure.

### EPS/Operating Profit Margin/ROE (Fiscal Year Ended March 31, 2014, to Fiscal Year Ended March 31, 2023)



### Q4 Please explain your approach toward and plans for investment.

My basic approach is investment that contributes to customer value. Regarding the establishment of large-scale facilities, which began in the fiscal year ending March 1, 2024, we are moving forward with a balance between properties we rent and properties we own with an emphasis on the speed of expansion. We will reinforce verification and monitoring of the results of investments to ensure that we can make a return on investments within as short a time as possible. We will also actively promote investment based on digital, human resource, and environmental strategies that support business structure reforms.

### Q5 Please explain Yamato's capital policies going forward.

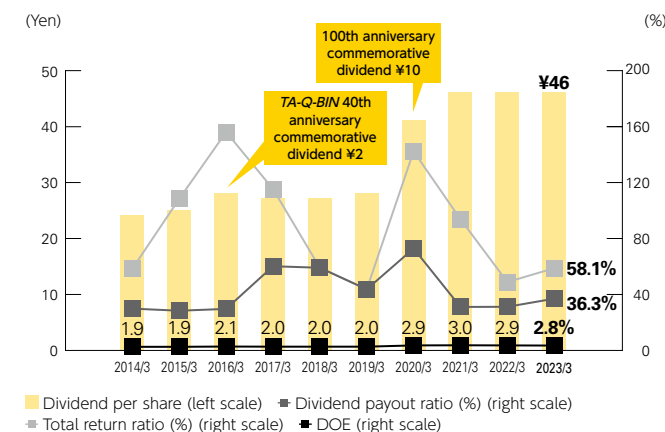
We intend to carefully select and prioritize business investments (capital investments, strategic investments, and M&As) that will contribute to enhancing shareholder value through capital created from profit growth due to business structure reforms.

Regarding fundraising, we issued our first green bonds in July 2023, with a five-year maturity and a total amount of ¥20.0

billion, to promote our environmental strategies. Meanwhile, we intend to continue utilizing debt in working capital and capital investments necessary for business structure transformation and will strive to manage our balance sheet based on capital efficiency, such as shareholders' equity ratio, while maintaining our credit rating (Rating and Investment Information, Inc.; AA-) with an awareness of optimal capital structure.

Our basic policy for shareholder returns is to pay out stable dividends with an awareness of DOE (ratio of dividends to shareholders' equity) based on factors including growth potential, profitability, financial soundness (cash and cash equivalents and shareholders' equity ratio), progress in investments, and capital efficiency. We aim for a dividend payout ratio of 30% or more and a total return ratio of 50% or more (cumulative for the period from the fiscal year ended March 31, 2021, to the fiscal year ending March 31, 2024). While we have implemented stable dividends over the long term, we believe that we should also be aware of dividend yield in the future, and will discuss capital policies and shareholder returns as we formulate the next medium-term management plan.

### Shareholder Return Results (Fiscal Year Ended March 31, 2014, to Fiscal Year Ended March 31, 2023)



### Q6 Finally, what is your message for stakeholders?

Two years have passed since the launch of "One YAMATO structure." The numerical management systems of each company, which used to be separate, are gradually being developed and corporate activities can be visualized through various indicators. As a result, while reflecting these appropriately in management strategies and financial strategies, we are aiming for operating profit margin of 7% or more and ROE of 13% or more in the medium to long term. Additionally, at the same time as we show our concrete strategies to shareholders in our next medium-term management plan, we will realize sustainable growth and improvement of medium- to long-term corporate value through the implementation of these strategies and dialogues.



# Structural Reform of Network Operations

In response to the progressing growth of EC and changes in customer needs and distribution structure, we will achieve the enhancement of overall network quality and efficiency by creating dedicated networks optimized to meet diverse logistic needs at the same time as reinforcing the existing TA-Q-BIN network.

## Background

The existing TA-Q-BIN network was initially launched to provide CtoC services. Despite meeting the diverse BtoB and BtoC needs of small-scale to large-scale corporate clients, it has become a structure difficult to link to revenue growth with an increase in parcel delivery amount following changes in customer needs and distribution structure.

### Existing Networks

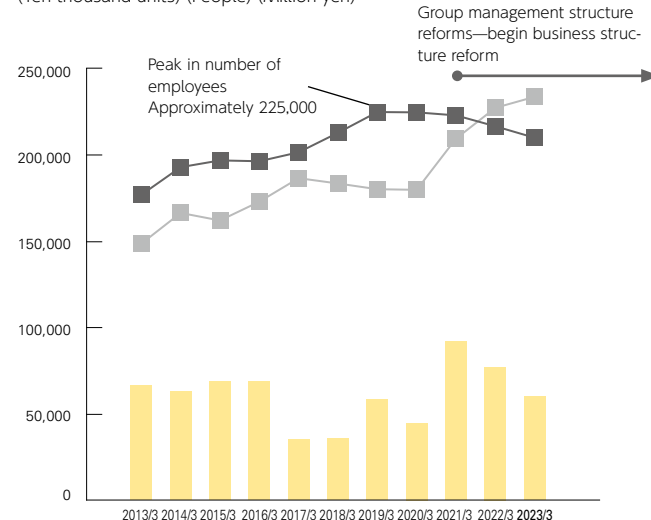
- Nationwide roll out of a hub and spoke distribution model for sorting and transportation terminals and sales offices
- Operation on standardized timelines to provide uniform (high-quality) services
- Placement of full-time employees (multi-functional sales drivers) at small, multi-store sales offices

### Changes in Customer Needs and Distribution Structure

- Increase in volume of parcels from large-scale corporate clients who ship from specialized warehouses, etc.
  - Increase in EC parcels with different timelines and operations
  - Changes in the balance between dispatch and arrival volumes
- Incompatibilities with existing network, which mainly focuses on small-lot parcels and standardizing operations on next-day shipping, have become apparent

### Parcel Delivery Amount\*/Number of Employees/Operating Profit

(Ten thousand units) (People) (Million yen)



■ Parcel delivery amount (ten thousand units)  
■ Number of employees (people) ■ Operating profit (million yen)  
\* Product scope: TA-Q-BIN, TA-Q-BIN Compact, EAZY, and Nekopos

## Overview

### Initiatives and Results to Date

(Fiscal Year Ended March 31, 2021, to Fiscal Year Ended March 31, 2023)

- ✓ Progress in building EC logistics network as a start point
- ✓ Completion of overall design to gradual launch of initiatives aimed at reinforcing existing networks

### Future Initiatives

(Fiscal Year Ending March 31, 2024, to Fiscal Year Ending March 31, 2027)

- Accomplishment of existing network reinforcement
- Creation and expansion of dedicated networks optimized to meet diverse logistic needs

	Measures	Creation results
Growth domains	Creation of EC logistics network	
	Creation and expansion of dedicated networks optimized to meet diverse logistic needs	Creation of network dedicated to temperature-controlled deliveries (BtoC and BtoB)
		Expansion of transportation and delivery network for corporate clients
Base domain	Reinforcement of existing network at the same time as creating a dedicated network	<ul style="list-style-type: none"> <li>• Expansion of value provided in response to needs</li> <li>• Reception of appropriate pricing based on value provided</li> <li>• Optimization of operating costs</li> <li>• Increase in job satisfaction</li> <li>• Maintenance and enhancement of safety, quality, and employee-friendliness</li> </ul>
		<ul style="list-style-type: none"> <li>• Consolidation and enlargement of sales offices</li> <li>• Review of terminal functions</li> <li>• Renewal of workstyles and the operational structure</li> </ul>

## Reinforcement of Existing Networks Base domain

### 1

#### Consolidation and Enlargement of Sales Offices

We are optimizing transportation, operation, administration, and management costs and enhancing safety, quality, and employee-friendliness at each location by consolidating and enlarging small, multi-store TA-Q-BIN sales offices, with a focus on urban areas.

Previously: small, multi-store sales offices

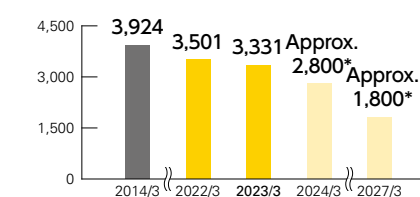


In the Future: consolidated and enlarged sales offices



#### Trends in number of sales offices

(Facilities)



\* Prediction for beginning of the fiscal year ending March 31, 2024

### Basic Strategies that Support Structural Reforms

#### Human Resource Strategy

- Promotion of appropriate human resource allocation in conjunction with renewal of workstyles and structures

→ For an overview of our human resource strategy, please see page 26.

#### Digital Strategy

- Maximization of the initiative's outcomes through utilization of a system for optimal resource allocation in response to workload

→ For an overview of our digital strategy, please see page 32.

#### Environmental Strategy

- Encouragement to reduce GHG emissions by introducing various environmental equipment at large-scale sales offices, including a switch to EVs, solar power generation equipment, and LEDs.

→ For an overview of our environmental strategy, please see page 34.

### 2

#### Review of Terminal Functions

Concurrently with reviewing terminal functions, such as separating dispatch and arrival operations and integration of large-scale sales offices with terminal in light of changes in volume of parcels and timelines, we will promote maintaining and improving safety, quality, job satisfaction, and employee-friendliness and optimizing transportation and operation costs by revising definitions of duties, standardizing human resource composition (full time, part time, hourly workers, and temporary staff), and entrusting part of operations at some terminals to business partners, then reallocating employees.

#### Previous Operations

- Duplication of timelines for dispatch operations and arrival operations within the same terminal, lowering operational efficiency

Integrated dispatch and arrival model (conventional)



#### Future Operations

- Improvement in flow of overall operations through separation of dispatch and arrival operations and redesign of operations
- Selection and implementation of optimal methods in response to characteristics of each terminal

Integrated dispatch and arrival model (conventional)



Integrated dispatch and arrival and enlarged sales office coexistence model



Separated dispatch and arrival, and integrated enlarged sales office



#### Number of terminals

76

Fiscal year ended March 31, 2023

Approximately 70\*

Fiscal year ending March 31, 2027

\* Predictions for beginning of the fiscal year ending March 31, 2024; total for specialized dispatch and arrival terminals and integrated terminals



Began reorganization of terminals in the Fukuoka area and launched operation of new Sasaguri terminal (new and lease) from November 2022

### Basic Strategies that Support Structural Reforms

#### Human Resource Strategy

- Promotion of optimal human resource allocation and clarification of definitions of duties

#### Digital Strategy and Environmental Strategy

- Reduction of GHG emissions by promoting transportation efficiency through data analysis

## Structural Reform of Network Operations

# 3 Reform of Workstyles and Operational Structures (Sales Drivers)

We will maintain and enhance quality, employee-friendliness, and job satisfaction, strengthen our response to diversifying customer needs, and optimize operating costs by enhancing delivery efficiency subdivision and specialization of sales driver duties into sales, delivery, pickup, and other operations in line with regional characteristics based on changes in the balance between pickup and delivery workloads and the increasing burden of multi-tasking following a rise in shipping ratio for large-scale corporate clients.

## Previously

## Uniform nationwide SD

	Sales	Delivery	Pickup
SD	○	○	○

## In the Future

## Major urban areas\*1 SD+DD+PD

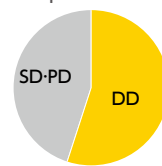
- Maintenance of structure with approximately 60,000 drivers covering nationwide
- Enhancement of pickup and delivery productivity through specialization and creation of systems

	Sales	Delivery	Pickup
SD	◎	△	△
DD	—	◎	—
PD	△	—	◎

SD (sales driver):  
Specialized sales and client relations model  
DD (delivery driver):  
Specialized delivery model  
PD (pickup driver):  
Specialized pickup model

\*1 Placement of drivers (employees) specializing in temperature-controlled delivery only and EAZY CREW (business partners) in places with specific demand

► Estimated Composition in March 2027\*2



\*2 Prediction for the beginning of the fiscal year ending March 31, 2024

## Development

- From February 2023: Commencement of trials in some areas of Tokyo
- From January 2024: Further development in major urban areas (Tokyo, Chiba, Kanagawa, Saitama, Nagoya, and Hanshin (Osaka and Kobe) areas)

## Basic Strategies that Support Structural Reforms

## Human Resource Strategy

- Maximization of initiative outcomes through design of workstyles and pay conditions based on duties

## Digital Strategy

- Maximization of initiative outcomes by introducing systems that flexibly rearrange operations in line with daily workload fluctuations, in conjunction with the consolidation and enlargement of sales offices

## TOPIC

## Basic Agreement Regarding Collaboration with Japan Post Group Aimed at Promoting Sustainable Logistics Services

We signed a basic agreement regarding collaboration with Japan Post Group to promote sustainable logistics services. This agreement will contribute to transportation services that are instrumental in enhancing convenience for customers and business growth through effective utilization of the management resources of both companies, to resolving social issues, including the "2024 problem" faced by the logistics industry, and to environmental issues.

## Strengths of Both Groups

## Yamato Group (Yamato Transport)

Nationwide network of pickup and delivery trucks  
→ Approximately 35,000 2t and 4t trucks\*

\* Installation of temperature-controlled equipment in 95% of trucks (approximately 33,000) → average refrigeration capacity for temperature-control of 2t trucks is 2,000 liters



Utilization of network resources

## Japan Post Group (Japan Post)

Nationwide network of pickup and delivery bikes and mini vehicles  
→ Approximately 82,000 bikes  
Approximately 30,000 mini vehicles



## Details of Cooperation

## From February 2024: Direct mail service area

- End of Kuroneko DM-Bin on January 31, 2024, and launch of new service, Kuroneko Yu-Mail (tentative)
- Delivery of packages accepted from customers by Yamato Transport on the Japan Post delivery network

## From October 2023 in Stages: Small, thin parcels

- End of Nekopos in stages from October 2023 and launch of new service, Kuroneko Yu-Packet
- Delivery of packages accepted from customers by Yamato Transport on the Japan Post delivery network

## Creation and Expansion of Dedicated Networks

## Growth Domain

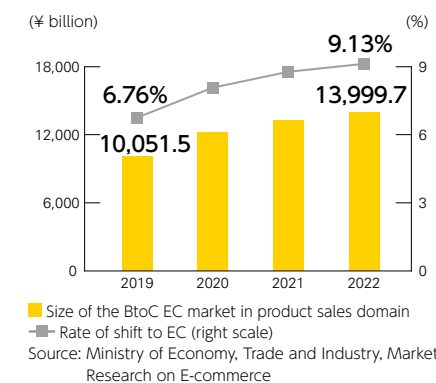


Alongside initiatives reinforcing our existing network, we are promoting dedicated networks optimized to meet diverse logistics needs in areas where demand is concentrated. Accordingly, at the same time as expanding the value we provide in response to customer transportation needs, which existing networks could not sufficiently meet, we will increase the growth capabilities and profitability of the Yamato Group through reception of appropriate pricing based on this value.

## 1 EC Logistics Network

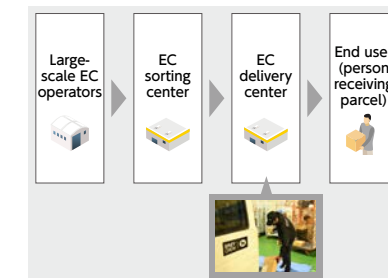
By responding to the increase in EC parcels, which differ from conventional TA-Q-BIN in terms of timelines, delivery method, pricing, and other factors, and by creating flexible capacity through coordination with business partners, we are expanding sales opportunities for EC operators, reducing lead times between order by EC users and arrival, and improving customer experiences through real-time communication and diverse delivery methods.

## Growth of the EC Market



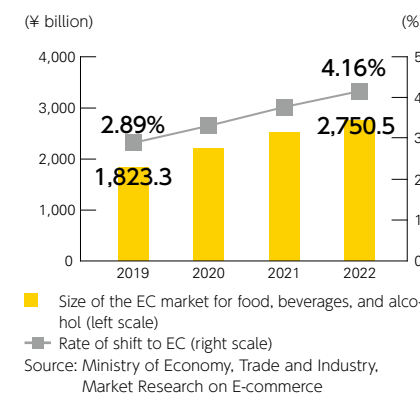
## Gradual Opening and Development of EC Delivery Centers in Urban Areas

(20 facilities open as of June 2023)

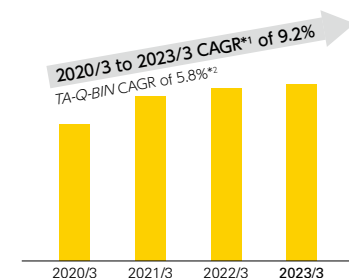


## 2 Network Dedicated to Temperature-Controlled Deliveries

## Growth of the EC market in food logistics



## Trends in Cool TA-Q-BIN Delivery Amounts



By expanding capacity through the establishment of two large-scale concentrated facilities in the Tokyo metropolitan area in response to increasing demand for BtoC and BtoB temperature-controlled deliveries, we will contribute to the expansion of sales opportunities, such as for food manufacturers and sales business operators, and provide the value of reducing overall logistics costs by optimizing the entire supply chain.



Low Temperature Transportation and Delivery Center (South Tokyo Area)  
(Commenced operation in June 2023)

## 3 Specialized Corporate Transportation and Delivery Network

Based on various risks in customer supply chains, such as changes in consumer trends and industry structures, decreases in workforce, and responses to the "2024 problem" and environmental issues, we will expand the value we provide through our response to standardization of operations to the transportation needs outside the scope of TA-Q-BIN transportation needs by reorganizing group resources and reinforcing collaboration with business partners.

## Service Example: JITBOX Chartered Delivery

- Transportation service, from pickup to delivery, that loads customer packages onto a metal cage on wheels
- Alternative service to chartered truck delivery that provides value of timely delivery and high-frequency delivery in the appropriate quantity

JITBOX チャーター便  
JITBOX Chartered Delivery





# Expansion of Corporate Business Domain

We view evolving growth of the EC (e-commerce) market and changes to the supply chain as an opportunity and provide comprehensive value to the "End to End" of our customers' entire supply chains. To those ends, we will pursue the creation of multiple last mile networks in response to needs that exist in the growth domains, the strengthening of account management, and the reinforcement and expansion of third-party logistics (3PL) and international forwarding.

## Overview

### Vision

**Achievement of sustainable business growth by expanding the value we provide to the "End to End" of our customers' supply chains**

#### Initiatives and Results to Date

(Fiscal Year Ended March 31, 2021, to Fiscal Year Ended March 31, 2023)

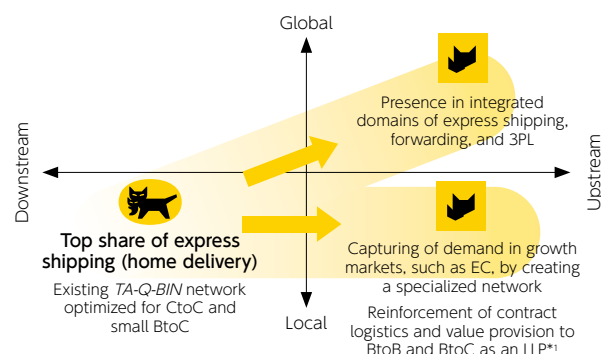
- Expansion of areas in which we provide value, such as domestic EC procurement and returns domain, cross-border EC for Japan, logistics in three temperature ranges for food sales operators, and LLP projects (lead logistics partner contracts)

#### Future Initiatives

(Fiscal Year Ending March 31, 2024, to Fiscal Year Ending March 31, 2027)

- Further expansion of supply chain solution sales
- Expansion of value we provide through proposals combining TA-Q-BIN with other functions

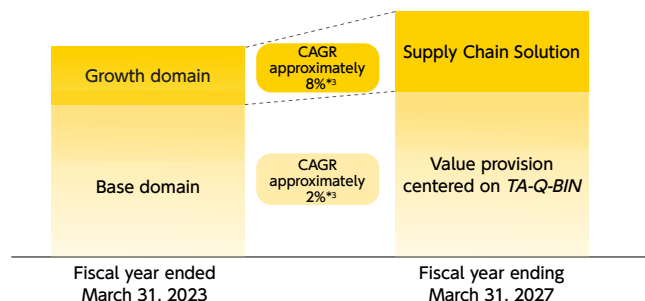
### Direction of Domain Expansion



\*1 LLP: Lead Logistics Partner (a partner who not only manages and operates logistics but also participates in and supports the creation of customer logistics plans and supply chain management strategies)

### Image of Future Growth for Operating Revenues\*2

\*2 Yamato Transport and overseas consolidated subsidiaries



\*3 Prediction for the beginning of the fiscal year ending March 31, 2024  
CAGR: Compound Annual Growth Rate

### Measures to Expand Corporate Business Domain in Growth Domains and Base Domains

#### Base domain

#### Expansion of Value Provided Through Proposals Combining TA-Q-BIN with Other Functions

- Provision of value in each customer segment based on business size and potential
- Subdivision of duties and clarification of roles for sales representatives placed in local communities
- Reinforcement of business activities that aim to resolve each customer issue as one team, based on information noticed by sales drivers

#### Growth domain

#### Provision of Supply Chain Solutions

- Expansion of domestic and international LLP projects
- Reinforcement of response to supply chain to the "End to End" and to EC, including cross-border EC
- Advancement of operational functions to the "End to End" of supply chains → Expansion of store deliveries for BtoC, DtoC,\* and BtoB in food-related domains (promote the provision of new value on a specialized refrigerated and frozen network in the Greater Tokyo area)
- Reinforcement of collaboration aimed at expanding from domestic to global operation (consider M&As)

\* Direct to Consumer

#### Growth domain and base domain (shared)

#### Promotion of Pricing Optimization

- Reflect the impact accompanying changes in the external business environment surrounding the Yamato Group and transportation and delivery partners on prices in a timely and appropriate manner
- Implement revisions to individual contracts with corporate clients based on conditions including business relationship and applicable fares
- Make an effort to review prices on an annual basis, maintain and reinforce our transportation and delivery network, and create a business environment that continues to provide customers with excellent services

## Initiatives in Base Domains

Base domain



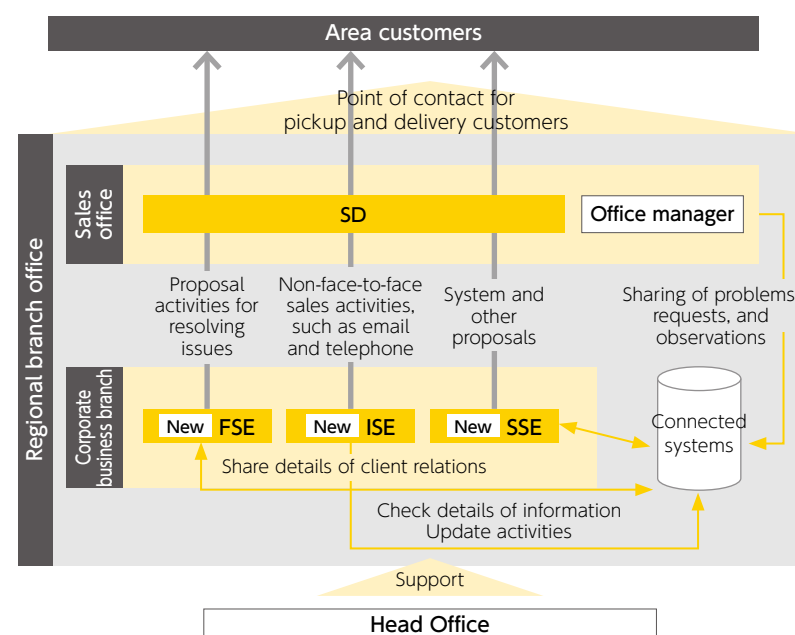
### Expansion of Value Provided Through Proposals Combining TA-Q-BIN with Other Functions

The Yamato Group is engaging in the expansion of the value we provide through proposals combining TA-Q-BIN with other functions for small- and medium-sized corporate clients (area customers), aiming to further improve business growth by utilizing our wide customer base built up through TA-Q-BIN. From April 2023, we placed sales personnel gathered from each business company at regional offices through the transition to One YAMATO, which subdivides the duties and roles of area customer-facing sales representatives. Each sales office and sales representative will expand the value we provide by coordinating

with sales drivers (SDs) who connect with customers on a daily basis through TA-Q-BIN pickup and delivery, quickly understanding customer issues, and resolving such issues via proposals that combine system, payment, and other functions.

Furthermore, the head office sales department is promoting the expansion of value we provide through measures including the advancement of systems to link customer information obtained by SDs to sales representatives for proposals, the design and implementation of training to improve sales representative's skills, and the revision of products and services.

### Overview of Area Customer-Facing Sales Activities



#### SD (Sales driver)

Share information quickly by utilizing contact points through TA-Q-BIN pickup and delivery and understanding customer trends (requests and issues)

#### New FSE (Field sales executive)

Oversees sales activities in responsible area. Makes proposals for understanding and resolving customer requests and issues through information gained by SDs and customer visits

#### New ISE (Inside sales executive)

Aims to expand transactions and prevent loss through inside sales, such as telephone and email. Coordinates with FSEs and SSEs according to the details of the project to understand and resolve customer issues

#### New SSE (System sales executive)

Has specialized knowledge in areas such as systems and warehouse operations and supports FSE and ISE proposals combining TA-Q-BIN with other functions. Designs operations to meet and resolve customer issues

### PICK UP Voices of Employees Facing Regional Customers as One Team



#### FSE

- We feel that sales efficiency has increased since we can gain real information on customers from SDs and sales office managers through frequent visits to sales offices.
- We can increase the accuracy of information from SDs who coordinate with systems on a daily basis and easily link with proposals for customers through direct communication with SDs.

#### SD

- Communication with sales representatives, mainly FSEs, has become easier, enabling us to easily consult on customer trends, issues, and other matters.
- We can now communicate with customers more actively by learning from FSEs.
- Sales representatives can now respond earlier to customer issues that are linked to the system, enabling them to deal with customers more quickly.

## Expansion of Corporate Business Domain

### Initiatives in Growth Domains Growth domain

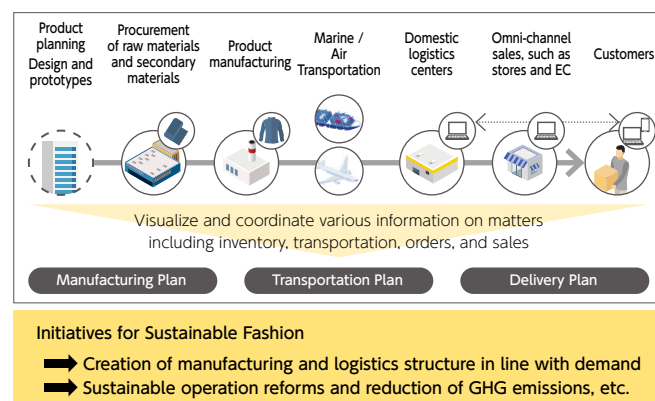
#### Provision of Supply Chain Solutions

We have positioned our solution business, which aims to deeply understand the businesses of our large-scale corporate customers and resolve management issues, as a growth domain, and are promoting account management. Initiatives to optimize the logistics and inventory of the entire supply chain are progressing in response to understanding customer issues arising from changes in consumption behavior and distribution structures, such as the shift to omni-channel approaches; expansion of logistics for room temperature, refrigerated, and frozen goods; expansion of cross-border EC; and enhancement of supply chain sustainability.



#### Conclusion of Logistic Partnership Agreement Aimed at Realizing Sustainable Fashion (December 2022)

A logistic partnership agreement has been concluded between Adastria Co., Ltd. and Yamato Transport to realize a sustainable supply chain for Adastria. We are working to visualize and optimize the entire supply chain and reduce GHG emissions to create even more effective logistics for management by reviewing logistics and inventory in Adastria's supply chain, which extends both domestically and internationally, from procurement of raw materials to manufacture, and omni-channel sale of products.



#### Future Developments

- ▶ Realization and expansion of sustainable fashion\* while collaborating with other fashion companies by leveraging mutual expertise and knowledge

\* Initiatives that aim for sustainability in the future throughout all processes from manufacture of clothes to wearing and disposing of them, taking into consideration the global environment, including ecosystems, and the people and societies involved

#### Rebuilding of Supply Chains to Meet Diverse Transportation Needs

COLOWIDE MD CO., LTD and Yamato Transport Co., Ltd. aim to create a sustainable supply chain that contributes to forming an efficient and recycling-oriented society by utilizing Yamato Transport's transportation and delivery network at the same time as visualizing and optimizing the entire supply chain of the Colowide Group, which operates multiple restaurant chain brands.

First, we are working to rebuild the entire supply chain, from raw material procurement, manufacturing, and logistics to sales, with the aim of expanding the meal service business, which is Colowide's focus. We will continue to realize effective and speedy shipping by launching Yamato Transport's three-temperature-range logistics facilities (terminal-integrated) from September 2023.

#### Future Developments

- ▶ Development into a wide range of business domains (such as procurement, manufacturing, delivery to stores, and overseas projects) by leveraging our mutual expertise and knowledge.
- ▶ Reduction of GHG emissions throughout the entire supply chain



Shipping of food products in the meal service business

#### Expansion of Value We Provide to Cross-Border EC

Amid the recent expansion of cross-border EC, which involves the online purchase of products from overseas by individuals, we collaborated with Enigma Inc., a company that manages the specialty marketplace BUYMA, and began providing the cross-border EC anonymous delivery service BUYMA YAMATO. Going forward, we aim to expand availability of the service to facilitate deliveries from various countries and regions, including South Korea, and are working to develop and provide overseas shipping services that enable the even safer, more stable, and easier use of cross-border EC for sellers and purchasers.

#### Key Points of Service

- Protection of personal information by realizing anonymous shipping in cross-border EC
- Improvement of the convenience for receiving parcels through linkage with *Kuroneko Members*
- Unification of Shipping Label Issuance, Freight Charge Settlement for sellers on BUYMA
- Reduction of delivery time

## MESSAGE

### Promotion of Solution Sales That Provide Value to the “End to End” of Our Customers’ Supply Chains

#### PROFILE

#### Hiroshi Etani

Senior Managing Executive Officer,  
Head of Sales and Global Strategy,  
Yamato Transport Co., Ltd.

After working as a logistics manager at PT. ITOCHU Indonesia, general manager at ITOCHU Logistics Jakarta, general manager at ITOCHU Logistics Shanghai, and managing director at ITOCHU Logistics Singapore, Mr. Etani's work history includes experience as global customer director at DHL Global Customer Solutions, sales, marketing, and customer service director at TNT Express, deputy general manager of the logistics business at Rakuten Group Inc., CEO and president director of JP Rakuten Logistics, Inc., executive officer and assistant CEO at MITSUI-SOKO LOGISTICS Co., Ltd., and president and representative director of CMA CGM Japan K.K. He joined the Yamato Group in November 2020 and became managing executive officer and head of the Global SCM Business Division at Yamato Transport Co., Ltd. on April 1, 2021. He has worked as senior managing executive officer and head of Corporate Sales and Global Strategy since February, 2022 and has held his current position since February, 2023.

In 2021, we transitioned to the One YAMATO structure, bringing together our vast domestic customer base developed through *TA-Q-BIN*, logistics functions such as facilities, transportation and delivery network, third-party logistics, and international forwarding, and various functions such as finance and IT systems. Additionally, we have assigned account managers and solution designers with a deep understanding of the businesses of our major corporate clients and can accompany them in the management of their businesses. We have created a system that aims for Yamato to become a Lead Logistics Partner (LLP) that contributes to not only the management and operation of customer logistics but also the logistics strategies and plans, by fully utilizing management resources under One YAMATO structure.

We are also developing concrete initiatives together with customers. As an example, in September 2022, we signed an LLP contract with Nihon Michelin Tire Co., Ltd. with the target of creating a fluid and robust logistics system across Japan. We are engaging in eliminating uneven distribution of inventory and reducing transportation between facilities by consolidating approximately 20 Michelin warehouses into 5 and visualizing and optimizing inventory control at each warehouse. We are minimizing waste due to expiry through the realization of a first expire first out (FEFO) system to ship tires that are closer to their expiration date before others through inventory management that orders tires by their individual production year. Now, in a time of sudden changes to the market environment, we are aiming for total supply chain optimization that is closer to a just-in-time strategy, while ensuring a just-in-case strategy. Going forward, we will support Michelin in optimizing its logistics and inventory, starting in the domestic sales domain and working back up the supply chain to include production domains overseas.

Based on the long-term risk of environmental issues in the supply chain, we are promoting green logistics, such as the introduction of 20,000 electric vehicles, installation of 810 units of solar power generation equipment, and operation of refrigerated delivery that does not utilize dry ice. Ultimately, we aim to achieve the targets of virtually zero in-house GHG emissions by 2050 and a 48% reduction, compared to fiscal 2020, by 2030. By reducing our emissions, we contribute to reducing the Scope 3 emissions of our customers (the emissions of other companies in a business' entire supply chain of which transport and delivery make up a large percentage). Furthermore, visualization of the movement of products throughout the entire supply chain also means visualizing GHG emissions. At Yamato, we will provide reports that visualize the GHG emissions resulting from customers using our transportation services.



Optimization of the supply chain also leads to the realization of logistics with a low environmental burden. As a result, if we optimize our customers' inventory and production, we contribute to not only reducing their Scope 3 emissions but also their Scope 1 emissions (direct GHG emissions from the company itself) and Scope 2 emissions (indirect emissions from utilization of electricity, heat, and steam procured from other companies). Going forward, we will help reduce the environmental burden of our customers' supply chains as an LLP.

While we aim to secure a position as an LLP through account sales, building a foundation to provide value to a wide range of customers is also a key challenge for Yamato. Many of the customers utilizing *TA-Q-BIN* in Japan are small- to medium-size corporate clients (area customers). To date, business activities for this layer of customers have been led by sales drivers (SDs). However, inconsistencies existed in the level of activities and skills, limiting what we could offer to customers. As a result, under the leadership of the Regional Branch Manager, we appointed sales representatives who have expertise with field sales, inside sales, and system sales. We revised the system to promote sales through close collaboration between SDs, these representatives, and sales office managers. SDs communicate the issues and comments from customers when they visit sites and, based on this information, sales representatives and sales office managers make proposals that combine not only *TA-Q-BIN* but also factors including payment of accounts, systems, and warehouse operations. This leads to the resolution of customer issues.

For Yamato, we apply value provision to the entire supply chain of our customers and propose “End to End” solutions from upstream to downstream. At the same time as comprehensively supporting them in the resolution of management issues they face by expanding the value we provide to their businesses, we aim to grow together with customers while receiving appropriate compensation. To make this possible, we will continue to promote the recruitment and training of personnel, enhance solutions we provide, and expand our global system. Furthermore, we will strengthen the necessary functions through alliances with partner companies and M&As.

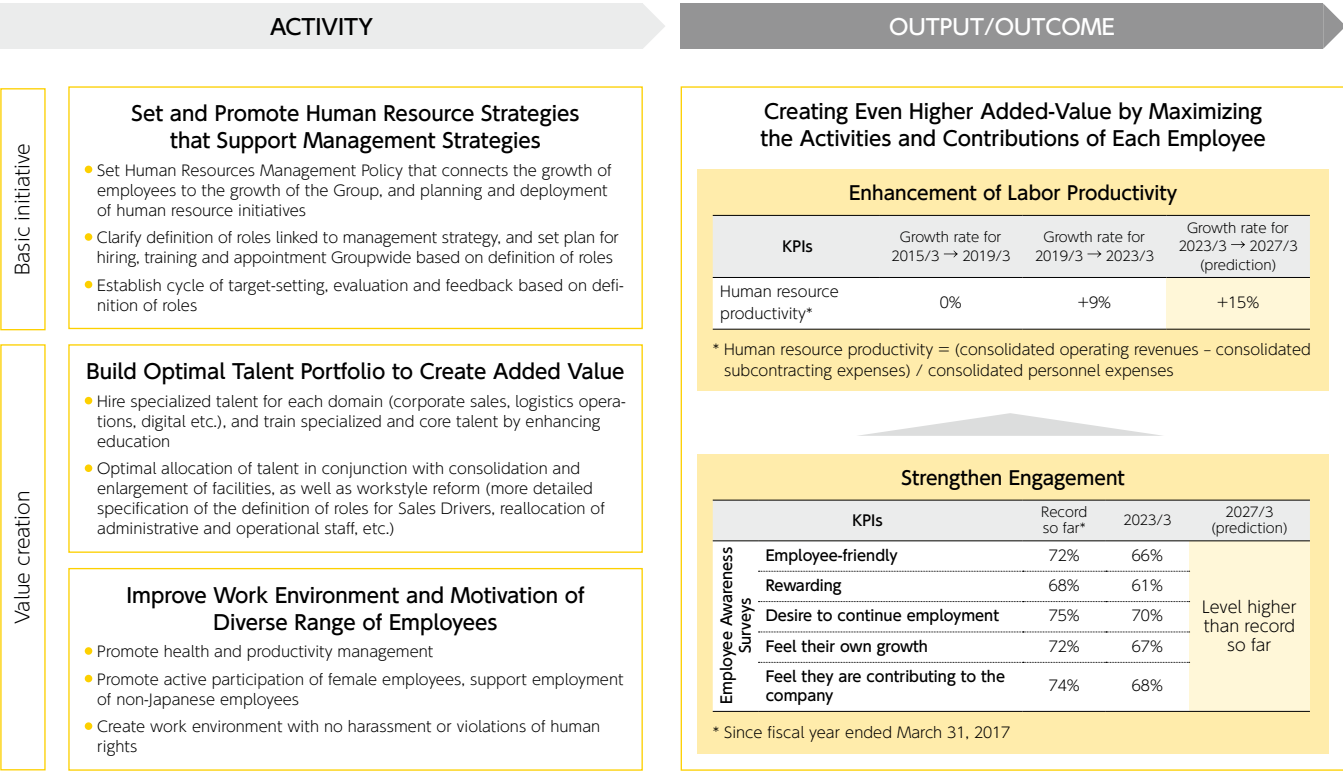
The Yamato Group has been contributing to the creation of an enriched society by innovating delivery services. By creating new delivery services that meet the changes to society and the environment and diversifying needs in the future, we will support the growth potential of our customers and realize a sustainable society.



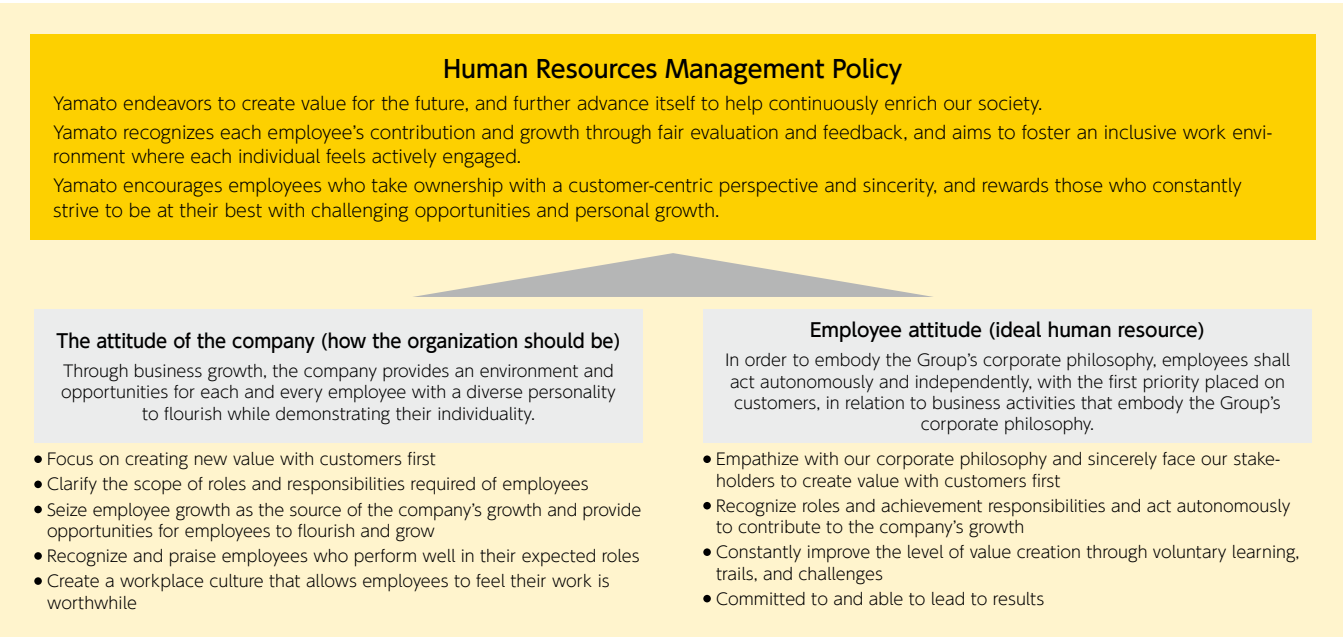
# Human Resource Strategy

To realize our vision, the Yamato Group is promoting human resource strategies in tandem with management strategies, based on the Yamato Group Human Resources Management Policy, which demonstrates our approach to human resource management.

## Overview



### Formulation of Yamato Group Human Resources Management Policy (April 2023)



## MESSAGE

### Promotion of Human Resource Strategies in Tandem with Management Strategies Based on Yamato's Human Resources Management Policy, Which Has the Key Phrase of “Growth”

PROFILE

Masayuki Ishii

Managing Executive Officer Responsible for overseeing Human Resource Management and Development, Yamato Transport Co., Ltd.

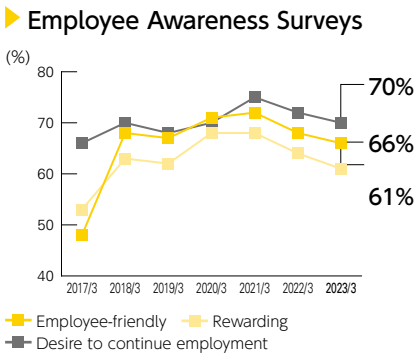


Masayuki Ishii entered the Bridgestone Corporation in 1988. After working at the Head Office, plants, and technology centers, he was responsible for human resources and labor management at various offices in the United States, Spain, and Belgium. Upon returning to Japan, he was responsible for areas at the Head Office including global human resources and human resource development, corporate planning, corporate communication, risk management, and overseas business management. In October 2022, he joined Yamato Transport Co., Ltd.

#### Human Resource Strategies: Challenges and Mission

I believe that the challenges for the Yamato Group's human resource strategies are to clarify the vision for the organization and human resource management in promoting Group management structure reforms and business structural reforms, as well as the road map to their realization, and to lead employees to empathize with and change their behavior. Based on factors including trends in each indicator of employee awareness surveys, including job satisfaction, we must ensure that each employee understands the changes in the Company and the roles expected of them. We will achieve this by demonstrating our human resource strategies, carried out at the same time as necessary major structural reforms, and promoting concrete measures.

Since I was first appointed as the Executive Officer Responsible for Human Resources in 2022, I have become aware of frankly communicating and implementing what I feel and believe as someone who has come from outside of the Yamato Group. I feel that my mission is to suggest and promote human resource strategies in tandem with management strategies and business strategies based on issues brought to light through dialogues within the Yamato Group.



#### Human Resources Management Policy for Continued Growth of Both the Company and Employees

In April 2023, we formulated the Yamato Group Human Resource Management Policy to clarify the type of person Yamato requires and the Company's attitude toward human resources. Under the process for identifying these factors, we held thorough discussions between the Human Resource department, the entire management team—responsible for executing business—and the Board of Directors, focusing on how the organization and its employees should change, with particular emphasis on the key phrase of “growth.” Employee growth is the driving force for the growth of Yamato and I believe we can achieve such through the Company's support for the growth of

employees. This policy has been positioned as a compass for the continued growth of both Yamato and employees.

Additionally, we will clarify the roles and responsibilities necessary for the growth of the Company that are the starting point for creating and operating a human resource management system. This was the base for our Document for Definitions of Duties. This document states the specific details of work, scope of responsibility, expertise, skills, and other information. By transforming into a system that evaluates the degree to which definitions of duties are put into practice, training assessors to provide feedback that supports employee growth, and appropriately reflecting this evaluation in compensation, we will create a cycle that enables the growth of both Yamato and employees. Furthermore, we will enhance added-value as an organization by supporting the growth of each employee through investment in people for the purpose of contributing to opportunities for training, developing the working environment, and creating an infrastructure that enables human resource advancement, such as for non-Japanese employees and female employees, leading to the generation of even higher-quality results.

#### Creation of Value by Promoting Human Resource Strategies That Support Structural Reforms

The main point of human resource strategies is realizing further growth and improvement of corporate value by supporting management strategies to expand the corporate business domain and carry out structural reform of network operations.

In expanding the corporate business domain, we are focusing on recruiting specialized personnel as immediate assets and developing internal specialized and core personnel to strengthen earning power. At the same time, we are developing a reskilling system for gaining skills in new areas and raising the level of performance.

In conducting structural reforms of network operations, we will encourage even higher employee performance by advancing the transition to work styles connected to the reorganization of facilities, such as subdivision of sales driver professional duties, based on factors including changes to customer needs and diversification of employee values.

One key challenge going forward is the optimization of human resource deployment following business structure reforms. By evolving Yamato Staff Supply Co., Ltd. into a comprehensive personnel service company through collaboration with WORLD HOLDINGS CO., LTD., we will provide diverse job options for Group employees, even outside of the Group, and a wide range of career opportunities through reskilling.

## Human Resource Strategy

### Building an Optimal Human Resource Portfolio for Creation of Added-Value

To create added-value in growth domains, we are promoting the recruitment and training of essential human resources. Furthermore, in conjunction with the structural reform of network operations (including reallocation of human resources responsible for *TA-Q-BIN* offices and operation work, and subdivision of sales driver professional duties), we will improve job satisfaction and productivity by defining roles that meet the needs of customers and employees, and appropriately allocating human resources.

## 1 Development and Recruitment of Corporate Sales Personnel Who Provide High-Value-Added Solutions

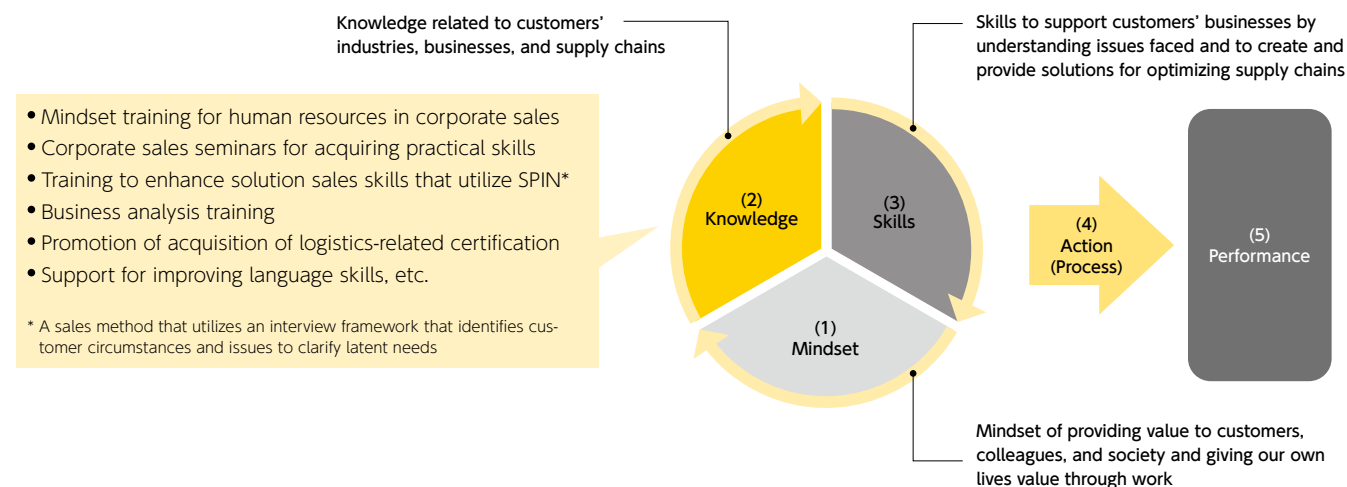
The Yamato Group aims to become a management partner (LLP: Lead Logistics Partner) for corporate clients through the provision of high-value-added solutions, supporting the innovation of supply chains and business processes, as well as the implementation of structural reforms. To achieve this goal, we are focusing on the development and recruitment of corporate sales personnel.

In the fiscal year ended March 31, 2023, we worked to enhance our knowledge and skills for the purpose of gaining a deeper understanding of our customers' industries, businesses, and entire supply chains, which has allowed us to propose concrete solutions for management issues. Accordingly, we have provided training on business analysis, more practical corporate sales seminars, and training to improve solution sales skills, in addition to acquiring related qualifications and improving

language skills, for approximately 1,000 corporate sales personnel in Japan and overseas.

From the fiscal year ending March 31, 2024, we shifted to a sales system that further speeds up proposals for solutions. This is achieved by assigning corporate sales personnel who have enhanced their skills through a systematic training program as regional directors and at regional branch offices, which are close to customers. Going forward into this new phase, we will plan and promote development measures to further enhance the performance of corporate sales personnel. Additionally, to further expand the value we provide as LLPs to our customers, we will actively promote the recruitment of human resources who have diverse knowledge and experience from outside the logistics industry and are familiar with customer supply chains.

#### ▶ Designing a Program for Employees to Attend Seminars Tailored to Their Experience and Skills



## 2 Development of Core Personnel Who Drive Business Growth

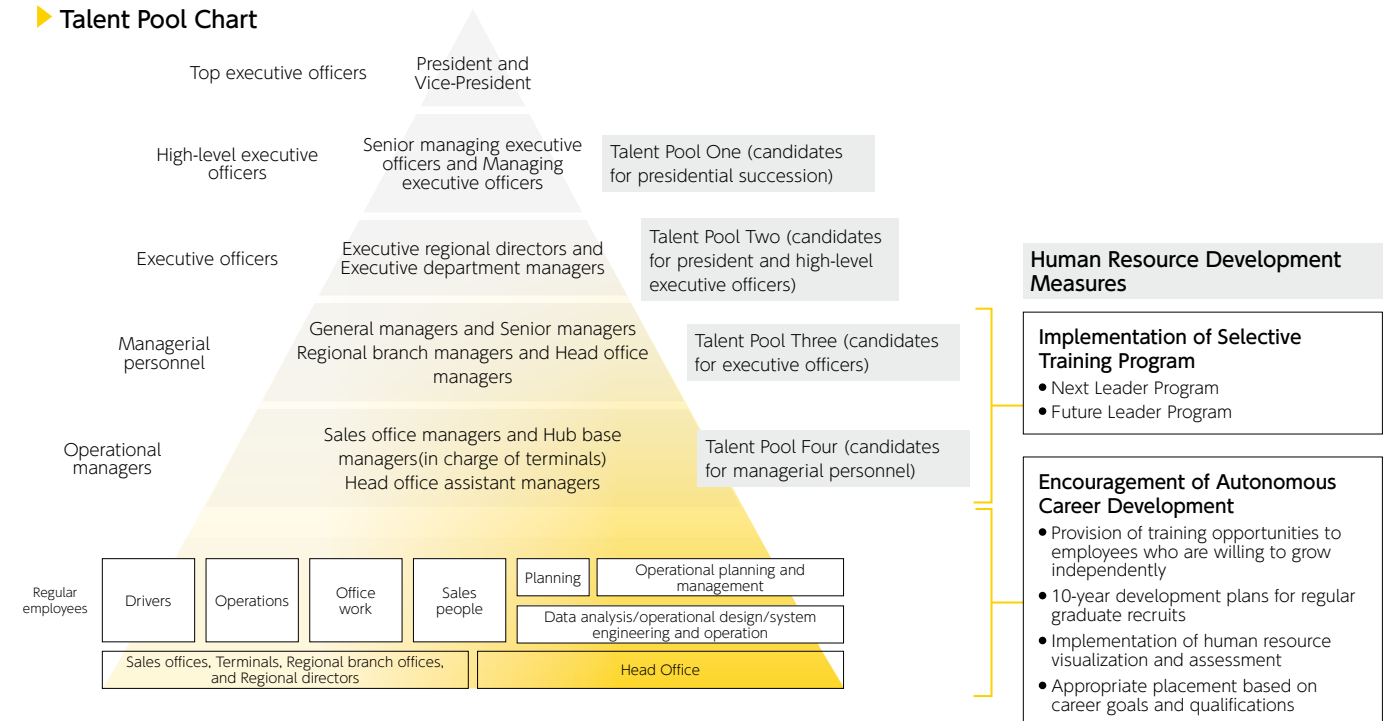
The Yamato Group has created the Definitions of Roles Document, launching its application in stages from the fiscal year ending March 31, 2024. In line with these roles, we are revising our evaluation system. As we are promoting innovated workstyles and systems in tandem with the structural reform of network operations, including the consolidation and enlargement of facilities, we are revising our evaluation system with a

focus on the definitions of roles, starting from the upper level of executives (managerial personnel), placing importance on linking appropriate evaluation with staff allocation. Instilling a culture within the organization in which employees themselves aim for career development and personal growth based on evaluation leads to the fostering and securing of personnel who drive business growth.

### Human Resource Development According to Talent Pool

Based on succession plans, we have formed talent pools, with the president positioned at the highest level, and are systematically promoting human resource development measures for each talent pool. For example, for executive officer candidates in Talent Pool Three, we will apply our Next Leader Program, a selective development program, to (1) select candidates for the next generation of management leaders, (2) monitor candidates and provide training opportunities, and (3) conduct opportunities to achieve stretch goals and strategic placement to determine their aptitude.

#### ▶ Talent Pool Chart



### Development of an Environment that Realizes Autonomous Growth and Career Selection

The Yamato Group has implemented self-assessment questionnaires for regular graduate recruits regarding job satisfaction and their future career paths. Based on the results of analyzing these questionnaires, we introduced an in-house job-posting system and a self-evaluation system on a trial basis from fiscal year ending March 31, 2024. These are methods to provide opportunities for employees to re-assess their careers, leading to autonomous growth. Going forward, we will further enhance the working environment that enables employees to grow autonomously and select their careers.

#### TOPIC

### Business Partnership with World Holdings Co., Ltd.

In July 2023, the Yamato Group and World Holdings Co., Ltd. (WHD) formed a business partnership with the aim of effectively utilizing the management resources of both companies, retaining revenue opportunities, and securing future competitive capabilities. As part of this, we transferred 51% of issued shares in Yamato.Staff.Supply.Co.,Ltd (YSS), which the Yamato Group has developed as a human resource business, to World Staffing Co., Ltd. (WSF; a consolidated subsidiary of World Holdings). In their core business of human resource development, WHD has developed a wide range of human resource businesses, from the manufacturing domain to the service domain. YSS aims to evolve into a comprehensive human resource service company by utilizing WHD's human resource management expertise in a variety of industries and occupations to create opportunities for many employees to play an even more active role.

#### ▶ Strengths of YSS and WSF

Consignment form	Sector					
	Logistics	Administration	Call centers	Service	HR support	Safety education
Contracting/BPO	YSS	WSF	WSF	WSF	WSF	YSS
Temp staff placement	YSS	WSF	WSF	WSF		

Sector	Strengths of YSS			
	Forklifts	General admin	Receive calls	Cash register
	Moving	Sales admin	Make calls	In-store services
	Merchandise management	Accounting	Leader operations	Guide
	Warehouse inspection	Trading admin	Supervisory work	Cleaning
	Sorting	Reception		Backroom work
	Picking	Secretary		
	Drivers			

**Strengths of WSF**

- Covers a wide range of operations and roles as a comprehensive human resource service company
- Presents rich career plans to employees



## Human Resource Strategy

## Enhancement of Employee-Friendliness and Job Satisfaction for Diverse Employees

To create a foundation for realizing sustainable growth, we are promoting the cultivation of a corporate culture that respects human rights and diversity and also the development of a working environment where employees can thrive. Additionally, as a result of measures aimed at increasing each employee's sense of personal growth through their work and their sense of contribution to the growth and development of the Company, we are improving employee-friendliness and job-satisfaction, which will lead to the further enhancement of engagement.

## 1

### Fostering of a Corporate Culture that Enhances Employee-Friendliness and Job Satisfaction

With the aim of encouraging mutual understanding through smooth workplace communication and creating a working environment of mutual respect for diverse approaches and values, we began implementing workplace discussions between front-line employees and management from the fiscal year ended March 31, 2018. In the fiscal year ended March 31, 2023, based on the analysis of responses to employee awareness surveys showing that the behavior of managers fosters a sense of unity in the organization and improves job satisfaction, we added the roles and responsibilities of executives to discussion topics for operational managers who are leaders, such as sales office managers, to address the mindset of operational managers.

Amid promotion of structural reforms by the Group, understanding management policies and strategies, communicating them to employees, and reflecting them in specific actions have become an even more important role of operational managers. Furthermore, the instillation of Human Resources Management Policy and the performance of duties and application of evaluations and feedback based on the Definitions of Roles Document have also become vital roles. We will continue to foster a corporate culture that enhances job satisfaction and employee-friendliness by promoting initiatives that encourage operational managers to demonstrate their role.

#### Summary of Workplace Discussions in the fiscal year ended March 31, 2023 (Yamato Transport)

Period	October 2022 to March 2023 (held 87 times)
Participants	Sales office managers, logistics center managers, corporate business branch managers, overseas relocation support center managers, fine arts branch managers, and international sales branch managers (2,411 people; regional branch managers participate as facilitators and head office and regional executive officers participate as observers)
Scale of events	Regional branch offices
Implementation method	Face-to-face group discussions

#### Workplace discussions taking place



## 2

### Development of an Environment Where Diverse Employees Can Play an Active Role

#### Promotion of Advancement for Women in the Workplace

The Yamato Group is promoting the development of an environment that enables diverse employees to play an active role.

In the fiscal year ended March 31, 2023, we implemented a development program for women aiming to become sales office managers as a measure aimed at the promotion of women in management. Under this program, we created development plans for participants and held training not only with these participants but also their supervisors on the theme of eliminating unconscious bias. The program encourages motivated employees to play an active role in the Company and has actually resulted in the promotion of participants to sales office managers. At the same time as promoting development programs, we will continue to develop an environment where women can continue working while balancing their work and life events and

will provide regular support, such as introducing female role models, who play a role as leaders, through internal newsletters.

#### Development program for women aiming to become sales office managers (sales office manager training)

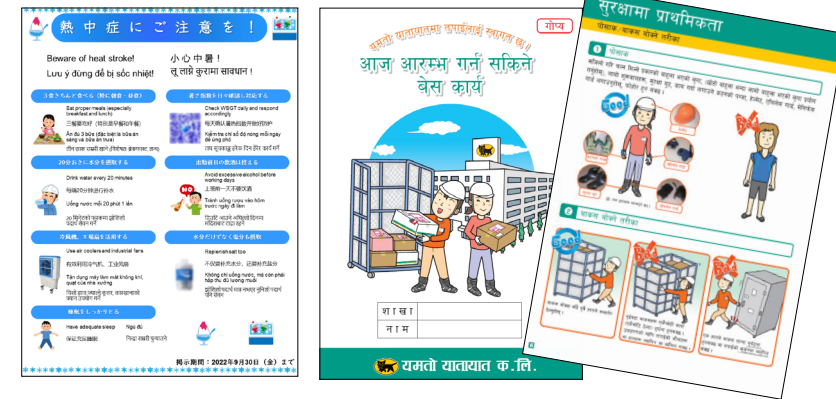


#### Employment Support for Non-Japanese Employees

The Yamato Group is promoting initiatives aimed at developing an environment that does not leave non-Japanese employees behind in the workplace. As a result of surveying the approximately 9,500 non-Japanese employees working within the Yamato Group\*, roughly 90% of whom work at Yamato Transport terminals, we identified that insufficient explanations and understanding related to work content, caused by language, led to inconvenience and difficulties with work. To eliminate this issue, we have developed manuals in numerous languages that contribute to the understanding of work content, and are encouraging their utilization in the workplace. Going forward, we aim to develop an environment that is employee-friendly and rewarding for non-Japanese employees through initiatives including multilingual support at our in-house consultation contact point.

\* Includes Yamato.Staff.Supply.Co.,Ltd

#### Manuals in numerous languages



#### PICK UP Respect for Human Rights and Diversity

At the same time as setting out the Yamato Group Human Rights Policy and Basic Policy on Diversity and developing an environment where human rights and diversity are respected, enabling employees to play an active role in the Company, we are engaging in the creation of an enriched society, such as promoting the development of local communities through co-creation, by addressing various social issues.

As one initiative, we have been implementing the Yamato Original Universal Manners Test for Yamato Group employees. In the fiscal year ended March 31, 2023, the test was implemented for all executives and operational managers at Yamato Transport and we will expand this to all regular employees in the future. Universal manners identify the mindset and actions for addressing a diverse range of people, including older people and people with disabilities.

The Universal Manners Test is for systematically learning and acquiring these skills. We can contribute to achieving a society that respects human rights and diversity by gaining the knowledge necessary for improving universal manners, such as appropriate support for customers, including older people and people with disabilities, in receiving and sending parcels at home and at TA-Q-BIN sales offices, and through promotional activities centered around customer service representatives.

Note: One characteristic of the Universal Manners test is that people with disabilities supervise the curriculum and work as instructors. Mirairo Inc. hosts and conducts the test, which has been certified by the Japan Universal Manners Association.

#### Video training for Yamato Original Universal Manners Test



Please see our corporate website for details on the various policies.

#### Yamato Group Human Rights Policy

<https://www.yamato-hd.co.jp/english/csr/esg/pdf/policy02.pdf>

#### Basic Policy on Diversity

<https://www.yamato-hd.co.jp/english/csr/esg/pdf/policy03.pdf>

# Digital Strategy

The Yamato Group has positioned digital strategy as one of the fundamental strategies that support business structural reforms. Therefore, we are reinforcing the digital organizational capabilities, technological capabilities, quality, and governance of the entire Group. Based on a new digital platform that understands and communicates various information in real time, we are effectively utilizing data in business activities while expanding the value we provide to customers and accelerating the enhancement of operational efficiency.

## Reform of Development and Operational Structures and Reinforcement of Governance

- **Creation of structure that promotes the integration of business and digital departments**  
Revision of development and operational structures, entrusted to system subsidiary, through Group reorganization
- **Development of human resource cultivation and recruitment measures aimed at further reinforcing development and operational structures**  
Includes revision of human resource system, reinforcement of recruitment, and development of technological capability training process
- **Reduction of vendor dependence on development projects**  
Reinforcement of technological regulations through Technology Governance Team
- **Reinforcing governance of Groupwide digital investments**  
Promotion of maintenance and enhancement of development quality and speed, and optimization of development and operational costs by closely examining their validity and order of priority of digital investments at Digital Governance Meetings

## Digital Investment

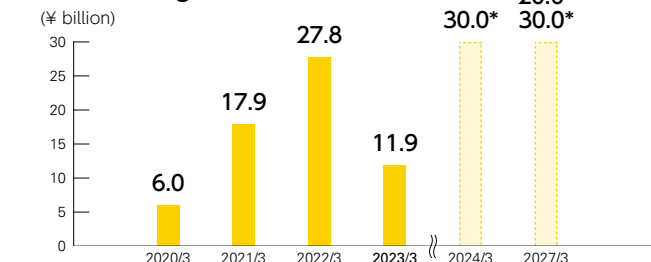
Under the medium-term management plan "One YAMATO 2023," we expect to make digital investments of ¥100 billion in the three years spanning the fiscal year ended March 31, 2022, to the year ending March 31, 2024. During the actual promotion of digital strategy, we carry out the necessary investments after closely examining their validity and priority through Digital Governance

### Results of Digital Investment

Digital Investment	2022/3	2023/3
Enhancement of value provided to customers	¥8.0 billion	¥4.7 billion
Improvement of operational efficiency for transportation and delivery	¥6.2 billion	¥5.2 billion
Creation and maintenance of digital platform	¥11.8 billion	¥1.5 billion
Others	¥1.8 billion	¥0.5 billion
<b>Total</b>	<b>¥27.8 billion</b>	<b>¥11.9 billion</b>

Meetings, which regulate Groupwide digital investment. Between the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022, we mostly completed investments in building a new digital platform. From the fiscal year ended March 31, 2023 onward, we will prioritize investments that enhance the value we provide to customers and contribute to operational efficiencies.

### Trends in Digital Investment Amount



\* Estimated amount as of the start of the fiscal year ending March 31, 2024

## Development and Recruitment of Human Resources

The Yamato Group is engaging in the development of human resources with digital skills and strengthening of technological capabilities through close cooperation between the Digital Department and Business Department to realize sustainable business growth.

Under the Yamato Digital Academy (YDA), a digital training program launched in the fiscal year ended March 31, 2022, we spent the first year engaging in measures such as enhancing fundamental digital literacy and skills. In the fiscal year ended March 31, 2023, the second year, in addition to the above, the Digital Department and managers in charge of practical work in the Business Department (Regional Branch Offices), which deals with customers on the front line, promoted gaining skills and knowledge that can be utilized in actual work, increasing the rate of in-house system development and operation, and enhancing the efficiency of front-line operations and quality of service.

Additionally, we have strengthened systems for bringing necessary development and operation in-house by reinforcing the hiring of new graduate recruits and mid-career hires and developing the human resource system and training process.

### Initiatives Aimed at Development of Human Resources with Digital Skills (Fiscal year ended March 31, 2023)

Target	Vision	Content of Training	Attendance Results
Digital Department	Recognized as a partner by business department leadership and at the core of project promotion	Training aimed at strengthening skills necessary in work as digital-specialized personnel, such as planning, development, operation, and maintenance	Approximately 220 employees
Business Department (Head Office)	Collaborate with the digital department, promote business structural reforms, and contribute to enhancing profitability	Training aimed at enhancing IT literacy and digital skills	Approximately 130 employees
Business Department (Regional Branches)	Master digital tools to promote further advancement and efficiency through devices unique to the front line	Training aimed at reinforcing digital utilization skills on the front line	Approximately 200 employees
<b>Total</b>			<b>Approximately 550 employees</b>

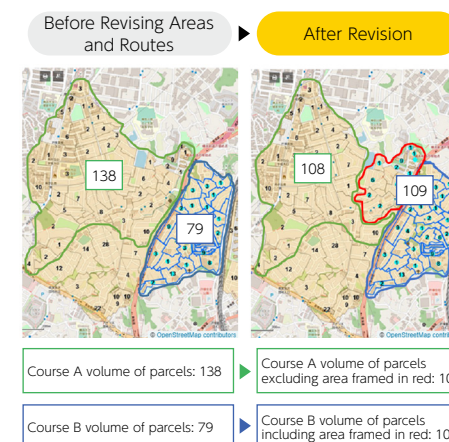
## Value Creation Utilizing New Digital Platform and Digital Data

We are supporting the expansion of the value we provide to customers and the enhancement of operational efficiency from a digital perspective by utilizing the Yamato Digital Platform (YDP), our new digital platform, which understands various data in real time and collaborates with internal and external systems.

### 1 Enhancement of Last Mile Operation Efficiency That Utilizes Digital Data

In promoting the structural reform of network operations, we are engaging in measures within the existing *TA-Q-BIN* network that include appropriate allocation of Yamato resources in line with workload, consolidation and enlargement of sales offices, and revision of sales driver (SD) workstyles and structure. Area Management System, a tool developed to support the design of delivery areas and routes for SDs, who are responsible for last mile, consolidates information on the parcels for pickup and delivery (such as area, time, person responsible, classification, and volume) and visualizing it on a map. As a result we have significantly reduced the time needed to design areas and routes, which previously required analogue data aggregation and study and are promoting the enhancement of delivery operation productivity by SDs based on data.

Additionally, in conjunction with consolidation and enlargement of sales offices, we will introduce a mechanism (Last-mile Management System) for flexibly adjusting the delivery area and route in response to fluctuations in daily workload in the second half end of the fiscal year ending March 31, 2024. We will further enhance operational efficiency by integrating this with measures for innovating SD workstyles and structure, such as allocation of Delivery Drivers (DD, specialized for delivery) in key urban areas.



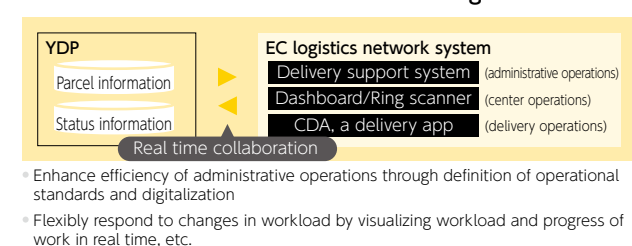
#### Area Management System Image

By confirming the volume of parcels by area based on various factors, including delivery day and time, information such as fluctuation in volume and uneven workload for each SD can be quickly understood, leading to a revision of routes.

### 2 Creation and Development of EC Logistics Network

Under our EC logistics network, we are creating and expanding terminals specialized for dispatching EC parcels (EC sorting centers) and EC delivery centers in collaboration with business partners. In this collaboration, Yamato Transport provides an operation system that links data, such as parcel information and customer requests for change, in real time, thereby enhancing service quality and operational efficiency through smooth management of business partner operations.

#### Real-Time Connection of YDP and EC Logistics Network



### 3 Advancement of Fulfillment Service

In the operation of the fulfillment service that acts as an agent for a series of operations, from ordering products to their storage and shipping, order data from an order management system for EC operators is linked in real time to shipping operations. This improves the efficiency of shipping operations in warehouses, reduces dead stock, and shortens lead times, thereby contributing to the enhancement of customer experiences.

#### TOPIC

### Selection of DX Stocks 2023

Yamato was selected for Digital Transformation Stocks (DX Stocks)\* 2023. During this selection, we were recognized for our efforts to promote business structure reforms in response to the changing times, to promote the transformation of each customer's entire supply chain and enhance operational efficiency based on data analysis, and to create an organization and corporate culture. We will continue advancing initiatives for business structure reforms based on a structure for promoting data utilization through collaboration between the Business Department and Digital Department.

\* Organized jointly by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency, Japan to select and introduce TSE-listed companies that create in-house systems for enhancing corporate value while promoting DX and displaying outstanding performance in utilizing digital technology

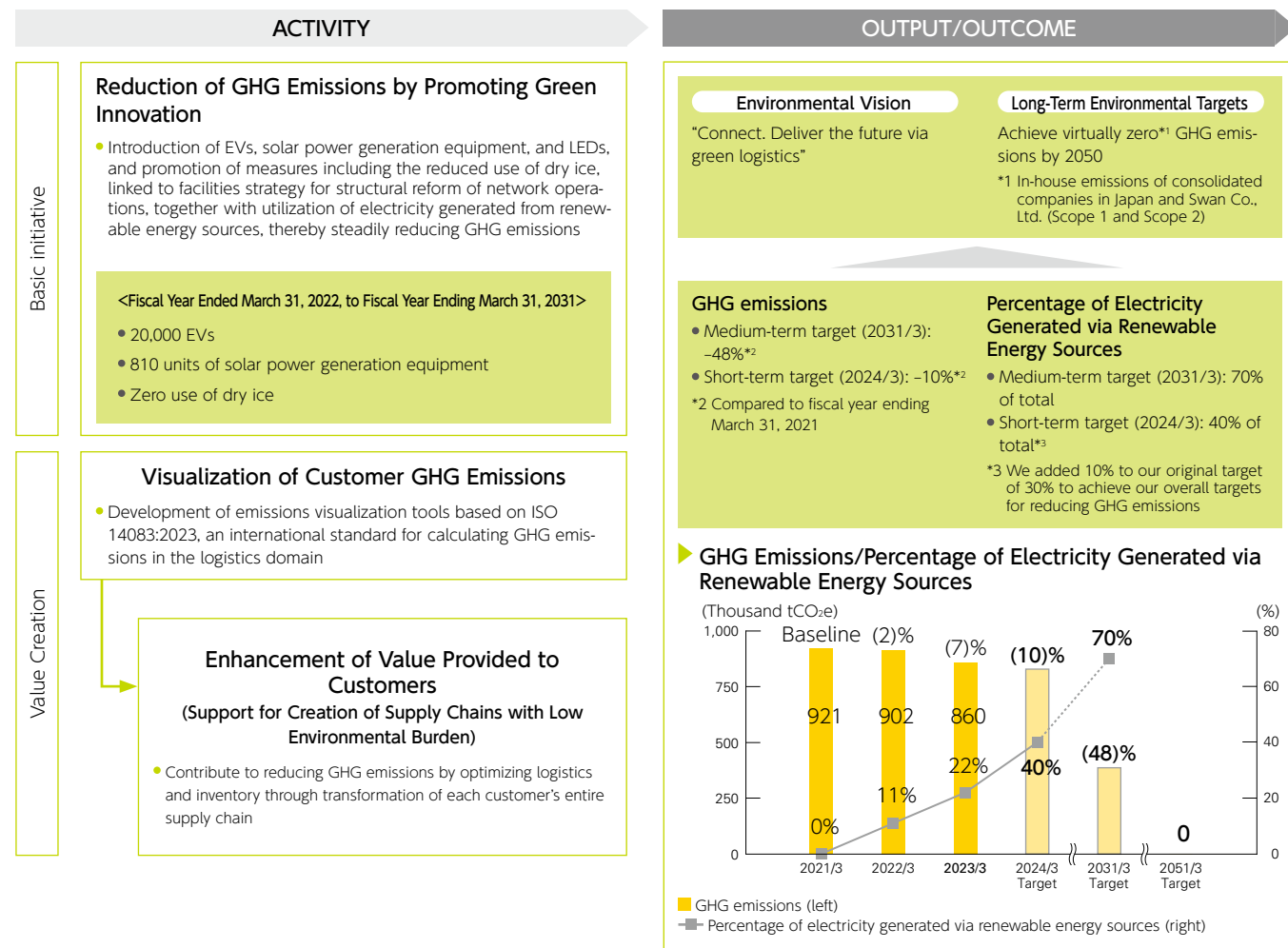




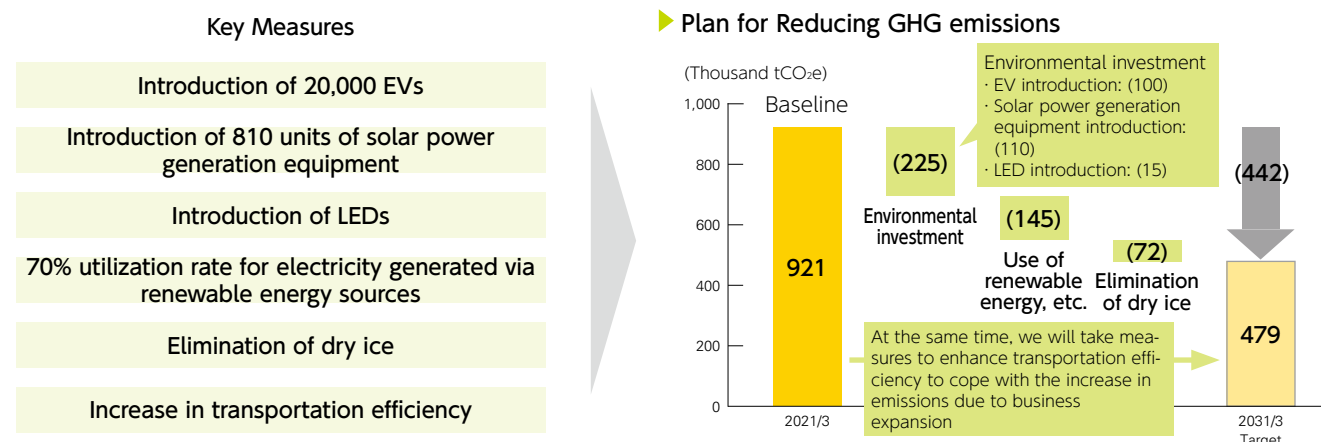
# Environmental Strategy

We are promoting environmentally-conscious management, based on our Environmental Vision, to achieve both sustainable business growth and the development of a sustainable society. To realize our long-term target of achieving virtually zero GHG emissions (in-house emissions) by 2050 and medium-term target of a 48% reduction in GHG emissions by 2030 (compared with the fiscal year ended March 31, 2021), we will promote measures to reduce such emissions, such as the introduction of EVs and solar power generation equipment in conjunction with facility strategies in the structural reform of network operations based on climate change-related risks and opportunities. At the same time, we will expand the corporate business domain by supporting the creation of supply chains with a low environmental burden and visualizing GHG emissions in relation to customer needs, such as reducing GHG emissions related to logistics.

## Overview



## Plan for Reducing GHG Emissions to Achieve Medium-Term Targets (2030)



## Reduction in GHG Emissions Through Promotion of Green Innovation

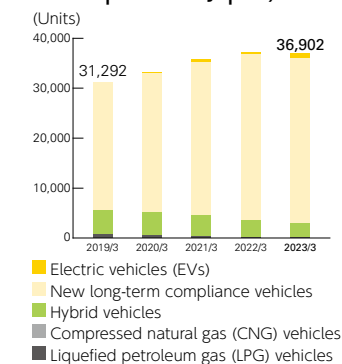
As one key measure for reducing GHG emissions, the Yamato Group is promoting the introduction of EVs. Our demonstration tests to date have been able to confirm effects including the reduction of GHG emissions, efficiency in pickup and delivery operations, and reducing operational burden. We have introduced 540 Hino Dutro Z BEV, ultra-low-floor walkthrough, small-sized commercial-use EVs, mainly in urban areas (as of August 2023). We will continue to engage in introducing EVs with environmental functions and practicality together with car manufacturers.

We are also promoting measures such as installation of solar power generation equipment at our bases, use of electricity generated via renewable energy sources, switching to LEDs at bases, and utilization of transportation materials that do not use dry ice.



Small-sized commercial-use EV, Hino Dutro Z BEV

### The Number of Environment-Friendly Vehicles Owned (Consolidated Group Companies in Japan)



## TOPIC

### Issues and Countermeasures in the Logistics Industry—Initiatives Aimed at Establishing Energy Management

In promoting each measure aimed at reducing GHG emissions, creating a balance between EV operation and charging is an issue in the logistics industry. Since EV operation and solar power generation both occur during daylight hours, it is vital to create a mechanism for balance between operation and charging. Additionally, there are concerns over issues including supply shortages due to a sudden increase in demand for electricity generated via renewable energy sources and insufficient capacity in the necessary systematic power transmission. As a countermeasure, Yamato Transport is engaging in establishing energy management responsible for battery detachment,

replacement, and transportation using cartridge batteries.

As a concrete initiative, we are promoting demonstration projects in Gunma Prefecture, which have been subsidized by the New Energy and Industrial Technology Development Organization (NEDO), a national research and development agency in Japan. These demonstration projects will include introducing EVs and solar power generation equipment, as well as a demonstration of power transmission through battery transportation. Additionally, to commercialize cartridge batteries, we are considering standardization with the Commercial Japan Partnership Technologies Corporation.

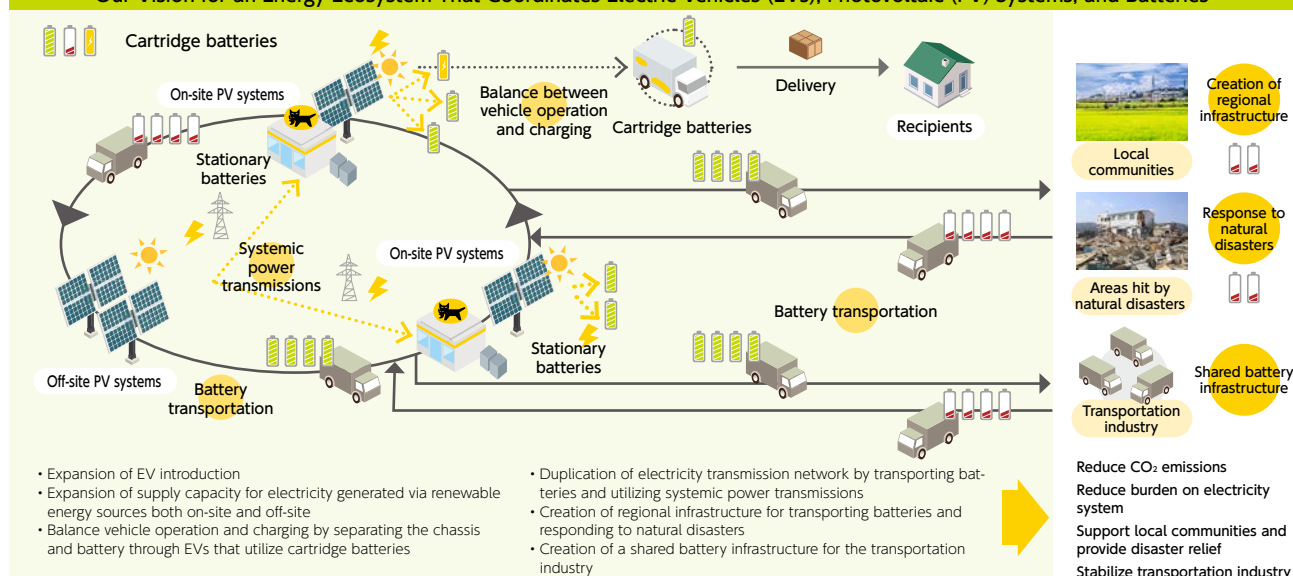
Demonstration period/Area	Fiscal Year Ending March 31, 2023, to Fiscal Year Ending March 31, 2031 (Scheduled)/Gunma Prefecture
KPIs	200 EVs by fiscal year ending March 31, 2024 (introduced 50 EVs as of March 2023) Conversion of all vehicles into EVs and reduction of 5,000 tons of CO <sub>2</sub> emissions* generated by vehicles by fiscal year ending March 31, 2027 Conversion of all vehicles into EVs with cartridge batteries and reduction of 7,500 tons of CO <sub>2</sub> emissions* generated by vehicles by fiscal year ending March 31, 2031

\* Within the demonstration project area, compared to the fiscal year ended March 31, 2021

Note: The prerequisite coefficient for CO<sub>2</sub> emissions is 0.000447tCO<sub>2</sub>/kWh (Ministry of Environment, the emission coefficients of individual power companies, etc.; TEPCO base CO<sub>2</sub> emission coefficient for the fiscal year ended March 31, 2021).

Reference: [https://ghg-santeikohyo.env.go.jp/files/calc/r04\\_coefficient\\_rev4.pdf](https://ghg-santeikohyo.env.go.jp/files/calc/r04_coefficient_rev4.pdf) (Japanese only)  
[https://ghg-santeikohyo.env.go.jp/files/calc/r04\\_coefficient\\_rev4.pdf](https://ghg-santeikohyo.env.go.jp/files/calc/r04_coefficient_rev4.pdf)

### Our Vision for an Energy Ecosystem That Coordinates Electric Vehicles (EVs), Photovoltaic (PV) Systems, and Batteries



Environmental Strategy

Visualization of GHG Emissions—Value Provision to Customers

Contribution to Reducing GHG Emissions by Transforming Customer Supply Chains

Climate change response has become a key issue at each company and Yamato Group customers have expectations, such as the reduction of logistics-related GHG emissions. To meet these expectations, the Yamato Group is supporting the reduction of customer GHG emissions by transforming their entire supply chain, including reviewing the purpose of logistics and inventory holding methods, and by visualizing GHG emissions.

Examples of Initiatives with Customers

**Kubarahonke Co., Ltd. (Food Manufacturer)**

By integrating supply chains that had been individually optimized for each sales channel and product and creating an optimal supply chain from the manufacturing base to the rest of the country, Kubarahonke and the Yamato Group are conducting environmentally-conscious, sustainable operations and reducing GHG emissions from product delivery.

**Adastria Co., Ltd. (Clothing Seller and Manufacturer)**


Adastria and the Yamato Group aim to reduce GHG emissions by reviewing the purpose of logistics and inventory holding methods in supply chains that span both Japan and overseas, from raw materials procurement to product production and omni-channel approaches to sales, creating even more effective logistics in terms of management.

**Yoshinoya Co., Ltd. (Restaurant Chain)**

Yoshinoya and the Yamato Group are reducing GHG emissions and surplus food and material loss by integrating and optimizing supply chains for direct sales and wholesalers.

**Nihon Michelin Tire Co., Ltd. (Tire Manufacturer)**

By consolidating approximately 20 warehouses into 5 and visualizing and optimizing inventory control at each warehouse, we are working to eliminate uneven distribution of inventory and reduce transportation between facilities, while utilizing networks for corporate clients and other resources to stabilize lead times for delivery of products and reducing GHG emissions. We are also minimizing waste due to expiry (reducing impact on the environment) through managing overall tire inventory by production year and shipping tires that are closer to the expiration date before others using a management system that minimizes waste by tracking the production year of all tires in the inventory.



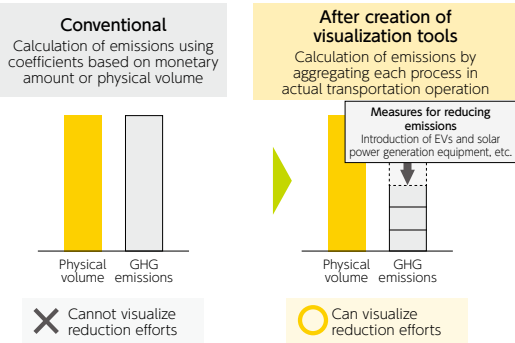
**Colowide Co., Ltd. (Restaurant Chain)**

We are working on building a sustainable supply chain with an even lower environmental burden, eliminating *muri* (unreasonableness), *mura* (inconsistency), and *muda* (waste), by visualizing and optimizing the entire supply chain, which was previously divided by company and difficult to view as a whole.

Development of GHG Visualization Tools Based on International Standards

Yamato Transport is advancing the development of GHG emissions visualization tools based on ISO 14083:2023, an international standard for calculating GHG emissions made by transportation that was issued on March 20, 2023. This international standard calculates GHG emissions from not only trucks for transportation but also from various methods such as air and marine transportation, as well as from terminals. Through such visualization tools, we will make even more realistic calculations for GHG emissions from transportation by Yamato Transport, which correspond to Scope 3\* emissions for corporate clients. We aim to use these visualization tools globally.

\* GHG emissions in the supply chain made by companies indirectly



**PICK UP Increasing Need for International Standards**

Climate change response is an urgent issue for the entire international society. As a result, many companies have adopted a target of virtually zero GHG emissions and are advancing various initiatives. Additionally, businesses are now required to respond on not only an individual company basis but throughout the entire supply chain, such as by making the reporting of GHG emissions related to products a condition of business transactions with suppliers. Each company and country have adopted various standards for calculating GHG emissions in the logistics industry. However, with the advancing globalization of the supply chain, the need for international standards has increased. When global calculation standards did not yet exist, the Yamato Group signed a basic agreement with the largest European home delivery company, the DPDGroup, aimed at environmental-based cooperation. We are actively engaging in measures such as participating in the formulation of ISO14083:2023, an international standard related to methods of calculating and reporting GHG emissions from transportation, leading to the development of emissions visualization tools based on international standards.

Initiatives Based on the Recommendations of the TCFD

The Yamato Group understands that revealing the risks and opportunities faced by and presented to society and the Company by climate change issues, evaluating the impacts thereof, and formulating countermeasures are essential for the sustainability of the business. We have carried out scenario analyses of Yamato Transport in the fiscal year ended March 31, 2022, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). While enhancing the sustainability of the Group by clarifying the business impacts of climate change and engaging in countermeasures focused on issues that have a significant impact, we will enhance corporate value by holding dialogues with stakeholders.

Governance

The Yamato Group deliberates and seeks to resolve environmental issues, including climate change, based on its system for environmental management, with the Environment Committee as a decision-making body, and the Board of Directors supervising the status of execution. The president serves as chairperson of the Yamato Group Environment Committee and is the supervisor responsible for environmental management. Further, important matters, such as basic policies related to environmental issues, which include climate change discussions by the Yamato Group Environment Committee, are debated and decided on at Management Committee meetings, which operates above the Environment Committee, and Board of Directors or management meetings. Executive officers in charge of the environmental field, regional directors, and presidents of Group companies are responsible for environmental issues, in addition to being responsible for the reliable implementation, maintenance, and supervision of environmental management, including preparing necessary management resources. As a general rule, all managers and heads of frontline organizational structures are also responsible for managing environmental risks and opportunities, including climate change, as environmental managers.

Strategy

STEP 1 Assessment of Risk Importance

The Yamato Group will look ahead to the period between the fiscal year ended March 31, 2022, and the fiscal year ending March 31, 2024—which is the period of the Sustainable Medium-Term Plans 2023 [Environmental], set as the fiscal year for medium-term targets, and 2050, which has been set as the fiscal year for long-term targets, with reference to the targets formulated by the Japanese government for reducing GHG emissions. We will consider transition risks, such as the introduction of policies and regulations by the Japanese government and changes to market needs, and physical risks, such as abnormal weather brought about by climate change, and will respond to risks and opportunities by reflecting them in the Group's strategies.

We evaluated physical risks, such as the suspension of operations due to the increasing severity and frequency of abnormal weather and expanding repair costs owing to damage to and loss of facilities and equipment caused by abnormal weather, as short-term risks. Furthermore, we evaluated the transition risk of increasing costs due to the introduction of a carbon tax as a result of revised policies and laws as a medium- to long-term risk. Meanwhile, regarding opportunities, we also identified significant potential for future financial benefits, such as falling costs due to energy conversion and increased efficiency, in line with the low-carbon transition, and increasing revenues supported by customers with a heightened awareness of our proactive, environmental response to climate change mitigation and adaptation. Going forward, we will continue to assess the impact of the risks and opportunities that may arise.

STEP 2 Definition of Scenario Categories

Under scenario analysis conducted in the fiscal year ended March 31, 2022, we predicted two scenarios for Yamato Transport, based on information\*1 from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA).

**1.5°C Scenario\*2**

The incurrence of costs associated with reducing GHG emissions will become necessary and we must enforce stricter regulations and higher fuel and electricity costs; however, sustainability is the key to creating and offering competitive products.

**4°C Scenario**

While we will continue to practice our current style of management, incurring costs to address damages from natural disasters in each area of operation will become necessary.

\*1 Includes the RCP8.5 global warming scenario created by the IPCC as well as the Net Zero Emissions by 2050 Scenario, Sustainable Development Scenario, and Stated Policies Scenario created by the IEA  
\*2 Referencing the 2°C scenario when no scenario exists for 1.5°C

STEP 3 Evaluation of Business Impact for Yamato Transport

**Evaluation of financial impact due to introduction of a carbon tax**

Calculation of business impact in 2030 and 2050 related to settlement[s] following the full-scale introduction of a carbon tax  
By 2030: ¥13.3 billion  
By 2050: ¥25.6 billion  
Note: Estimated using carbon tax prices of \$130 per ton (2030) and \$250 per ton (2050)

**Financial impact assessment regarding decreasing revenues and increasing repair costs for facilities and equipment due to abnormal weather and disasters**

Trial calculation of business impact of decreased revenue due to abnormal weather, such as heavy rain resulting from increasingly severe typhoons and linear rainbands, and repair costs for damaged facilities and equipment  
By 2030: ¥1.9 billion  
By 2050: ¥3.8 billion  
Note: Calculated by referencing past disasters

We determine the business impact by referencing energy-related indexes, such as the carbon pricing published in the World Energy Outlook by the IEA. Furthermore, to understand changes in trends, we reference data, including the frequency of flooding, published by the Japanese Ministry of Land, Infrastructure, Transport and Tourism; the Ministry of Education, Culture, Sports, Science and Technology; and the Japan Meteorological Agency in light of climate change.

Risk Management

Yamato Holdings has created a dedicated department responsible for promoting the Groupwide response to climate change. Additionally, we are promoting said response by deploying an environmental officer (president and representative director) and an environmental promotion representative to each Group company.

STEP 4 Direction of Countermeasures

- Implementation of measures to achieve targets for reducing GHG emissions by 2030 (48% reduction compared with the fiscal year ended March 31, 2021) Introduction of 20,000 low-carbon vehicles (mainly EVs), installation of 810 units of solar power generation equipment, etc.  
⇒ Expected result: Reduction of business impact due to introduction of a carbon tax by 2030 (¥6.1 billion decrease)
- Implementation of measures to achieve targets for climate neutrality by 2050 Introduction of low-carbon vehicles, including EVs with cartridge batteries, further installation of solar power generation equipment, improvement of usage rate for electricity generated via renewable energy sources, reinforcement of other measures, etc.  
⇒ Expected result: Elimination of business impact due to introduction of a carbon tax by 2050
- Examination of introducing internal carbon pricing with the aim of proactive capital expenditures in low-carbon transition
- Opening of stores by utilizing hazard maps and periodic reviews of our business continuity planning manual
- Examination of disclosing information on efforts to adapt to climate change internally and to our business partners
- Testing for use of renewable energy and EVs with cartridge batteries that enhance resilience
- Reevaluation of business impact going forward while adding extra prerequisites, such as enhancing predictions for location and scale of occurrences of incidents, and continuous examination of countermeasures

Indicators and Targets

We will implement measures for achieving GHG emissions reduction targets (see page 34) and create green logistics in collaboration with our business partners to reduce GHG emissions across the entire value chain (Scope 3). At the same time, we will consider the feasibility of acquiring certification for achieving the 1.5°C target of the Science Based Targets\* initiative.

\* Targets for reducing GHG emissions set by companies for the next five to ten years, in line with the levels required by the Paris Accords





# Strengthening of Sustainable Management

At a time when society as a whole is facing many urgent issues that must be addressed, such as climate change, the declining work-force, human rights, and inequality, it is becoming increasingly important that all corporations also respond to such social issues. Based on these circumstances, the Yamato Group is promoting sustainable management with the aim of realizing the improvement of medium- to long-term corporate value and a sustainable society.

## Vision for the Environment and Society

### Environmental Vision



## Connect. Deliver the future via green logistics

The Yamato Group will further promote its vision of “Connect. Deliver the future via green logistics.” By leveraging cutting-edge connections between data, people, and resources, we will increase the efficiency of transportation and provide delivery services that are better for the planet, our customers’ lifestyles, and the economy. We will also support a strong, smart society by striving toward virtually zero GHG emissions\*1 and by creating business models based on sustainable resource use and consumption.

\*1 In-house emissions of consolidated companies in Japan and Swan Co., Ltd. (Scope 1 & Scope 2)

### Social Vision



## Through co-creation and fair business activities, help create a society that “leaves no one behind”\*2

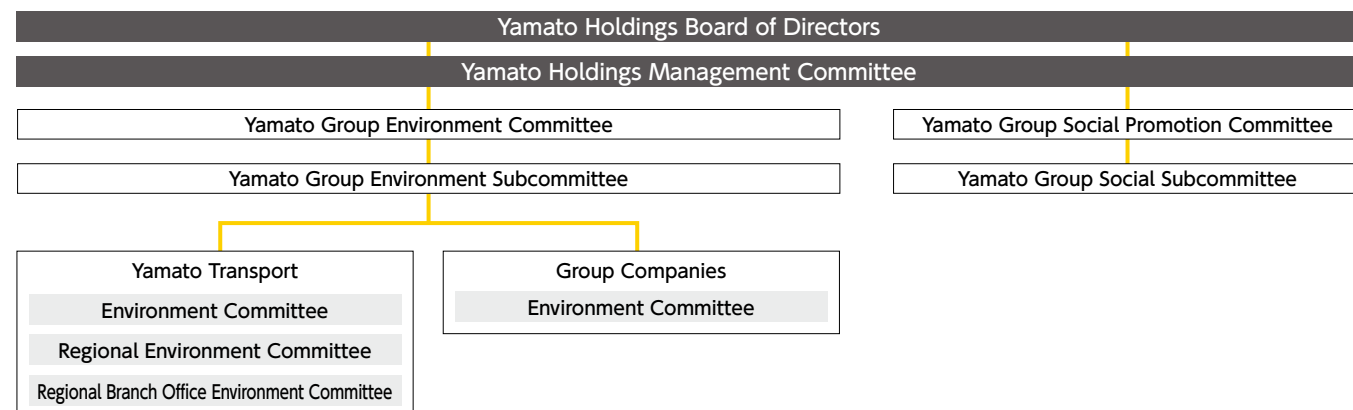
As a social infrastructure company, the Yamato Group will contribute to improving the quality of life of various people, including employees and customers, by reducing and eliminating various inequalities and obstacles in society. We will do this by delivering goods and value to everyone through fair and efficient business processes.

By promoting digital innovation and our strengths offline, as well as co-creation with various partners, we will be a leader in solving social challenges and creating a society that leaves no one behind.

\*2 To leave no one behind: A basic philosophy of the SDGs

## Sustainability Promotion System

The Yamato Group discusses and makes decisions on sustainability matters at the Management Committee meetings and Board of Directors meetings. To promote sustainable management, the Yamato Group Environment Committee and Yamato Group Social Promotion Committee, which are chaired by the president and comprise the executives (including senior managing executive officers and managing executive officers) of Yamato Transport, meet once a year to discuss and make decisions on issues related to sustainability. Further, four subcommittees in the environmental field (energy, climate, and pollution; resources and waste; management and collaboration; and products and services), and three subcommittees in the social field (human rights and diversity; supply chain management; and local communities) each meet three times a year, considering measures and implementing progress checks.



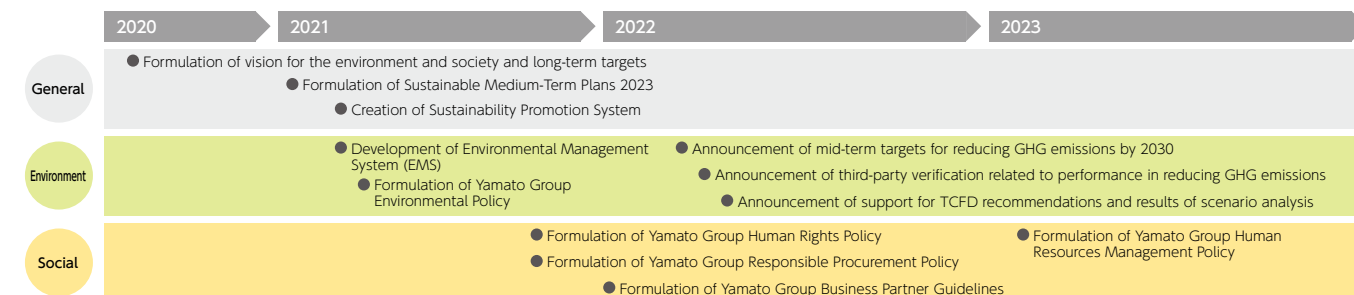
## Material Issues

Based on risks and opportunities in the Yamato Group’s businesses, we identified important material issues that contribute to realizing a sustainable society and improving medium- to long-term corporate value. Among these issues, we recognize that Energy & Climate, Labor, Human Rights & Diversity, and Data Utilization & Security have a particularly significant impact on the Group’s sustainability. As such, we are promoting initiatives in conjunction with business structure reforms.

- STEP1** Refine Choices for Material Issues  
Based on international frameworks, such as the GRI Standards, the Sustainability Accounting Standards Board (SASB), ISO 26000, and the Sustainable Development Goals (SDGs), as well as ESG research items that investors consider to be of high importance to the Group’s business, we considered the risks and opportunities of the Group’s business and narrowed down candidates for material issues.
- STEP2** Hold Stakeholder Dialogues (November 2019)  
We invited experts from universities, international institutions, and securities companies and exchanged opinions on material issues and the expected role of the Yamato Group in solving environmental and social issues.
- STEP3** Identifying Material Issues (January 2020)  
At the same time as identifying material issues, we formulated the transformation plan “YAMATO NEXT100” as a grand design for management reform over the medium to long term.

Material Issues	Themes of Initiatives	Vision	Risk/Opportunity	Related SDGs
Energy & Climate	Mitigate climate change	Reduce GHG emissions by using electricity generated via renewable energy sources, enhancing transportation efficiency through the utilization of digital technology, and reducing the use of dry ice, etc.	Risk Opportunity	7, 9, 13
Atmosphere	Clean up the skies (prevent air pollution)	Pursue transportation that reduces the effects of air pollutants emitted by vehicles and cleans up skies in local communities	Risk	3, 9, 11, 12
Resource Conservation & Waste	Promote resource conservation and reduce waste	Drastically reduce our environmental burden and promote the use of technology and creation of opportunities for minimizing environmental impact	Risk Opportunity	3, 6, 9, 11, 12, 15, 17
Resilience of Companies & Society	Support a society that combats environmental changes	Collaborate with diverse partners to increase the resilience of stakeholders and local communities and create environmental value	Risk Opportunity	9, 11, 12, 13, 15, 17
Labor	Create a work environment where employees can thrive	Implement a high-value-added model labor and promote “decent work”	Risk Opportunity	3, 4, 8
Human Rights & Diversity	Create a corporate culture that respects human rights and diversity	Respect human rights, recognize diversity, and create a framework for human rights due diligence	Risk Opportunity	5, 8, 10, 16
Safety & Security	Create initiatives to carry out business in a safe and secure manner	Maintain traffic and labor safety and provide reliable service	Risk	3, 8, 9, 10, 11, 12
Data Utilization & Security	Create an information security infrastructure	Create an information security infrastructure and businesses that utilize data to resolve social issues	Risk Opportunity	9, 11, 12, 17
Supply Chain Management	Develop a common understanding with stakeholders	Build a stable business infrastructure through sound, resilient supply chains	Risk Opportunity	8, 12, 17
Community	Create corporate citizenship activities that are rooted in local communities and create a framework for business creation	Establish corporate citizenship activities that are unique to the Yamato Group. Create a business model that revitalizes local economies	Opportunity	3, 4, 8, 9, 10, 11, 12, 17

## Key Initiatives to Strengthen Sustainable Management



# Sustainable Medium-Term Plans 2023

In order to promote sustainable management, the Yamato Group has set out specific actions to address material issues in Sustainable Medium-Term Plans 2023. In the fiscal year ended March 31, 2023, the second year of these plans, we announced our mid-term environmental targets for reducing GHG emissions by 2030 and are engaging in measures to reduce GHG emissions such as through the introduction of EVs and solar power generation equipment. Regarding social aspects, we are developing an environment that respects diverse human resources and enables employees to play an active role. At the same time, we are engaging in measures to promote addressing social issues and community development through co-creation.







Details on Sustainable Medium-Term Plans 2023 can be found on our corporate website.

<https://www.yamato-hd.co.jp/english/csr/>







For ESG-related numerical results, please see "ESG Data."

<https://www.yamato-hd.co.jp/english/csr/esg/performance.html>

## Medium-Term Environmental Plan 2023

Material Issues	Targets for the Fiscal Year Ending March 31, 2024	Progress in the Fiscal Year Ended March 31, 2023	Examples of Initiatives
 <b>Energy &amp; Climate</b> <b>Mitigate climate change</b>	<ul style="list-style-type: none"> <li>Reduce GHG emissions 10% compared with the fiscal year ended March 31, 2021*<sup>1</sup></li> <li>Reduce GHG emission intensity 10% compared with the fiscal year ended March 31, 2021*<sup>1,2</sup></li> <li>Achieve 30% usage rate of electricity generated via renewable energy sources*<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>7% decrease</li> <li>6% decrease</li> <li>22% usage rate</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of EVs (868 vehicles as of March 2023)</li> <li>Introduction of solar power generation equipment (11 units as of March 2023)</li> <li>Switch to a menu of electricity generated via renewable energy sources</li> <li>Launch of construction for systems related to optimization of EV operations, standardization of charging, and flexible inter-base power distribution</li> <li>Improvement of loading efficiency per vehicle based on data visualization</li> <li>Implementation of a modal shift</li> <li>Consolidation of TA-Q-BIN sales offices</li> <li>Introduction of LEDs (1,241 locations as of March 2023)</li> </ul>
 <b>Atmosphere</b> <b>Clean up the skies (prevent air pollution)</b>	<ul style="list-style-type: none"> <li>Reduce NOx and PM emissions from vehicles 25% compared with the fiscal year ended March 31, 2021*<sup>4</sup></li> <li>Introduce vehicles that emit fewer air pollutants</li> </ul>	<ul style="list-style-type: none"> <li>NOx emissions: 23% decrease/PM emissions: 22% decrease</li> <li>Introduction of environmentally-friendly vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Holding of discussions and continuation of technical checks on automated mobility with suppliers that contribute to low-carbon transportation and the prevention of air pollution</li> <li>Introduction of environmentally friendly vehicles (36,902 vehicles, including EVs, as of March 2023)</li> </ul>
 <b>Resource Conservation &amp; Waste</b> <b>Promote resource conservation and reduce waste</b>	<ul style="list-style-type: none"> <li>Use 55% renewable resources and recycled materials for paper materials*<sup>5</sup></li> <li>Reduce landfill disposal rate (final disposal rate) to 5% or less*<sup>6</sup></li> <li>Provide products utilizing recycled materials and resource saving materials</li> </ul>	<ul style="list-style-type: none"> <li>63%</li> <li>7%</li> <li>Switch to recycled materials and resource saving materials in all 19 applicable materials</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of renewable resources and recycled materials for containers and packaging material utilization</li> <li>Improvement of methods for waste treatment and separation</li> <li>Launch of development of materials for reuse and common reusable materials</li> </ul>
 <b>Resilience of Companies &amp; Society</b> <b>Support a society that combats environmental changes</b>	<ul style="list-style-type: none"> <li>Advance green logistics in collaboration with our business partners</li> <li>Collaborate with society to improve environmental resilience (verify and share information about mitigating climate change)</li> <li>Provide environmentally friendly products and services*<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>Promotion of developing an environment for calculating the GHG emissions of our transportation partners</li> <li>Discussions regarding development and utilization of car-tridge batteries for EVs</li> <li>Launch of development of tools to visualize GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>Launch of data collection to calculate GHG emissions of transportation partners</li> <li>Implementation of studies aimed at standardization and commercialization of removable and portable cartridge batteries for EVs</li> <li>Launch of development for tools to visualize GHG emissions based on the international standard ISO 14083:2023*<sup>9</sup></li> </ul>

## Medium-Term Social Plan 2023

Material Issues	Targets for the Fiscal Year Ending March 31, 2024	Progress in the Fiscal Year Ended March 31, 2023	Examples of Initiatives
 <b>Labor</b> <b>Create a work environment where employees can thrive</b>	<ul style="list-style-type: none"> <li>Improve operating revenue per employee (compared with the growth rate for the fiscal year ended March 31, 2021)</li> <li>Reduce overtime for employees 20% compared with the fiscal year ended March 31, 2021</li> <li>Achieve 90% annual paid leave utilization</li> </ul>	<ul style="list-style-type: none"> <li>11.2% increase</li> <li>7% decrease</li> <li>98.1%</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of workplace discussions for all business managers at Yamato Transport</li> <li>Completion of formulating definitions of duties for occupations and roles</li> <li>Revision of development system for regular university graduate hires</li> </ul>
 <b>Human Rights &amp; Diversity</b> <b>Create a corporate culture that respects human rights and diversity</b>	<ul style="list-style-type: none"> <li>Achieve 100% attendance at human rights training for all employees</li> <li>Ensure percentage rate of employees with disabilities is 2.5%</li> <li>Double the number of women in management (executives) compared with the fiscal year ended March 31, 2021, and ensure 10% of all managers are women</li> </ul>	<ul style="list-style-type: none"> <li>100%</li> <li>2.9%</li> <li>1.1 times (369 women)/5.7%</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of Yamato Group Human Resources Management Policy</li> <li>Completion of development for multi-lingual tools, such as documents related to recruitment and health and safety and training manuals</li> <li>Implementation of training programs for female employees aiming to become sales office managers</li> <li>Launch of creating manuals for standardizing methods for recruiting and retaining people with disabilities</li> </ul>
 <b>Safety &amp; Security</b> <b>Create initiatives to carry out business in a safe and secure manner</b>	<ul style="list-style-type: none"> <li>Achieve zero serious traffic accidents (fatal traffic accidents for which the Company is responsible)*<sup>3</sup></li> <li>Reduce number of traffic accidents (where bodily injury occurs) 50% compared with the fiscal year ended March 31, 2020*<sup>3</sup></li> <li>Achieve zero serious occupational diseases (work-related deaths)*<sup>3</sup></li> <li>Reduce frequency of lost workday injuries*<sup>8</sup> by 20% compared with the fiscal year ended March 31, 2020*<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>Zero</li> <li>16% decrease (216 accidents)</li> <li>Zero</li> <li>8.9% increase</li> </ul>	<ul style="list-style-type: none"> <li>Provision of coaching through ride-along guidance and dashcam videos</li> <li>Implementation of safety training and skill tests for safety experts</li> <li>Introduction of vehicle safety equipment (electric parking brakes and wide-angle rear cameras)</li> <li>Creation of occupational health and safety management system</li> </ul>
 <b>Data Utilization &amp; Security</b> <b>Create an information security infrastructure</b>	<ul style="list-style-type: none"> <li>Develop an infrastructure for creating businesses that utilize data to resolve social issues</li> <li>Achieve zero serious information security incidents</li> <li>Ensure 100% deployment of information security managers at major organizations and 100% implementation of training for information managers*<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Development of infrastructure for creating businesses that utilize data to resolve social issues</li> <li>Zero</li> <li>Ensuring 100% deployment of information security managers at major organizations and 100% implementation of training for information managers</li> </ul>	<ul style="list-style-type: none"> <li>Launch of operation for contact points that utilize data</li> <li>Information security training for all employees at Yamato Transport (100% attendance rate)</li> <li>Implementation of on-site and internal audits aimed at continued ISMS certification</li> </ul>
 <b>Supply Chain Management</b> <b>Develop a common understanding with stakeholders</b>	<ul style="list-style-type: none"> <li>Complete development and demonstration of monitoring framework*<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Implementation and completion of monitoring tests and verification for key suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of monitoring tests for key suppliers at 28 companies</li> <li>Decision on how to advance monitoring in the fiscal year ending March 31, 2024 (standards for selecting key suppliers, methods for implementing monitoring, and structure for contracts and promotion)</li> </ul>
 <b>Community</b> <b>Create corporate citizenship activities that are rooted in local communities and create a framework for business creation</b>	<ul style="list-style-type: none"> <li>Complete development of a framework to measure effectiveness of corporate citizenship activities and business in resolving social issues</li> </ul>	<ul style="list-style-type: none"> <li>Examination of deploying people to promote corporate citizenship activities within the Company</li> <li>Examination of mechanisms and in-house support structures for creating businesses that resolve social issues, contributing to business growth</li> </ul>	<ul style="list-style-type: none"> <li>Examination of creating a mechanism to encourage employee participation in corporate citizenship activities</li> <li>Completion of creation of support system aimed at creating an in-house environment to create projects on local (social) issues</li> </ul>

\*1 In-house emissions of consolidated companies in Japan and Swan Co., Ltd. (Scope 1 & Scope 2) \*2 tCO<sub>2</sub>e/operating revenues of ¥100 million

\*3 For consolidated companies in Japan and Swan Co., Ltd. \*4 For Yamato Transport \*5 Paper materials refer to cardboard for shipping, pickup and delivery materials, etc.

\*6 Equivalent to reduction by half compared with the past \*7 Products and services with environmental value and a low burden on the environment

\*8 Number of work-related fatalities and injuries per million working hours \*9 Standards for calculating and reporting GHG emissions from transportation



# Measures That Support Sustainable Growth

## Safety Initiatives

Based on its stance of respecting human life and ensuring safety, as laid out in the Group Corporate Philosophy and Corporate Stance, the Group thoroughly adheres to its philosophy of placing safety first and business second in the workplace, positioning respect for human life as a priority at all times. Our partner companies and business partners also share our philosophy of respecting human life and ensuring safety and endeavor to ensure safety in all of their business activities.

### Initiatives for Ensuring Safe Transportation

The Safety Department of the Corporate Division at the head office of Yamato Transport is at the center of promoting initiatives for ensuring even greater safety. We are taking steps to improve the frontline working environment through efforts including the creation of a system for training safety experts and the enhancement of safety training. At the same time, we are promoting the integration of Groupwide standards and frameworks for safety management. We share key points for safe driving and other information by releasing safety communication tools for transportation partners.

We are also continuing to work on hardware aspects, such as introducing vehicle safety equipment connected to preventing traffic accidents, in addition to software aspects, such as enhancing the skills of drivers. For example, we have been introducing various equipment to Yamato Transport pickup and delivery vehicles, including electronic parking brakes that aim to prevent accidents involving vehicles moving when unattended,

wide-angle rear-view cameras that reduce accidents when reversing by vertically and horizontally widening the driver's field of view, and brakes that reduce collision damage by detecting obstacles, sounding an alarm to alert drivers, and assisting with braking operations. These innovations will lead to reducing the number of accidents. Furthermore, we have decided to purchase only new automatic vehicles for pickup and delivery, aiming to reduce the burden of driving operations and address the recruitment and retention of new drivers, mainly young people.

To develop an environment in which Yamato Group and partner company employees can carry out loading and unloading operations more safely, in conjunction with the consolidation and enlargement of *TA-Q-BIN* sales offices in the structural reform of networks and operations, we are promoting measures including the installation of arrival berths and introduction of lift tables for large size vehicles to avoid the use of forklifts at newly developed large-scale bases.

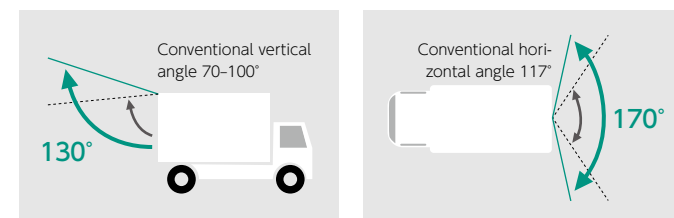
### Introduction rate for vehicle safety equipment

Scope: Yamato Transport pickup and delivery vehicles

		2020/3	2021/3	2022/3	2023/3
Electronic parking brakes	Number of units	4,645	6,469	9,887	11,375
	Introduction rate	10.9%	15.1%	22.6%	25.6%
Brakes that reduce collision damage	Number of units	2,323	5,619	8,924	11,237
	Introduction rate	5.4%	13.1%	20.4%	25.3%
Wide-angle rear-view cameras	Number of units	—	—	—	2,323
	Introduction rate	—	—	—	5.2%
Automatic vehicles	Number of units	22,582	23,742	27,687	29,370
	Introduction rate	52.9%	55.3%	63.3%	66.1%

### Wide-angle rear-view cameras

Contributes to safety by showing an even wider view from behind vehicles (130° vertically and 170° horizontally)



For details related to safety and security, please see our corporate website.  
<https://www.yamato-hd.co.jp/english/csr/society/safety/>

## Creation of Solid Relationships with Business Partners

The Yamato Group operates its businesses with the support of numerous business partners and is promoting supply chain management, recognizing that co-existence and co-prosperity with business partners are vital for achieving sustainable growth.

In recent years, in addition to changes to the external environment such as decreases in Japan's working population and rising energy prices, workstyle reform has become a serious issue for drivers in the entire logistics industry following the application of a cap on overtime work to vehicle operation from April 2024.

In light of these issues, the Yamato Group clarified its policy to promote fair, equitable, and honest business transactions with

partners through the Yamato Group Responsible Procurement Policy in 2021 and the Declaration of Partnership Building (Yamato Transport) in March 2023. The Partnership Promotion Office established at Yamato Transport is taking the lead on providing continuous employee training for proper business transactions, holding regular discussions with partners, and supporting transportation partners based on the 2024 problem. Furthermore, we are working to build partnerships by promoting improvement activities through regular surveys of our partners and will continue to contribute to realizing a sustainable society by enhancing added value across the entire supply chain.

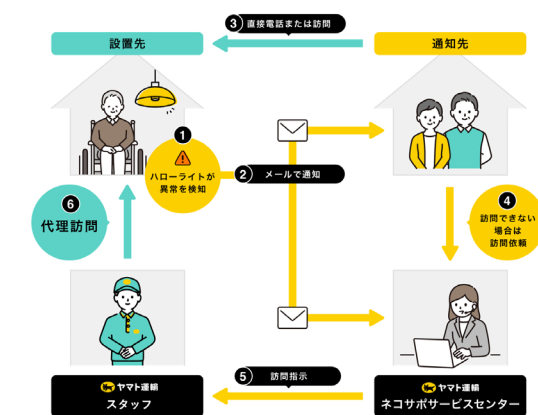
## Community

The Yamato Group conducts business activities deeply rooted in communities by developing a logistics network across Japan. Co-existence and co-prosperity with members of local communities are vital for sustainable growth and we aim to create social value and economic value by resolving social issues at the same time as collaborating and co-creating with partners.

### TOPICS

## 1 Provision of Monitoring Services that Utilize IoT Lightbulbs and Our Nationwide Network

Recently, the aging population and increasing burden of labor shortages for local governments and welfare-related businesses have become issues in monitoring older people who live alone and we needed to create a new monitoring system. *Kuroneko Monitoring Service: HelloLight Visitation Plan* is a monitoring service provided by Yamato Transport that utilizes our nationwide network with close relations to local communities and can be used by simply replacing household lightbulbs with IoT lightbulbs. Following the launch of this service, we have promoted its introduction to bodies including local governments and real-estate businesses not only for use by individual customers with elderly family members but also to be utilized as gifts sent in return for *furusato nozei* (hometown tax donations).



Kuroneko Monitoring Service: HelloLight Visitation Plan service flow

## 2 Initiatives that Support Shopping Environments in Collaboration with Satudora Holdings

In July 2023, Yamato Transport Co., Ltd. formed a basic partnership agreement with Satudora Holdings Co., Ltd. to realize a sustainable society in Hokkaido. There have been concerns about the serious social issues of the falling birth rate and aging and shrinking population in Hokkaido and the fragility of logistics due to factors such as heavy snow, particularly in some areas. Leveraging both of our strengths, we will contribute to providing a fulfilling shopping environment for local residents by working together to pick up parcels from Satudora stores and deliver products bought at stores to customers' homes. We will also utilize Yamato Transport's transportation and delivery network to deliver products to stores in an even more effective and stable manner and sell Satudora products within Yamato Transport sales offices and mobile sales vehicles.



Mobile sales vehicles



Inside of vehicles

## 3 Collaboration with Local Governments to Resolve *Furusato Nozei* Issues

The number of *furusato nozei* donors has been increasing annually since its creation in 2008, with the nationwide donation amount reaching a record ¥965.4 billion. Gifts sent in return to donors have been linked to spreading a region's appeal and sustainably growing local industries. Meanwhile, challenges have also arisen, such as complication of operations for local governments, increase in outsourcing costs, and the burden of shipping operations for businesses providing these gifts. Yamato Transport is working to resolve such issues through collaboration with local governments by utilizing the local community connections and diverse management resources we have built up to date.

Working together with Nakatsu, Oita, we are supporting the resolution of operational issues by helping local businesses participate in providing gifts, in addition to support for streamlining operations related to *furusato nozei*, such as management of special sites, payments, and understanding the shipping capacity of gifts.

We also collaborated with local partner companies in Kamo, Shizuoka, and commenced initiatives to comprehensively support businesses that provide gifts, from gift promotion to shipping and delivery, with the aims of communicating the appeal of local products and sustainably growing local industries.





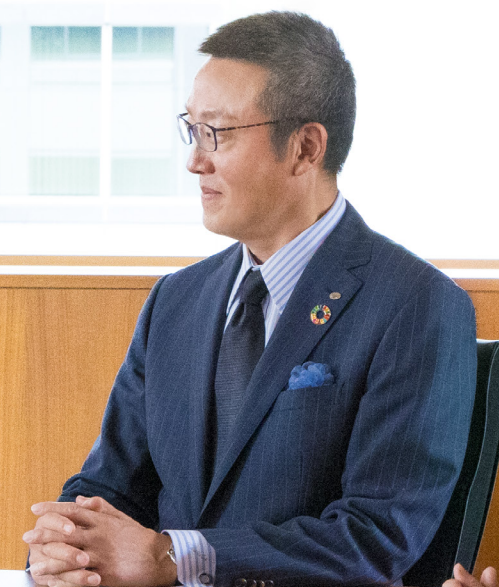
**Yoichi Kobayashi**  
Outside Director



**Shiro Sugata**  
Outside Director  
(Chairperson of the Board)



**Mariko Tokuno**  
Outside Director  
(Chairperson of the Nomination and  
Compensation Committee)



**Charles Yin**  
Outside Director



**Noriyuki Kuga**  
Outside Director

## Outside Director Roundtable

### Improvement of Corporate Value over the Medium to Long Term Through Business Structure Reforms

The Yamato Group is engaging in business structure reforms to realize sustainable growth and the medium- to long-term enhancement of corporate value, alongside the reinforcement of corporate governance that supports this endeavor. Five independent outside directors gathered to engage in lively discussions about the issues surrounding the current status of corporate governance and the achievement of the medium- to long-term enhancement of corporate value.

### Effectiveness of the Board of Directors and Nomination and Compensation Committee

#### Pertinent Discussions Held by the Board of Directors That Focus on Important Matters

**Sugata** The Yamato Group Board of Directors has been increasing the ratio of outside directors and continuously transforming the governance structure. An example of this is myself, an outside director, acting as chairperson. In addition to implementing pre-planned agenda setting for the year and pre-meeting briefings, we are also advancing our initiatives for improving the effectiveness of the Board of Directors, such as relaunching site observations.

In light of these topics, I would like to hear everyone's opinions about the status of discussions regarding the actual Board of Directors meetings.

**Kobayashi** I believe that Yamato's governance structure is highly advanced even among Japanese companies, considering actions such as outside directors making

up more than half of the Board of Directors and an outside director acting as chairperson of the Board. Having an outside director as the chairperson enables a selection of appropriate agenda items discussion by the Board of Directors. This also enables the enhancement of discussions by dividing each item into resolutions, information on matters, and agendas. If the chairperson deems it necessary to hold further discussions of topics that arose from the day of Board of Directors meetings, they will actively facilitate these discussions, such as requiring the executive side to provide other opportunities for comprehensive explanations and reports.

Furthermore, during site observations in the Kyushu area, I gained a comprehensive understanding of the ideal future operations regarding our facility strategies, which are a key issue in business structure reforms, such as the consolidation and enlargement of sales offices and separation of terminal functions. In addition to dialogues with various site managers, I received further explanations from the responsible executive officer who accompanied us from the Head Office, which further deepened my understanding. Based on such initiatives, I recognize that the Board has been able to focus on important matters and hold pertinent discussions.

**Yin** In recent years, there has been a need to reinforce corporate governance in response to the sense of uncertainty caused by geopolitical risks and sudden changes in the business environment. So, Yamato is creating a governance structure in line with the changing times. Through dialogues with employees during observations, we are developing practical discussions with the Board of Directors while understanding the implementation status of and issues with management strategies.

The logistics industry has recently been facing international headwinds, such as the COVID-19 pandemic and rising fuel costs. However, Yamato has been treating these circumstances as an opportunity. I believe Yamato can enhance its competitiveness by dramatically innovating logistics and its own business model. As a logistics company that represents Japan, I believe Yamato can become a company able to win on a global scale by proactively adopting the management techniques and sense of speed of global corporations, and I myself will actively engage in these efforts.



## Outside Director Roundtable

### Improvement of Corporate Value over the Medium to Long Term Through Business Structure Reforms

#### Numerical-Based Discussions that are Reasonable and Objective

**Sugata** Institutional investors in small meetings, which have been held continuously since the fiscal year ended March 31, 2022, have also shown a high level of interest in improving the efficiency of the Board of Directors. Please share some examples of where the remarks and advice of the outside directors have been reflected in the activities of the executive side, improving the quality or speed of discussions and decision-making.

**Kuga** To put it into other words, the effectiveness of the Board of Directors is whether it can contribute to the improvement of corporate value and whether it can monitor the legitimacy of execution. Since the executive side is often required to provide more concrete and quantitative explanations regarding the improvement of corporate value, we have ensured that we have numerical-based discussions. In this sense, I believe that our discussions are reasonable and objective.

**Tokuno** I think that we have improved effectiveness as a result of the more precise strategies presented by the executive side in response to the basic message of the outside directors, which is that it should be shown through figures. Accordingly, rather than only improving the effectiveness of the Board of Directors, I believe that the performance of the executive side of the Board has also improved.



**Kobayashi** We have a vision and strategies, but what about quantitative targets? I have also repeatedly stated how vital it is to know the results and progress of quantitative targets. I believe that we are improving on these points.

Looking at one individual project, the outside directors exchanged various opinions with the executive side when deciding to introduce freighters in 2022. In light of issues in the logistics industry, such as the 2024 problem, and aimed at the creation of a sustainable and robust logistics network, we purchased and remodeled three airplanes from overseas. This was a major investment project and faced the risks of the exchange rate and fuel procurement. We have provided a lot of advice to the executive side on agenda items based on awareness of the significant impact on performance and in view of the personal experience possessed as outside directors. I believe that such discussions have led to the execution of this project with appropriate consideration of the risks involved.

**Tokuno** The purpose of Yamato's human resource strategies has changed according to the suggestions of outside directors, including myself. Since I was appointed as a director, I have felt that Yamato has good labor management but lacks human resource strategies linked to management strategies. By encouraging the discussion of this issue at every opportunity, I feel that we have made appropriate changes.



#### Lively Discussions Focused on Outside Directors Conducted by the Nomination and Compensation Committee

**Sugata** Next, regarding the effectiveness of the Nomination and Compensation Committee, I would like to ask you about the status of activities, concrete details of discussions, and content and issues you would like to discuss in depth in the future.

**Tokuno** Since June 2022, all outside directors participate in the Nomination and Compensation Committee and it comprises one inside director and five outside directors. I, an outside director, was appointed as chairperson. The committee is held once a month and I believe that the outside directors actively stating their opinions based on the combined expertise from their various backgrounds really enhances the Nomination and Compensation Committee. To describe one specific discussion, succession plans for the next generation of management team members are not simply about who will be the successor, but also about the layers below, connecting it to the discovery and development of management personnel that play a core role in the Company. It is necessary for the Nomination and Compensation Committee to understand human resource strategies and hold discussions that include the connection to these strategies.

**Kuga** Currently, there are major changes occurring within the Yamato Group. Following these changes, I believe the vital role the Nomination and Compensation Committee should play is holding discussions related to the human resource system and compensation system, drafting succession plans, and conducting follow-up evaluations.

#### Issues in Achieving Medium- to Long-Term Corporate Value Improvement

##### Enhancement of Profitability by Thoroughly Implementing Structural Reforms and Promoting Growth Strategies

**Sugata** At the accounts meetings held in the fiscal year ended March 31, 2023, Yamato disclosed the road

map for its medium-to long-term strategies up to the fiscal year ending March 31, 2027. With various environmental changes expected to occur in the future, what kind of issues do you think are of particular importance to the Company to realize an improvement of medium- to long-term corporate value?

**Kobayashi** Since President Nagao took over the management structure, we have been actively promoting structural reforms for the entire Group. Despite needing time to do so, current initiatives and policies are moving in the right direction and the implementation has been highly praised.

The key to measures for improving profitability is increasing operating profit margin in the short term. Accordingly, the first step is to determine how much we can reduce costs and how much we can reduce business losses and other losses. I believe that Yamato's measures for improving profitability are the further reinforcement of its strongest asset, *TA-Q-BIN*, and its differentiation from other companies. We must also minimize and withdraw from our weak points as much as possible. This is exactly what we intend to do through the structural reforms that are currently being implemented. One pillar of these reforms is Yamato's facility strategies. We have been vastly reducing fixed costs and enhancing profitability by optimizing the number of facilities necessary for providing services through consolidation and enlargement of sales offices and establishment of terminals with different functions.

Meanwhile, as a medium- to long-term growth strategy, we must establish a new revenue base in line with Yamato's specialty, *TA-Q-BIN*. I believe that one way to do this is to enter into global business, such as various countries in Asia, rather than just the Japanese market, where the problems of the falling birth rate and aging population are worsening. We could do this through measures that include M&As with foreign businesses.

**Kuga** To develop globally and expand corporate business domains, Yamato needs to create added value and differentiate itself since it is in the position of a follower. Thinking in terms of time, we should keep in mind cooperation and collaboration outside the company and must also further refine our strengths, including *TA-Q-BIN*. I hope the executive side holds discussions and considers numerous aspects from these perspectives.

## Outside Director Roundtable

### Improvement of Corporate Value over the Medium to Long Term Through Business Structure Reforms

**Yin** *TA-Q-BIN* started as a CtoC service, but today corporate clients make up 90% of the overall delivery amount handled. I am aware that increasing the profitability of these services for corporate clients is an urgent issue. It has been identified that Japanese companies are over a decade behind those in Europe and the Americas within the corporate-oriented marketing domain. During such a global era, to provide solutions to corporate clients we need to utilize global-standard marketing strategies and business intelligence and create an organization that corresponds to this scope.

Key issues regarding corporate clients in the Yamato Group are the implementation of up-selling and cross-selling and realization of even higher value-added proposals. For example, we must rapidly scale out our high-value-added solutions, such as Lead Logistics Partners (LLPs), at the same time as strategically and actively engaging in new developments. Furthermore, it is vital that we set KPIs that promote these initiatives. Yamato's current management team members recognized the importance of this, and we are seeing changes within the organization. However, in terms of time, we should be advancing both organic growth and strategic approaches and M&As.

**Tokuno** For Yamato to grow, it is important to first strengthen the management foundation, then take on challenges in new areas. Balancing these two endeavors leads to the long-term development of the Company. We are currently engaging in structural reforms to strengthen Yamato's management founda-

tion, in which human resources are highly significant.

Now, Yamato is clarifying the definitions of duties, such as aiming to subdivide the operations of sales drivers, creating a framework for so-called "job classes". We will deploy employees to the appropriate places in the company in line with the development of an employee evaluation system based on these definitions. I believe that the key to increasing the effectiveness of facility strategies is connecting these initiatives with the promotion of such strategies while advancing both the hardware aspects of consolidating and enlarging facilities and software aspects of optimal personnel allocation.

Since it is difficult to develop new growth areas with only internal human resources, it is important that external personnel with expertise enter the Company as leaders and promote this development while fostering internal employees. Furthermore, since this nurturing requires a fixed amount of time, acquiring external personnel is necessary to increase speed. While acquiring external personnel with expertise is liable to generate friction with internal employees, we should carefully share the direction of the Company with all employees and proceed with conviction and understanding. Meanwhile, Yamato should also re-skill internal employees who have the potential to strengthen base domains. Naturally, it is important that Yamato is a company where each employee continues to be aware of its mentality of "we all represent the Company." Employees who don't understand the direction the Company is heading are likely to leave.



I believe that doing everything we can to fully communicate Yamato's direction is a prerequisite of promoting human resource strategies going forward.

**Kuga** Focusing on capital efficiency, the Tokyo Stock Exchange recently notified listed companies of requests for support in realizing management that is aware of capital costs and stock prices. While the Corporate Governance Code introduces the concept of capital costs, Yamato has also set targets for ROE. However, I believe it is important to further deepen discussions about what specifically to implement in order to maximize corporate value, such as optimization of capital structure that includes the purpose of growth investments and shareholder returns, in addition to measures for enhancing the profitability and growth of the business based on capital costs.

**Sugata** Since the fiscal year ended March 31, 2021, we have been promoting Yamato's grand design for management over the medium- to long-term, "YAMATO NEXT100," and the medium-term management plan "One YAMATO 2023." While these plans have been described as a full model redesign for the Yamato Group, for a while after their launch I did not feel a sense of change. However, these changes have become visible between the fiscal year ended March 31, 2023 and the fiscal year ending March 31, 2024. An example of this is the consolidation of 3,500

*TA-Q-BIN* sales offices around the country to 1,800, and their subsequent enlargement. Yamato is also advancing initiatives to utilize both the existing *TA-Q-BIN* network and dedicated networks that are dedicated to the needs of target areas. This includes the creation of three new major networks—an EC logistics network that fully launched in the fiscal year ended March 31, 2022, a refrigerated and "Temperature-controlled only" network, and a Transportation & delivery network designated for corporate clients. Additionally, there have been major reforms moving forward, including, the consignment of posting services *Kuroneko DM-Bin* and *Nekopos* to Japan Post at the beginning of the fiscal year ending March 31, 2024.

I think that appropriate monitoring indicators will be necessary in the future to measure the results of the significant reforms that we have been steadily implementing. Furthermore, the final evaluation is a medium- to long-term increase in stock price, based on enhancement of profitability and improvement of corporate value. I will continue to fulfill my role as an outside director and chairperson of the Board to further support appropriate discussions and decision-making to realize these targets.





# Corporate Governance

## Basic Position on Corporate Governance

Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative.

## Corporate Governance System (As of July 1, 2023)

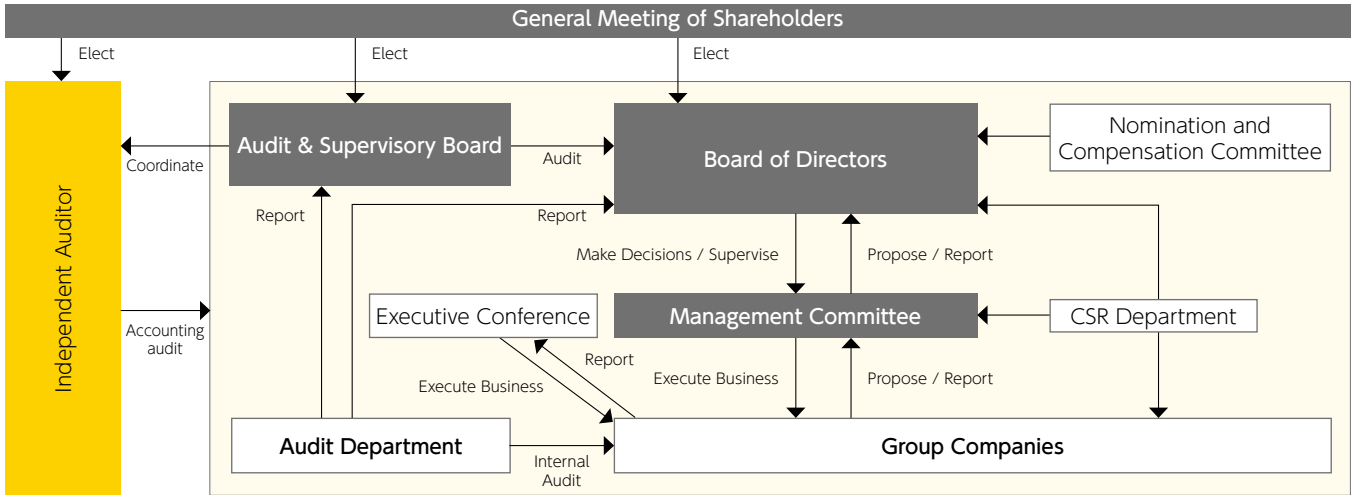
The Company is a Company with an Audit & Supervisory Board. In addition to important management decision-making and the supervision of business execution by the Board of Directors, Audit & Supervisory Board members and the Audit & Supervisory Board, which are independent from the Board of Directors, shall audit the status of the execution of duties by directors. Also, to supplement the supervisory functions of the Board of Directors, the Company established the Nomination and Compensation Committee comprising a majority of independent outside directors. At the same time, the Company has separated the supervision and execution of management and adopted an executive officer system to ensure even more prompt decision-making related to business execution.

System	Company with an Audit & Supervisory Board	
Number of directors	8	
Outside directors	5	
Number of Audit & Supervisory Board members	5	
Outside auditors	3	
Term of directors	1 year	
Voluntary advisory committees	Yes (Nomination and Compensation Committee)	
Executive officer system in place	Yes	
Independent auditor	Deloitte Touche Tohmatsu LLC	

## Efforts to Improve Corporate Governance

Year	Initiative
2015-	Transition to a structure in which outside directors comprised at least one-third of all directors Established Corporate Governance Guidelines Implemented director training
2016-	Implemented evaluation of effectiveness of the Board of Directors
2017-	Appointed an independent female outside director
2018-	Abolished the advisor position
2019-	Transitioned to a structure in which independent outside directors comprised one-half of all directors
2020-	Decided to revise officer compensation system and introduce a performance-linked, share-based compensation system Appointed outside members as the majority of members on the Audit & Supervisory Board Appointed independent outside members as the majority of members on the Board of Directors
2022-	Appointed an independent outside director as the Chairperson of the Board of Directors
2023-	Abolished special advisors

## Corporate Governance Framework



## Management Structure

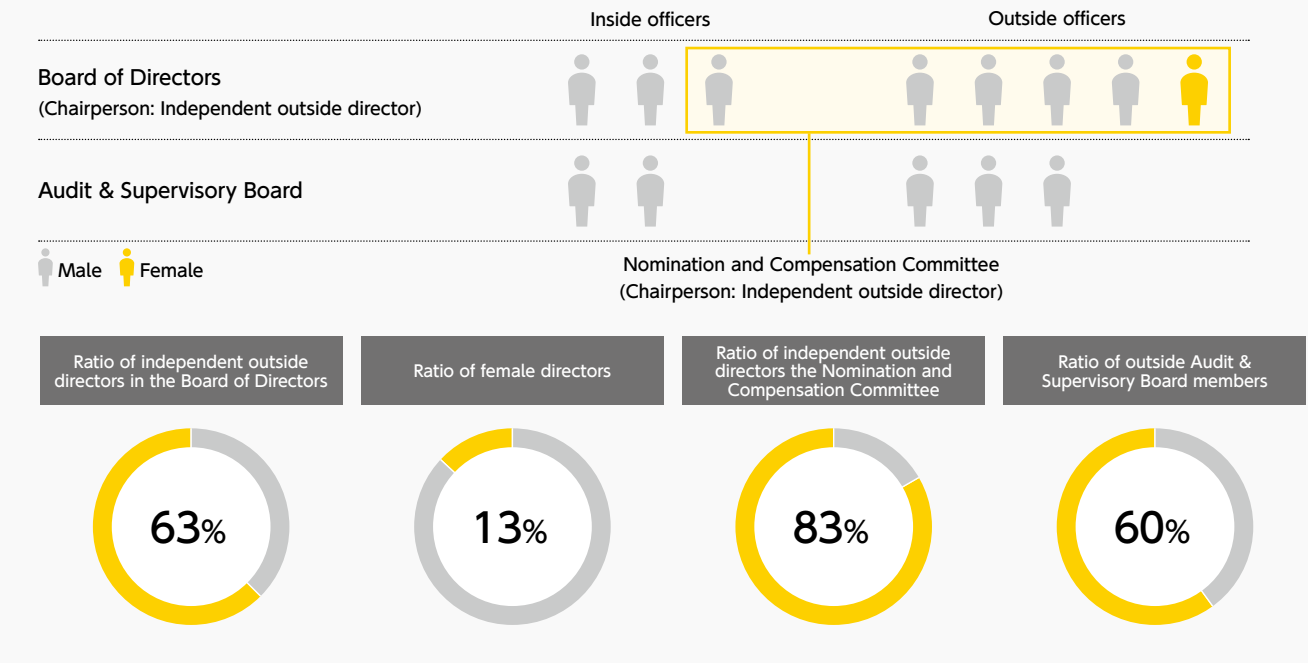
		Expertise and Experience								
Name	Position	Outside	Nomination and Compensation Committee member	Corporate management	Marketing/Sales	Personnel/Labor management	Finance/Accounting	Legal affairs/Risk management	IT/Digital/Technology	Global
Yutaka Nagao	Representative Director, Executive Officer and President		○	●	●	●			●	●
Toshizo Kurisu	Representative Director, Executive Officer and Vice President			●			●	●	●	
Yasuharu Kosuge	Representative Director, Executive Officer and Vice President			●	●	●				
Mariko Tokuno	Director	○	○ (Chairperson)	●	●					●
Yoichi Kobayashi	Director	○	○	●	●					●
Shiro Sugata	Director	○	○	●	●				●	●
Noriyuki Kuga	Director	○	○	●		●	●			●
Charles Yin	Director	○	○	●	●				●	●
Tsutomu Sasaki	Full-time Audit & Supervisory Board Member			●	●			●		
Yoshito Shoji	Full-time Audit & Supervisory Board Member			●			●			
Takashi Yamashita	Audit & Supervisory Board Member	○					●	●		
Ryuji Matsuda	Audit & Supervisory Board Member	○					●	●		
Yoshihide Shimoyama	Audit & Supervisory Board Member	○		●			●	●		

Note: Shiro Sugata took on the role of the Chairperson of the Board on June 23, 2022.

## Skills Expected of Directors and Audit & Supervisory Board Members and Reasons for Their Selection

Skills	Reason for Selection
Corporate management	To demonstrate appropriate decision-making and supervisory functions in the formulation and execution of Yamato's medium- to long-term management plan to sustainably improve corporate value, extensive experience and expertise in corporate management has been selected as a necessary skill.
Marketing/Sales	To provide value that utilizes the Group's management resources to meet the changing needs of customers and society, extensive experience and expertise in marketing and sales has been selected as a necessary skill.
Personnel/Labor management	To become a company that respects human rights and diversity and enables employees to work with peace of mind, at the same time as ensuring that the Group's employees, its greatest asset, are motivated and play an active role, extensive experience and expertise in human resources and labor management has been selected as a necessary skill.
Finance/Accounting	To promote investment linked to growth potential and enhancement of capital efficiency by creating a strong financial foundation, extensive experience and expertise in finance and accounting has been selected as a necessary skill.
Legal affairs/Risk management	To become a company that is fair and trusted through safe and secure business activities in line with legal and social standards based on the Group Corporate Philosophy, extensive legal experience and expertise and risk management capabilities have been selected as a necessary skill.
IT/Digital/Technology	To achieve the optimal allocation of management resources based on data analysis and efficient business management that fully utilizes digital technology, extensive experience and expertise in IT and digital technologies has been selected as a necessary skill.
Global	To contribute to the innovation of customer supply chains and business processes through global business development, extensive global experience and expertise has been selected as a necessary skill.

## Composition of the Board of Directors, Audit & Supervisory Board, and Nomination and Compensation Committee



Corporate Governance

Board of Directors

Roles and duties

The Board of Directors discusses basic policies, makes decisions, and monitors business execution to encourage the improvement of Yamato's medium- to long-term corporate value.

1. The Board of Directors shall make important decisions concerning the Company's business and supervise the execution of duties by executive directors and executive officers.
2. The Board of Directors shall recognize the medium-term management plan as one of the commitments made to shareholders and supervise the effectiveness of strategies, such as the Company's business portfolio and the optimal allocation of management resources, to achieve the goals of this plan. Moreover, the Board of Directors shall sufficiently analyze the initiatives aimed at realizing the goals of the medium-term management plan as well as the extent to which the plan's objectives are being achieved. In addition to providing explanations to shareholders, such analyses shall be reflected in future management plans.
3. The Board of Directors shall encourage executive officers to demonstrate a healthy entrepreneurial spirit and to not excessively avoid or curb risk, while at the same time establishing a framework that enables it to ensure accountability.
4. The scope of responsibility of each executive officer shall be decided on by the Board of Directors. Executive officers shall execute business in accordance with internal regulations.

Management

The Board of Directors takes the following into consideration when managing meetings to achieve constructive discussions and exchange of opinions, including meetings with independent outside directors.

1. To allow Board of Directors meeting attendees the opportunity to prepare for meetings in advance, the Board of Directors secretariat shall send agenda items and related materials to directors well in advance of the meeting date and provide explanations in advance as needed.
2. The annual schedule of Board of Directors meetings as well as anticipated agenda items shall be decided in advance, and this information shall be provided to directors and Audit & Supervisory Board members.
3. The number of issues to be deliberated as well as the frequency of meetings shall be appropriately set, and the time of meetings shall be decided so as to allow sufficient time for deliberations.
4. As needed, meetings comprising Board of Directors meeting attendees shall be held for the purpose of exchanging ideas, thereby encouraging lively debate.

Evaluation of Effectiveness

To verify the effectiveness of the Board of Directors, the Company surveys all directors and Audit & Supervisory Board members on an annual basis regarding the composition and operational status of the Board of Directors. The Company carries out an evaluation on the Board's effectiveness in terms of such matters as the condition of the Board's operation and the state of deliberation held at Board meetings. In addition to the survey, the chair has begun performing interviews to further enhance the usefulness of the evaluation.

Results of Analysis and Evaluation

- The composition, management conditions, and deliberation conditions of the Board of Directors were largely appropriate as a system where the Board of Directors serves as the oversight function, and where a culture of attendees actively speaking up and engaging in unrestricted discussions at the Board of Directors meetings had taken hold
- A more well governed structure since outside directors make up more than half of the directors and Audit & Supervisory Board members and an outside director was appointed as chair of the Board in June 2022
- Allow time for deliberation as a result of revising agenda items, viewing meeting materials in advance, and pre-meeting briefings for the Board of Directors becoming established, and examine points raised in those briefings before attending Board of Directors meetings, enabling directors to make risk-based management decisions through more in-depth discussions
- In addition to monthly reports from the president on the status of business execution at Board of Directors meetings, the executive officers of operating companies regularly present issues and medium- to long-term themes in their areas of jurisdiction and discuss them with the Board of Directors, thereby deepening directors' knowledge of business operations
- The Board of Directors has continued to display an effectiveness that contributes to securing sound management and achieving prompt, accurate decision-making and business execution, which are the Company's basic policies for corporate governance
- Going forward, the Company must further strengthen corporate governance to improve the soundness of the entire Yamato Group's management while continuously working to maintain and improve the effectiveness of the Board of Directors for the implementation of sustainable business growth strategies

Audit & Supervisory Board

The Audit & Supervisory Board and its members hold roles and responsibilities that include auditing the execution of professional duties carried out by directors, selection and dismissal of independent auditors, and execution of authority related to auditor compensation. They make appropriate judgments from an independent, objective perspective based on their fiduciary duty to shareholders.

Roles and duties

1. The Audit & Supervisory Board and its members shall exercise their authority proactively to sufficiently fulfill their role and responsibilities, including operational audits, accounting audits, and other functions, and they shall appropriately state their opinions at Board of Directors meetings as well as to members of senior management.
2. The full-time Audit & Supervisory Board members shall attend Board of Directors meetings and other important meetings related to the execution of business, express reasonable opinions, hold effective Audit & Supervisory Board meetings, and ensure that information is shared and that members work together in a coordinated manner.
3. The Audit & Supervisory Board shall regularly hold information exchange meetings for the purpose of sharing information with outside directors, thereby ensuring more robust gathering of information and encouraging teamwork.

Concurrent Posts and Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Concurrent posts	Overview of reasons for appointment and expected roles	Attendance at meetings during the fiscal year ended March 31, 2023
Outside Directors	Mariko Tokuno	<ul style="list-style-type: none"><li>• Outside Director of Mitsubishi Materials Corporation</li><li>• Outside Director of Shiseido Company, Limited</li></ul>	Mariko Tokuno comments and advises as needed on all aspects of business management, based on ample experience and extensive knowledge as a businessperson. Accordingly, she plays an important role, drawing on her insight to provide oversight and advice from a managerial standpoint and customer and employee standpoints, particularly regarding matters of business execution, business strategy, and HR strategy, to contribute to ensuring the transparency and appropriateness of decision-making. Furthermore, as chairperson of the Nomination and Compensation Committee, she guides its management and has fully demonstrated supervisory functions in the decision process for the selection of candidates for officers and the evaluation of their compensation from an objective and neutral standpoint.	Board of Directors: 18 of 18 meetings Nomination and Compensation Committee: 12 of 12 meetings
	Yoichi Kobayashi	—	Yoichi Kobayashi comments and advises as needed on all aspects of business management, based on ample experience and extensive knowledge as a businessperson. Accordingly, he plays an important role, drawing on his insight to provide oversight and advice from a managerial standpoint, particularly regarding matters of business execution, business strategy, and investment strategy, to contribute to ensuring the transparency and appropriateness of decision-making. Furthermore, as a member of the Nomination and Compensation Committee, he has fully demonstrated supervisory functions in the decision process for the selection of candidates for officers and the evaluation of their compensation from an objective and neutral standpoint.	Board of Directors: 18 of 18 meetings Nomination and Compensation Committee: 12 of 12 meetings
	Shiro Sugata	<ul style="list-style-type: none"><li>• Outside Director of Yokogawa Electric Corporation</li></ul>	Shiro Sugata comments and advises as needed on all aspects of business management, based on ample experience and extensive knowledge as a businessperson. Additionally, he was appointed the chairperson of the Board of Directors in June 2022 and is contributing to enhancing the effectiveness of the Board of Directors by appropriately fulfilling his professional duties and responsibilities. Accordingly, he plays an important role, drawing on his insight to provide oversight and advice from a managerial standpoint, particularly regarding matters of business execution, business strategy, productivity enhancement, and cost structure reform, to contribute to ensuring the transparency and appropriateness of decision-making. Furthermore, as a member of the Nomination and Compensation Committee, he has fully demonstrated supervisory functions in the decision process for the selection of candidates for officers and the evaluation of their compensation from an objective and neutral standpoint.	Board of Directors: 18 of 18 meetings Nomination and Compensation Committee: 12 of 12 meetings
	Noriyuki Kuga	—	Noriyuki Kuga comments and advises as needed on all aspects of business management, based on ample experience and extensive knowledge as a businessperson. Accordingly, he plays an important role, drawing on his insight to provide oversight and advice from a managerial standpoint, particularly regarding matters of business execution, financial strategy, and corporate governance, to contribute to ensuring the transparency and appropriateness of decision-making. Furthermore, he was appointed as a member of the Nomination and Compensation Committee on June 23, 2022. He attended all 9 meetings since his appointment and fully demonstrated supervisory functions in the decision process for the selection of candidates for officers and the evaluation of their compensation from an objective and neutral standpoint.	Board of Directors: 18 of 18 meetings Nomination and Compensation Committee: 9 of 9 meetings* * Number attended during tenure
	Charles Yin	<ul style="list-style-type: none"><li>• Executive Chairman of Worldwide City Group (Hong Kong)</li><li>• Chairman of China-Japan CEO Forum</li><li>• Chairman of China-Japan Asia CEO Forum</li></ul>	Charles Yin was appointed as a director on June 23, 2022, and has attended all 14 Board of Director meetings since this appointment. He comments and advises as needed on all aspects of business management, based on ample experience and extensive knowledge as a businessperson. Accordingly, he plays an important role, drawing on his insight to provide oversight and advice from a managerial standpoint, particularly regarding matters of business execution and global business strategy, to contribute to ensuring the transparency and appropriateness of decision-making. Furthermore, he was appointed as a member of the Nomination and Compensation Committee on June 23, 2022, and has attended all 9 meetings held in the fiscal year under review. He has fully demonstrated supervisory functions in the decision process for the selection of candidates for officers and the evaluation of their compensation from an objective and neutral standpoint.	Board of Directors: 14 of 14 meetings Nomination and Compensation Committee: 9 of 9 meetings* * Number attended during tenure
Outside Audit & Supervisory Board Members	Takashi Yamashita	<ul style="list-style-type: none"><li>• Representative of Takashi Yamashita CPA Office</li><li>• Outside Director of Shin Nippon Biomedical Laboratories, Ltd.</li></ul>	Takashi Yamashita comments as needed in Board meetings, based on ample experience and professional knowledge of finance and accounting. He also attends Audit & Supervisory Board meetings and exchanges opinions at regular meetings with the representative director and president, confirming the status of the execution of duties carried out by directors, based mainly on ample experience and extensive knowledge as a certified public accountant.	Board of Directors: 14 of 14 meetings Audit & Supervisory Board: 18 of 18 meetings
	Ryuji Matsuda	<ul style="list-style-type: none"><li>• Attorney-at-Law of Matsuda Law Office</li></ul>	Ryuji Matsuda comments in Board meetings as needed, based on ample experience and professional knowledge of finance and accounting and as a lawyer. He also attends Audit & Supervisory Board meetings and exchanges opinions at regular meetings with the representative director and president, confirming the status of the execution of duties by directors, based mainly on ample experience and extensive knowledge as a lawyer.	Board of Directors: 18 of 18 meetings Audit & Supervisory Board: 18 of 18 meetings
	Yoshihide Shimoyama	<ul style="list-style-type: none"><li>• Outside Audit &amp; Supervisory Board Member of NIPPON HUME CORPORATION</li></ul>	Yoshihide Shimoyama comments as needed, based on ample experience in management and auditing. He also attends Audit & Supervisory Board meetings and exchanges opinions at regular meetings with the representative director and president, confirming the status of the execution of duties by directors, based mainly on ample experience and extensive knowledge as a manager and an outside Audit & Supervisory Board member.	Board of Directors: 18 of 18 meetings Audit & Supervisory Board: 18 of 18 meetings



Corporate Governance

Nomination and Compensation Committee

The Nomination and Compensation Committee comprises five independent outside directors and one inside director, with an independent outside director acting as chairperson. As an advisory body to the Board of Directors, the committee shall deliberate particularly on the details of important matters pertaining to nomination and compensation, and present the results of these discussions to the Board of Directors in an effort to enhance management transparency.

Roles and duties

1. The committee shall deliberate on matters related to the appointment or dismissal of directors, Audit & Supervisory Board members, and executive officers on the basis of business performance and multifaceted observations and evaluations, verify the validity of such decisions, and present the results to the Board of Directors.
2. The committee shall deliberate policies for determining compensation, such as for directors and executive officers, and the details of individual compensation, verify the validity of such decisions, and present the results to the Board of Directors.
3. The committee shall propose several candidates to the Board of Directors, including candidates recommended by the serving representative to the Board of Directors, as successors to the representative director to the Board of Directors, following deliberation by the committee based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors.

Key Discussion Items for the Nomination and Compensation Committee in the Fiscal Year Ended March 31, 2023

Related to Nomination

- Reappointment of candidates for directors
- Criteria for assessing the independence of people selected to be outside directors
- Definition of personnel requirements and nomination process of candidates for president

Related to Compensation

- Establishment of missions for inside director compensation
- Decision on performance-linked compensation
- Decision on compensation and other remuneration for individual directors

Remuneration of Directors and Audit & Supervisory Board Members (Fiscal Year Ended March 31, 2023)

Directors and Audit & Supervisory Board members	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of recipient Directors and Audit & Supervisory Board Members
		Basic remuneration	Short-term performance-based remuneration	Medium- to long-term performance-based stock compensation*	Of the left, non-monetary remuneration, etc.	
Director	449	299	108	41	41	12
(Of which, Outside Directors)	(76)	(76)	(—)	(—)	(—)	(6)
Audit & Supervisory Board Members	81	81	—	—	—	6
(Of which, Outside Audit & Supervisory Board Members)	(33)	(33)	(—)	(—)	(—)	(3)
Total	530	380	108	41	41	18
(Of which, Outside Officers)	(109)	(109)	(—)	(—)	(—)	(9)

\* The amount of expenses recorded for share delivery points during the period.

Policy for determining compensation of directors and Audit & Supervisory Board members

1. Basic policy

The Company's compensation for directors is determined based on the following factors.

A competitive level of compensation

- Provide rewards according to roles and responsibilities, as well as performance, and set compensation at an adequate level to secure talented human resources

A compensation system emphasizing the improvement of corporate and shareholder value

- Link compensation to business performance so as to motivate directors to achieve performance goals
- Establish a compensation composition that promotes the sharing of common interests with shareholders by linking it to corporate value over the medium to long term

A fair and equitable compensation system

- Ensure that the process for determining compensation is objective and highly transparent

2. Compensation structure

The Company's compensation for directors consists of basic compensation (fixed compensation), which takes compensation levels at other companies and other such factors into consideration; short-term performance-linked compensation (variable

compensation); and medium- to long-term performance-linked, share-based compensation (variable compensation). In addition, compensation for Audit & Supervisory Board members and outside directors consists exclusively of basic compensation due to the nature of their functional roles.

3. Timing of delivery and conditions

The Company pays its basic compensation (fixed compensation) and short-term performance-linked compensation (variable compensation) as monetary sums on a monthly basis, encompassing twelve equal installments annually. Medium- to long-term performance-linked, share-based compensation (variable compensation) is granted once a year in June in the form of points. Points accumulated up to retirement are paid out, with one point equaling one share, at the time of retirement in accordance with regulations for director share benefits.

4. Decisions on compensation and other remuneration for individual directors

Based on the policy for decisions resolved by the Board of Directors, the Nomination and Compensation Committee, which is chaired by one of the independent outside directors who constitute a majority of its membership, conducts further deliberations regarding amounts of compensation and other remuneration for individual directors, along with details regarding the calculation of such amounts to assess each of the directors, while taking factors such as Companywide business results into consideration. Based on the findings, the Board of Directors decides on the amount of basic compensation (fixed compensation), short-term performance-linked compensation (variable compensation), and medium- to long-term performance-linked, share-based compensation for each individual.

5. Other

A certain percentage of the monetary compensation shall be allocated to the purchase of shares of the Company through the Officers and Executives' Shareholding Association. Furthermore, to realize a highly objective and transparent process, the Nomination and Compensation Committee met 12 times in fiscal 2022 and conducted further discussions on the details of compensation and other remuneration for individual directors, based on the decision-making policies for such compensation as activities for the committee in the decision process for the fiscal 2022 individual compensation for directors. The Board of Directors determines the amount of compensation based on the results of these discussions.

Policy for Determining Performance-Linked Compensation (Variable Compensation)

The standard amount for short-term performance-linked compensation (variable compensation) is set in terms of the ratio of basic compensation (fixed compensation) in accordance with rank and title. Following this, the amount paid out to individuals is determined within a range of 0% to 150% in line with the achievement rate for Yamato's performance benchmarks and the evaluation of individual missions. Furthermore, the performance benchmarks comprise Group consolidated operating revenues, Group consolidated operating profit, and Group consolidated profit attributable to owners of parent.

The standard amount for medium- to long-term performance-linked, share-based compensation (variable compensation) is set in terms of the ratio of basic compensation (fixed compensation) in accordance with rank and title. Following this, the amount paid out to individuals is determined within a range of 0% to 150% in line with the achievement rate for Yamato's performance benchmarks and the evaluation of individual missions. Furthermore, the performance benchmarks comprise ROE, total shareholder return, and ESG indicators. The amount of medium- to long-term performance-linked, share-based compensation (variable compensation) is paid out as points, whereby one share equals one point for each fiscal year, dividing the standard amount by the average of the closing prices of the Company's shares at the Tokyo Stock Exchange in the month preceding the fiscal year in which the medium-term management plan starts.

The Company uses the above as a benchmark for performance-linked compensation to better link compensation to corporate

performance and also to achieve greater transparency and objectivity.

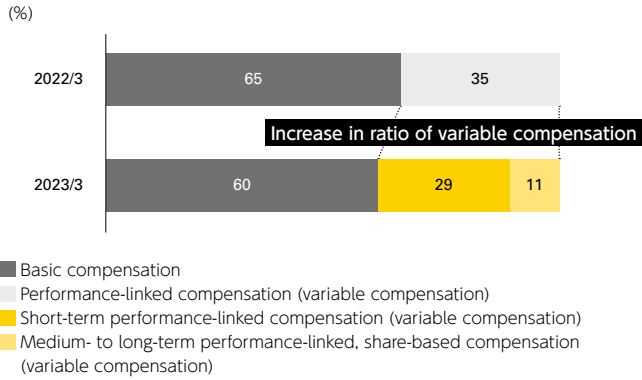
The Company has calculated the annual amount of performance-linked compensation based on these results and then converted that result to a monthly amount, which is applied to the period extending from July 2022 through June 2023.

Formula for Calculating Short-Term Performance-Linked Compensation

Variable compensation	Performance indicator	Indicator rate on each director	Actual (Billions of yen)	Target (Billions of yen)	Achievement rate
Short-term performance benchmarks	i) Group consolidated operating revenues	○ 30%	1,793.6	1,815.0	98.8%
	ii) Group consolidated operating profit	○ 30%	77.2	95.0	81.3%
	iii) Group consolidated profit	○ 30%	56.0	53.0	105.6%
	iv) Evaluation of mission (individual)	○ 10%	—		

Increase in ratio of variable compensation	Performance indicator	Details	Indicator rate on each director	Actual	Target	Achievement rate
	i) ROE	—	○ 40%	9.6%	10%	96.0%
	ii) TSR	Relative TSR Comparison with Total Return TOPIX TSR	○ 30%	77.1% (Dividend includes TOPIX 102.0%)	100%	75.6%
Medium- to long-term performance benchmarks	iii) ESG indicators	Single year targets for GHG emissions Note: -3% compared with the fiscal year ended March 31, 2021	○ 20%	(2.0)%	(3)%	66.7%
	iv) Medium- to long-term targets for innovation activities	Evaluation of mission (individual)	○ 10%	—		

Compensation ratio for directors (excluding outside directors)



Corporate Governance

Support Framework for Directors and Audit & Supervisory Board Members

The Company shall establish a support framework enabling the constant provision of information that allows directors and Audit & Supervisory Board members to effectively fulfill their roles and duties.

1. The Company shall establish a support framework that enables it to provide necessary and adequate information at the necessary time to allow directors to effectively fulfill their roles and duties.

2. By participating in key business strategy meetings for the overall Group and by observing key Group business sites, including those overseas, participants are able to confirm business strategies and their promotion and provide opportunities for proactive involvement in business activities.

3. As a system to help Audit & Supervisory Board members smoothly perform their duties, employees in the internal audit department shall be appointed to assist Audit & Supervisory Board members and ensure a support system.

4. Audit & Supervisory Board members shall exercise their authority to perform investigations in accordance with the Companies Act.
- In addition, if a director or employee discovers a fact that could potentially inflict marked damage on the Company, they shall immediately report this fact to an Audit & Supervisory Board member, even if there is no request to do so from an Audit & Supervisory Board member.

5. If a director or Audit & Supervisory Board member believes it to be necessary, they shall obtain advice from an outside expert at the Company's expense.

6. The internal audit department shall regularly hold meetings with the full-time Audit & Supervisory Board members and provide audit reports in a planned manner to the Board of Directors and the Audit & Supervisory Board, thereby enhancing the provision of information to, as well as bolstering coordination with, outside directors and outside Audit & Supervisory Board members.

Improvement of Corporate Value Through Dialogues with Shareholders and Investors

Basic policy

To continuously improve medium- to long-term corporate value through dialogues with shareholders and investors, we are striving to enhance IR and SR activities by creating a structure focused on the Executive Officer Responsible for IR. When promoting IR and SR activities, we ensure sufficient opportunities for dialogue with executive officers, including the president, and independent outside directors to fully understand the management strategies and businesses of our shareholders and investors. Additionally, the opinions and requests received from shareholders and investors through dialogues and other means are fed back to the Board of Directors as necessary to share awareness of issues within the Company from an objective perspective.

Implementation of Engagement Activities (Fiscal Year Ended March 31, 2023)

Details of Activities	Responders	Number of Times
Settlement of accounts meetings	President and responsible Executive Officer	4
Small meetings	President and responsible Executive Officer	2
	Independent outside directors	1
Briefings to explain structural reform of network operations	Responsible Executive Officer	1
Briefings related to sustainability (environment)	Responsible Executive Officer	1
Visits to overseas investors (Europe, Americas, and Asia)	President and Executive Officer Responsible for IR	4
Individual dialogues (One on one)	President, Executive Officer Responsible for IR, and representative of IR department*	345

\* Responds based on shareholder and investor requests and purpose of interviews

Key Themes and Points of Interest in Dialogues

- Progress of Group management structure reforms and business structure reforms
- Specific details and creation effects of structural reform of network operations
- Strategies for expanding corporate business domain
- Current status and future outlook for business environment and competitive environment
- Pricing policy based on 2024 problem and rising costs, such as fuel
- Risks and opportunities following climate change and connection between reducing GHG emissions and improving corporate value
- Purpose of human resource strategies in conjunction with structural reforms and human resource management
- Effectiveness of the Board of Directors
- Measures for capital policies and shareholder returns

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Enhancement of Details Disclosed Based on Dialogues (Examples)

- Financial Results Meeting Materials (Fiscal year ended March 2023)
  - The timelines of progress with structural reforms and connection to each measure (page 4)
  - Disclosure of cost trends in each domain of operation (page 27)
  - Disclosure of human resource strategies and KPIs in conjunction with structural reforms (page 12)
  - Organize basic policies for climate change and connection to value creation (page 13)<https://www.yamato-hd.co.jp/english/investors/library/briefing/2023.html>
- Briefings for each theme
  - Structural reform of network operations
  - Sustainability (environment)[https://www.yamato-hd.co.jp/english/investors/library/business\\_briefing/](https://www.yamato-hd.co.jp/english/investors/library/business_briefing/)

Policy on Cross-Shareholdings

The Company has a policy of owning stocks that are deemed meaningful based on comprehensive consideration from a medium- to long-term perspective of the relationship with the Group's businesses, the profitability, and the potential for creating new business opportunities, among other factors. A decision shall be made every year at the Board of Directors meeting concerning whether to continue holding the stocks based on careful consideration of various factors, including previous business transactions with the Company and the market price of the shares, after verifying the benefits and

risks associated with holding the stocks from a quantitative and qualitative perspective. The Company works to reduce the number of stocks it owns that are deemed to be of little significance. In exercising the voting rights of shares held, the decision to support or oppose agenda items at the shareholders' meeting shall be made on a case-by-case basis according to Yamato policy, with consideration given to the issuing company's enhancement of corporate value, the issuing company's compliance framework, and the possibility of a negative impact on the Group's business, among other factors.

Compliance

Strengthening internal control for the Group overall

The Yamato Group has established an internal control system in order to promote a sound corporate culture in the Group as a whole and to enable employees to perform their duties effectively and efficiently without any misbehavior or mistakes. Having stipulated its basic policy on the internal control system in accordance with the Companies Act, each Group company is working on strengthening internal control.

We have also established a system to carry out evaluations in line with our internal control report system pursuant to the Financial Instruments and Exchange Act and immediately put improvements in place should there be any shortcomings. Furthermore, we prepare internal control reports on financial reporting and receive an audit of the internal system by independent auditors. Internal control over the financial reporting of the Yamato Group as of March 31, 2023, was considered valid, and an internal control report was submitted to the Kanto Local Finance Bureau.

Enhancing the whistle-blower system

The Yamato Group has established a whistle-blower system to promptly discover and appropriately respond to law and/ or internal regulation violations. In addition to compliance-related issues, such as overall corruption (including bribery) and human rights violations (including bullying and harassment), the whistle-blower system accepts reports on any action that violates internal regulations and the Group's Management Philosophy. We have established a suggestions box as a contact point with the president, a compliance hotline as the secretariat for the Compliance and Risk Committee, and a corporate fraud point of contact manned by external lawyers, which all take correspondence via email, telephone, and letter. In addition, from February 2019 we established individual points of contact at each Group company as a familiar place for consultation. To spread awareness among employees, we display posters introducing these points of contact with the president's photograph on them at each office. Additionally, the Group's whistle-blowing regulations protect the privacy of whistle-blowers and ensure that they do not suffer any unfair treatment as a result of making a report. Accordingly, we are developing an environment that ensures employees who wish to remain anonymous can also utilize this service. When a report is made on an issue, the whistle-blower system works to promptly confirm the facts, enact the necessary response and corrections, and promote measures to prevent a reoccurrence. Specifically, we promote concrete, response procedures, processing methods, and risk-assessment criteria that are shared on a

Groupwide basis. This enables us to prevent the overlooking of major risks by adopting a consistent management flow and response to all reports received. Furthermore, by clarifying the persons responsible for decision-making at the time reports are received and unifying relevant standards, we are improving our level of risk awareness. We prevent the reoccurrence of issues by formulating rules for holding verification meetings internally to ensure that we carry out an appropriate investigation and response. Additionally, we implement the standardized management of whistle-blowing information and the details of responses on a Groupwide basis, thereby allowing us to ascertain Groupwide trends and share examples of actual cases in a cross-organizational manner. Such information and details are reported regularly to the Board of Directors, helping to facilitate improvements across the Group.

	2023/3 Results
Number of whistle-blower cases	751 (117 more than 2022/3)

Note: The Compliance and Risk Committee meets each quarter at Yamato Holdings and every month at Group companies, including Yamato Transport.



# Directors

As of June 23, 2023

## Management Team



Noriyuki Kuga

Yasuharu Kosuge

Mariko Tokuno

Yutaka Nagao



Shiro Sugata

Toshizo Kurisu

Yoichi Kobayashi

Charles Yi

### Inside directors

#### Yutaka Nagao

Representative Director,  
President and Executive Officer

Apr. 1988	Joined the Company	Apr. 2015	Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
Apr. 2004	Regional Branch Manager of Yamaguchi Regional Branch of the Company	Jun. 2017	Director and Executive Officer of the Company
Apr. 2006	Regional Branch Manager of Saitama Regional Branch of Yamato Transport Co., Ltd.	Apr. 2019	Representative Director, President and Executive Officer of the Company (current)
Apr. 2009	General Manager of TSS Sales Promotion Office	Apr. 2021	Representative Director, President and Executive Officer of Yamato Transport Co., Ltd. (current)
Apr. 2010	Executive Officer and President of Kanto Regional Office		
Apr. 2013	Managing Executive Officer		
Apr. 2015	Executive Officer of the Company		

#### Yasuharu Kosuge

Representative Director,  
Executive Officer and Vice President

Apr. 1985	Joined the Company	Apr. 2014	Executive Officer of Yamato Transport Co., Ltd.	Feb. 2022	Responsible for Management Strategy and Human Resources of the Company
Jun. 1997	Project Manager of Work System Project of the Company	Apr. 2016	Managing Executive Officer of Yamato Transport Co., Ltd.	Feb. 2022	Representative Director, Senior Managing Executive Officer of Yamato Transport Co., Ltd.
Feb. 2002	Regional Branch Manager of Okayama Regional Branch of the Company	Apr. 2019	Managing Executive Officer of the Company	Jun. 2022	Representative Director, Executive Officer and Vice President of the Company (current)
Apr. 2004	Regional Branch Manager of Yokohama Regional Branch of the Company	Apr. 2019	Representative Director, Executive Officer and President of Yamato Logistics Co., Ltd.	Jun. 2022	Representative Director, Executive Officer and Vice President of Yamato Transport Co., Ltd. (current)
May 2006	Regional Branch Manager of Kita Tokyo Regional Branch of Yamato Transport Co., Ltd.	Apr. 2021	Senior Managing Executive Officer of Yamato Transport Co., Ltd.		
Apr. 2011	General Manager of Corporate Sales Division of Yamato Transport Co., Ltd.	Feb. 2022	Senior Managing Executive Officer of the Company		

#### Toshizo Kurisu

Representative Director,  
Executive Officer and Vice President

Apr. 1983	Joined the Company	Mar. 2020	Managing Executive Officer of the Company
Jul. 1999	General Manager of Accounting Division of the Company	Apr. 2021	Senior Managing Executive Officer of Yamato Transport Co., Ltd.
Jun. 2002	General Manager of Finance Division of the Company	Feb. 2022	Executive Officer and Vice President of the Company
Apr. 2006	Executive Officer of the Company	Feb. 2022	Responsible for Finance, Public Relations and Digital of the Company
Apr. 2012	Representative Director, Executive Officer and President of Yamato Financial Co., Ltd.	Feb. 2022	Representative Director, Executive Officer and Vice President of Yamato Transport Co., Ltd. (current)
Apr. 2017	Representative Director and Senior Managing Executive Officer of Yamato Transport Co., Ltd.	Jun. 2022	Representative Director, Executive Officer and Vice President of the Company (current)
Apr. 2019	Representative Director, Executive Officer and President of Yamato Transport Co., Ltd.		

### Outside Directors

#### Mariko Tokuno

Outside Director

Jan. 1994	Joined Louis Vuitton Japan KK	Sep. 2013	Representative Director, President and CEO of Ferragamo Japan KK
Apr. 2002	Senior Director for Sales Administration	Jun. 2017	Director of the Company (current)
Mar. 2004	Vice President of Tiffany & Co. Japan Inc.		
Aug. 2010	Representative Director and President of Christian Dior Japan KK		

#### Shiro Sugata

Outside Director

Apr. 1972	Joined USHIO INC.	Jun. 2004	Representative Director and Corporate Executive Vice President
Jan. 1993	President of BLV LICHT- UND VAKUUMTECHNIK GmbH	Mar. 2005	President and CEO
Jun. 2000	Director and Corporate Senior Vice President of USHIO INC.	Oct. 2014	Director and Corporate Advisor
Apr. 2004	Director and Corporate Executive Vice President	Jun. 2016	Corporate Advisor
		Jul. 2017	Special Corporate Advisor
		Jun. 2019	Director of the Company (current)

#### Charles Yin

Outside Director

Feb. 1990	Joined L3, Inc. (New York)	Jul. 2018	Executive Chairman (current)
Mar. 1992	Vice President	Jun. 2022	Director of the Company (current)
Sep. 1996	Joined Fuji Xerox Asia Pacific Pte. Ltd. (Singapore)		
Aug. 2007	CEO of Worldwide City Group (Hong Kong)		

#### Yoichi Kobayashi

Outside Director

Apr. 1973	Joined ITOCHU Corporation	Apr. 2011	Representative Director and Executive Vice President
Jun. 2004	Executive Officer	Apr. 2015	Senior Advisor
Apr. 2006	Managing Executive Officer	Apr. 2016	Vice Chairman
Jun. 2006	Representative Executive Managing Director	Jun. 2018	Director of the Company (current)
Apr. 2008	Representative Senior Managing Director		

#### Noriyuki Kuga

Outside Director

Apr. 1979	Joined Tokyo Electron Ltd.	Jun. 2007	Corporate Director and Executive Vice President
Apr. 2002	Vice President and General Manager	Jun. 2011	Senior Executive Vice President and Representative Director
Oct. 2004	President and Representative Director, Tokyo Electron BP Ltd.	Jun. 2016	Chairman of the Board
Oct. 2006	Executive Vice President of TOKYO ELECTRON DEVICE LIMITED	Jun. 2020	Director of the Company (current)

# Audit & Supervisory Board Members

As of June 23, 2023

## Management Team



Yoshihide Shimoyama

Ryuji Matsuda

Takashi Yamashita

Yoshito Shoji

Tsutomu Sasaki

### Takashi Yamashita

Outside Audit & Supervisory Board Member

Oct. 1983	Joined Asahi Accounting Company	Aug. 2014	Established Takashi Yamashita CPA Office, Representative (current)
Mar. 1987	Registered as a Certified Public Accountant	Jan. 2015	Registered as a Certified Tax Accountant
May 2003	Representative Partner of Asahi & Co. (currently: KPMG AZSA LLC)	Jun. 2017	Outside Audit & Supervisory Board Member of the Company (current)

### Ryuji Matsuda

Outside Audit & Supervisory Board Member

Apr. 1986	Registered as Attorney-at-Law and Certified Public Accountant	May 2012	Auditor of the Japan Federation of Bar Associations
Jun. 2007	Audit & Supervisory Board Member, SQUARE ENIX CO., LTD.	Apr. 2014	Auditor of ASAH GROUP ARTS FOUNDATION (current)
Jun. 2008	Audit & Supervisory Board Member, Seika Corporation	Jun. 2020	Outside Audit & Supervisory Board Member of the Company (current)

### Yoshihide Shimoyama

Outside Audit & Supervisory Board Member

Apr. 1976	Joined Nihon Cement Co., Ltd. (currently: Taiheiyo Cement Corporation)	Mar. 2008	President and Representative Director of Taiheiyo Consultant Co., Ltd.
Apr. 2006	General Manager of Technology Planning Department, Central Research Laboratory	Apr. 2015	Advisor
		Jun. 2020	Outside Audit & Supervisory Board Member of the Company (current)

### Tsutomu Sasaki

Full-time Audit & Supervisory Board Member

Apr. 1987	Joined the Company	Sep. 2018	Representative Director, Executive Officer and President of Yamato Logistics Co., Ltd.
Apr. 2005	General Manager of TA-Q-BIN Sales Division III	Apr. 2019	Managing Executive Officer of the Company
Jul. 2006	General Manager of Product Development Division of Yamato Transport Co., Ltd.	Mar. 2020	Representative Director and Senior Managing Executive Officer of Yamato Transport Co., Ltd.
Apr. 2007	General Manager of Manufacturer Solution Sales Division	Apr. 2021	Senior Managing Executive Officer of the Company
Apr. 2009	General Manager of Global Sales Division	Apr. 2021	Senior Managing Executive Officer of Yamato Transport Co., Ltd.
Apr. 2011	General Manager of Sales Strategy Division	Jun. 2022	Full-time Audit & Supervisory Board Member of the Company (current)
Apr. 2017	Executive Officer of the Company		

### Yoshito Shoji

Full-time Audit & Supervisory Board Member

Apr. 1980	Joined the Company	Apr. 2021	General Manager, Professional Service Function Division, Yamato Transport Co., Ltd.
Nov. 2007	General Manager of Finance Division, Yamato Transport Co., Ltd.	Apr. 2022	General Manager of Project Group, Finance Division
Apr. 2019	Managing Executive Officer	Jun. 2023	Full-time Audit & Supervisory Board Member of the Company (current)
Mar. 2020	Director and Managing Executive Officer, Yamato Management Services Co.		

# Management System

As of October 1, 2023

Yamato Holdings Co., Ltd. / Yamato Transport Co., Ltd.

— Serves at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd.  
— Yamato Holdings Co., Ltd. — Yamato Transport Co., Ltd.

### Executive Officer and President

Yutaka Nagao

### Executive Officer and Vice President

Toshizo Kurisu

Yasuharu Kosuge

### Senior Managing Executive Officer

Tomoki Otani (Responsible for ESG and Compliance)  
(Head of Sustainability, Legal and Risk Management, Safety and Internal Audit)

Shinji Makiura (Responsible for Corporate Finance)

Hiroshi Etani (Head of Sales and Global Strategy)

Akihiro Kazuma Head of Transport and Delivery Operation

### Managing Executive Officer

Atsushi Kashimoto (Responsible for Investor Relations)

Seichi Awa (Responsible for South Kanto region)

Tamaki Abe (Responsible for Tokyo region and Transport and Delivery Network Management)

Setsuko Nishida (Responsible for overseeing Digital)

Toshiyuki Nishide (Responsible for Kansai region)

Takanao Sugiura (Responsible for Business Development and CLOE)

Hiroshi Matsuda (Responsible for overseeing Transportation)

Masayuki Ishii (Responsible for overseeing Human Resource Management and Development)

### Executive Officer

Takeshi Arakawa (Responsible for Global Business Strategy)

Kazuki Watanabe (Responsible for Corporate Strategy)

Nobuyuki Ozawa (Responsible for Sales Promotion)

Koji Inamori (Responsible for Account Sales)

Suguru Nakanishi (Responsible for EC Account Sales)

Tetsuya Egashira (Responsible for Global Strategy)

Kong Jen Siang (Responsible for Asia Region Cross Border Transportation)

Yasuyuki Miyake (Responsible for Business Development)

Yasutoshi Shibasaki (Responsible for Transport and Delivery Control)

Tatsuya Suzuki (Responsible for Air Freight Operation Design)

Michiaki Okamoto (Responsible for Transport and Delivery Process Engineering)

Yoshihiro Hatano (Responsible for Transport and Delivery Operation System)

Norihiko Nakabayashi (Responsible for Transport and Delivery Data Processing Promotion)

Takeharu Ootomo (Responsible for Business Reform Project)

Takaaki Adachi (Responsible for Innovation Promotion)

Yuko Taguchi (Responsible for CX Design)

Yasushi Fukuda (Responsible for Green Innovation Development)

Yasuhiko Tamura (Responsible for Finance Projects)

Katsutoshi Masaoka (Responsible for Finance)

Yosuke Kudo (Responsible for Administrative Operation)

Yoshihisa Hosotani (Responsible for Corporate Communications)

Yoshiko Akiyama (Responsible for Sustainability Promotion)

Kazuhiro Shiozawa (Responsible for Legal and Risk Management)

Hiroyuki Mizushima (Responsible for North and South America region)

Masahiro Matsui (Responsible for Hokkaido region)

Shuji Yamauchi (Responsible for Tohoku region)

Kouei Fujisaki (Responsible for Northern Kanto region)

Takashi Ikeda (Responsible for Hokushinetsu region)

Atsushi Terasawa (Responsible for Chubu region)

Masato Kosaka (Responsible for Chugoku and Shikoku region)

Osamu Yamanaka (Responsible for Kyushu region)

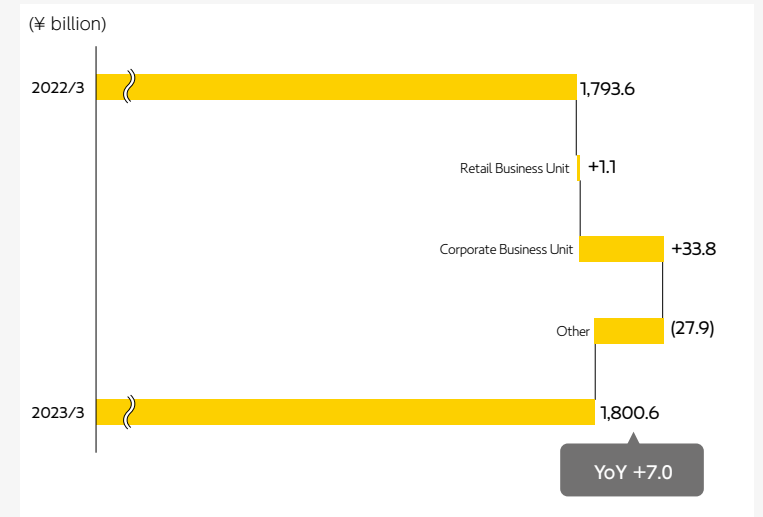


# Ten-Year Summary and Business Highlights

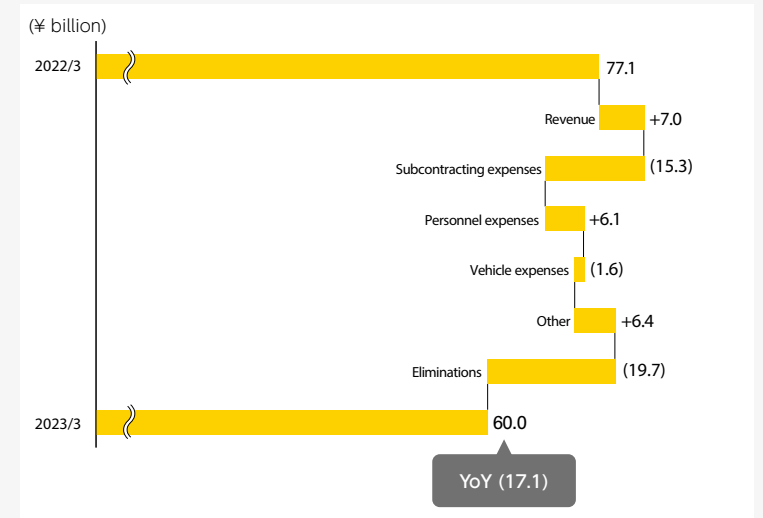
	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	Millions of Yen 2023/3	Thousands of U.S. Dollars 2023/3
<b>RESULTS OF OPERATIONS:</b>											
Operating revenues	1,374,610	1,396,708	1,416,413	1,466,852	1,538,813	1,625,315	1,630,146	1,695,867	1,793,618	1,800,668	\$13,485,121
Operating costs	1,274,470	1,290,714	1,306,200	1,385,492	1,452,485	1,513,988	1,526,102	1,538,524	1,654,085	1,687,241	12,635,674
Selling, general and administrative expenses	37,043	37,046	41,672	46,474	50,642	52,981	59,342	65,220	62,333	53,341	399,473
Operating profit	63,096	68,947	68,540	34,885	35,685	58,345	44,701	92,121	77,199	60,085	449,974
Profit before income taxes	65,882	69,157	68,078	33,037	33,123	52,258	44,581	91,759	81,040	56,815	425,489
Income taxes	31,003	31,554	28,414	14,672	14,435	26,308	21,678	34,825	23,968	11,393	85,327
Profit attributable to owners of parent	34,776	37,533	39,424	18,053	18,231	25,682	22,324	56,700	55,956	45,898	343,731
<b>PER SHARE OF COMMON STOCK:</b>											
Basic earnings	82.22	90.41	96.45	45.37	46.24	65.14	56.78	151.55	151.03	126.64	\$ 0.95
Diluted earnings	80.18	88.26	95.64	—	—	—	—	—	—	—	—
Cash dividends	24.00	25.00	28.00	27.00	27.00	28.00	41.00	46.00	46.00	46.00	0.34
Net assets per share	1,316.12	1,368.66	1,349.56	1,367.51	1,395.74	1,435.15	1,441.20	1,553.45	1,611.34	1,684.87	12.62
Stock price (closing), end of year	2,224	2,772	2,247	2,332.5	2,668.5	2,859	1,697	3,035	2,293	2,269	—
<b>FINANCIAL POSITION:</b>											
Working capital	179,999	209,171	235,884	214,661	164,599	139,834	134,072	139,010	128,037	139,888	\$ 1,047,618
Total shareholders' equity	551,379	565,521	537,821	539,179	550,307	565,841	555,173	576,367	590,542	610,380	4,571,115
Total assets	1,032,134	1,082,531	1,089,436	1,114,672	1,114,870	1,123,659	1,100,739	1,089,991	1,086,854	1,107,587	8,294,669
Capital expenditures	79,530	52,022	53,945	48,993	54,482	79,838	55,033	55,431	78,572	55,691	417,068
Depreciation and amortization	42,265	46,058	46,739	46,114	46,423	51,346	55,083	48,861	35,524	41,557	311,225
Net cash provided by operating activities	80,075	92,620	49,715	73,324	51,728	118,093	74,433	123,921	52,016	89,953	673,660
<b>KEY RATIOS:</b>											
Operating profit margin (%)	4.6	4.9	4.8	2.4	2.3	3.6	2.7	5.4	4.3	3.3	
Net margin (%)	2.5	2.7	2.8	1.2	1.2	1.6	1.4	3.3	3.1	2.5	
Return on assets (ROA) (%)	3.5	3.5	3.6	1.6	1.6	2.3	2.0	5.2	5.1	4.2	
Return on equity (ROE) (%)	6.4	6.7	7.1	3.4	3.3	4.6	4.0	10.0	9.6	7.6	
Current ratio (%)	151.8	158.6	167.8	157.7	141.7	134.1	132.8	135.7	136.3	140.6	
Shareholders' equity ratio (%)	53.4	52.2	49.4	48.4	49.4	50.4	50.4	52.9	54.3	55.1	
Asset turnover (Times)	1.4	1.3	1.3	1.3	1.4	1.5	1.5	1.5	1.6	1.6	
Interest coverage ratio (Times)	154.7	174.9	126.6	83.1	135.0	215.5	108.4	125.8	100.3	68.5	
Price earnings ratio (PER) (Times)	27.0	30.7	23.3	51.4	57.7	43.9	29.9	20.0	15.2	17.9	
Price book-value ratio (PBR) (Times)	1.7	2.0	1.7	1.7	1.9	2.0	1.2	2.0	1.4	1.3	
<b>NON-FINANCIAL DATA:</b>											
Number of employees	193,146	197,056	196,582	201,784	213,096	225,125	224,945	223,191	216,873	210,197	
Full-time	87,279	88,247	89,112	90,737	93,534	97,587	98,744	96,829	94,473	92,727	
Part-time	105,867	108,809	107,470	111,047	119,562	127,538	126,201	126,362	122,400	117,470	
Parcel delivery amount	1,665	1,622	1,698	1,800	1,758	1,668	1,627	1,803	1,890	1,926	
(Millions of parcels)	574	595	586	574	615	702	726	704	700	703	
Unit price (Yen)	—	—	32	67	78	135	172	293	384	413	
Kuroneko DM-Bin handling volume	—	—	171	171	181	191	201	195	190	189	
(Millions of units)	2,084	1,901	1,536	1,542	1,464	1,211	987	826	824	800	
Unit price (Yen)	61	61	57	55	56	60	65	67	67	67	

Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥133.53 to U.S.\$1.  
 Note: TA-Q-BIN includes TA-Q-BIN, TA-Q-BIN Compact, and EAZY.  
 On March 31, 2015, we ceased accepting items for Kuroneko Mail Service and from April 1 launched Kuroneko DM-Bin.

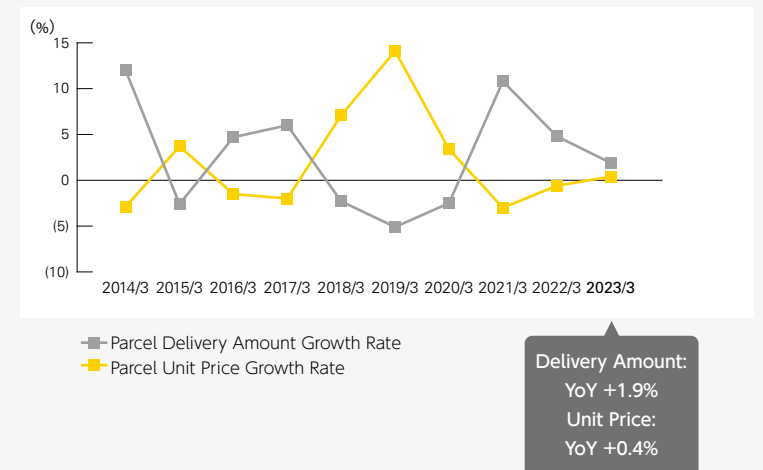
## Analysis of Operating Revenues



## Analysis of Operating Profit



## YoY Growth Rates of Parcel Delivery Amount and Unit Price



# Consolidated Balance Sheet

March 31, 2023

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 2.e and 16)	¥ 185,374	¥ 182,645	\$ 1,388,254
Notes and accounts receivable, and contract assets (Notes 16 and 17):			
Trade	216,251	218,923	1,619,494
Installment (Note 6)	50,509	48,055	378,262
Allowance for doubtful accounts	(1,474)	(1,457)	(11,039)
Inventories (Note 7)	2,580	2,216	19,324
Prepaid expenses and other current assets	31,407	30,463	235,204
Total current assets	484,647	480,845	3,629,499
<b>PROPERTY, PLANT AND EQUIPMENT—At cost:</b>			
Land	179,811	179,651	1,346,601
Buildings and structures	381,219	376,844	2,854,930
Vehicles	196,141	197,105	1,468,888
Machinery and equipment	133,693	135,149	1,001,222
Leased assets (Note 15)	47,257	39,653	353,909
Construction in progress	12,379	3,165	92,706
Others	5,124	2,471	38,370
Total	955,624	934,038	7,156,626
Accumulated depreciation	(512,607)	(504,159)	(3,838,891)
Net property, plant and equipment	443,017	429,879	3,317,735
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 8 and 16)	32,236	33,942	241,415
Investments in and advances to unconsolidated subsidiaries and affiliates, net of valuation allowance of ¥482 million (\$3,607 thousand) in 2023 and ¥439 million in 2022 (Note 16)	13,173	17,882	98,653
Long-term loans	2,126	1,872	15,921
Software	38,150	38,588	285,703
Lease deposits	22,318	20,519	167,137
Deferred tax assets (Note 14)	64,292	54,198	481,478
Other assets (Notes 2.k and 11)	7,628	9,130	57,128
Total investments and other assets	179,923	176,131	1,347,435
<b>TOTAL</b>	<b>¥1,107,587</b>	<b>¥1,086,855</b>	<b>\$ 8,294,669</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 10 and 16)	¥ 10,000	¥ 15,000	\$ 74,890
Current portion of long-term debt (Notes 10 and 16)	5,415	4,850	40,554
Notes and accounts payable:			
Trade	160,766	165,346	1,203,971
Other	10,463	18,440	78,357
Income taxes payable	16,912	14,396	126,651
Accrued expenses	80,849	81,905	605,475
Deferred profit on installment sales (Notes 6 and 16)	4,798	4,714	35,929
Other current liabilities (Notes 12 and 17)	55,556	48,156	416,054
Total current liabilities	344,759	352,807	2,581,881
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 10 and 22)	32,859	26,038	246,078
Liability for employees' retirement benefits (Notes 2.k and 11)	98,295	94,142	736,127
Deferred tax liabilities (Note 14)	482	1,914	3,613
Other long-term liabilities (Note 12)	14,762	13,720	110,551
Total long-term liabilities	146,398	135,814	1,096,369
<b>COMMITMENTS LIABILITIES</b> (Note 15)			
<b>EQUITY</b> (Notes 13 and 22):			
Common stock—authorized, 1,787,541,000 shares in 2023 and 2022; issued, 379,824,892 shares in 2023 and 388,575,592 shares in 2022	127,235	127,235	952,856
Capital surplus	36,839	36,813	275,886
Retained earnings	473,892	464,495	3,548,955
Treasury stock—at cost, 17,552,067 shares in 2023 and 22,084,421 shares in 2022	(39,836)	(49,552)	(298,327)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	9,280	11,499	69,500
Foreign currency translation adjustments	1,782	(513)	13,343
Remeasurements of defined employees' retirement benefit plans (Notes 2.k and 11)	1,189	566	8,902
Total	610,381	590,543	4,571,115
Non-controlling interests	6,049	7,691	45,304
Total equity	616,430	598,234	4,616,419
<b>TOTAL</b>	<b>¥1,107,587</b>	<b>¥1,086,855</b>	<b>\$8,294,669</b>



# Consolidated Statement of Income

Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>OPERATING REVENUES</b> (Note 17)	<b>¥1,800,668</b>	¥1,793,618	<b>\$13,485,121</b>
<b>OPERATING COSTS AND EXPENSES:</b>			
Operating costs	<b>1,687,242</b>	1,654,085	<b>12,635,674</b>
Selling, general and administrative expenses	<b>53,341</b>	62,333	<b>399,473</b>
Total operating costs and expenses	<b>1,740,583</b>	1,716,418	<b>13,035,147</b>
Operating profit	<b>60,085</b>	77,200	<b>449,974</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	<b>1,915</b>	1,562	<b>14,341</b>
Interest expense	<b>(905)</b>	(786)	<b>(6,777)</b>
Loss on sales and disposal of property, plant and equipment—net	<b>(404)</b>	(361)	<b>(3,027)</b>
Loss on impairment of long-lived assets (Note 9)	<b>(1,995)</b>	(2,420)	<b>(14,938)</b>
Gain on sales of investment securities—net (Note 8)	<b>1,966</b>	14,431	<b>14,723</b>
Loss on sales of shares of subsidiaries and affiliates—net		(2,222)	
Loss on valuation of investment securities (Note 8)	<b>(2)</b>	(49)	<b>(17)</b>
(Loss) gain on investments in investment partnerships	<b>(257)</b>	4,510	<b>(1,927)</b>
Share of loss of entities accounted for using equity method	<b>(4,159)</b>	(243)	<b>(31,144)</b>
Provision of allowance for doubtful accounts in unconsolidated subsidiaries and affiliates	<b>(27)</b>	(57)	<b>(204)</b>
Gain on liquidation of subsidiaries		1,210	
Gain on transition of retirement benefit plan (Note 11)		1,420	
Loss on revision of retirement benefit plan (Note 11)		(14,999)	
Dismantlement expenses	<b>(754)</b>		<b>(5,645)</b>
Other—net	<b>1,353</b>	1,844	<b>10,130</b>
Other (expenses) income—net	<b>(3,269)</b>	3,840	<b>(24,485)</b>
<b>PROFIT BEFORE INCOME TAXES</b>	<b>56,816</b>	81,040	<b>425,489</b>
<b>INCOME TAXES</b> (Note 14):			
Current	<b>23,018</b>	29,293	<b>172,376</b>
Deferred	<b>(11,624)</b>	(5,325)	<b>(87,049)</b>
Total income taxes	<b>11,394</b>	23,968	<b>85,327</b>
<b>PROFIT</b>	<b>45,422</b>	57,072	<b>340,162</b>
<b>(LOSS) PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>(476)</b>	1,116	<b>(3,569)</b>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF PARENT</b>	<b>¥ 45,898</b>	¥ 55,956	<b>\$ 343,731</b>

	Yen		U.S. Dollars (Note 1)
	2023	2022	2023
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.q and 19):			
Basic earnings	<b>¥126.64</b>	¥151.03	<b>\$0.95</b>
Cash dividends applicable to the year	<b>46.00</b>	46.00	<b>0.34</b>

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>PROFIT</b>	<b>¥45,422</b>	¥57,072	<b>\$340,162</b>
<b>OTHER COMPREHENSIVE INCOME</b> (Note 18):			
Unrealized loss on available-for-sale securities	<b>(2,223)</b>	(5,415)	<b>(16,644)</b>
Foreign currency translation adjustments	<b>2,292</b>	794	<b>17,168</b>
Remeasurements of defined employees' retirement benefit plans	<b>677</b>	(5,283)	<b>5,070</b>
Share of other comprehensive income of entities accounted for using equity method	<b>(54)</b>	108	<b>(407)</b>
Total other comprehensive income (loss)	<b>692</b>	(9,796)	<b>5,187</b>
<b>COMPREHENSIVE INCOME</b>	<b>¥46,114</b>	¥47,276	<b>\$345,349</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of parent	<b>¥46,597</b>	¥47,210	<b>\$348,968</b>
Non-controlling interests	<b>(483)</b>	66	<b>(3,619)</b>

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2023

	Thousands					Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity
						Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, APRIL 1, 2021	371,025	¥127,235	¥36,813	¥431,572	¥(39,549)	¥15,884	¥(1,317)	¥ 5,730	¥576,368	¥ 7,919	¥584,287
Cumulative effects of changes in accounting policies				(3,343)					(3,343)	(229)	(3,572)
RESTATED BALANCE		127,235	36,813	428,229	(39,549)	15,884	(1,317)	5,730	573,025	7,690	580,715
Profit attributable to owners of parent				55,956					55,956		55,956
Cash dividends, ¥53 per share				(19,690)					(19,690)		(19,690)
Purchase of treasury stock	(4,534)				(10,003)				(10,003)		(10,003)
Disposal of treasury stock											
Net change in the year						(4,385)	804	(5,164)	(8,745)	1	(8,744)
BALANCE, MARCH 31, 2022	366,491	127,235	36,813	464,495	(49,552)	11,499	(513)	566	590,543	7,691	598,234
Profit attributable to owners of parent				45,898					45,898		45,898
Cash dividends, ¥46 per share				(16,784)					(16,784)		(16,784)
Purchase of treasury stock	(4,218)				(10,001)				(10,001)		(10,001)
Disposal of treasury stock											
Retirement of treasury stock				(19,717)	19,717						
Change in equity related to transaction with non-controlling shareholders			26						26		26
Net change in the year						(2,219)	2,295	623	699	(1,642)	(943)
BALANCE, MARCH 31, 2023	362,273	¥127,235	¥36,839	¥473,892	¥(39,836)	¥ 9,280	¥ 1,782	¥ 1,189	¥610,381	¥ 6,049	¥616,430

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity
					Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, MARCH 31, 2022	\$952,856	\$275,693	\$3,478,579	\$(371,089)	\$ 86,114	\$(3,844)	\$4,238	\$4,422,547	\$ 57,597	\$4,480,144
Profit attributable to owners of parent			343,731					343,731		343,731
Cash dividends, \$0.34 per share			(125,693)					(125,693)		(125,693)
Purchase of treasury stock				(74,903)				(74,903)		(74,903)
Disposal of treasury stock				2				2		2
Retirement of treasury stock		(1)	(147,662)	147,663						
Change in equity related to transaction with non-controlling shareholders		194						194		194
Net change in the year					(16,614)	17,187	4,664	5,237	(12,293)	(7,056)
BALANCE, MARCH 31, 2023	\$952,856	\$275,886	\$3,548,955	\$(298,327)	\$ 69,500	\$13,343	\$8,902	\$4,571,115	\$ 45,304	\$4,616,419

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 56,816	¥ 81,040	\$ 425,489
Adjustments for:			
Income taxes—paid	(21,160)	(46,738)	(158,468)
Depreciation and amortization	41,626	35,570	311,737
Loss on sales and disposal of property, plant and equipment—net	404	361	3,027
Loss on impairment of long-lived assets	1,995	2,420	14,938
Gain on sales of investment securities—net	(1,966)	(14,431)	(14,723)
Loss on sales of shares of subsidiaries and affiliates—net		2,222	
Loss on valuation of investment securities	2	49	17
Share of loss of entities accounted for using equity method	4,159	243	31,144
Changes in assets and liabilities, net of effects from previously consolidated subsidiaries:			
Decrease (increase) in notes and accounts receivable	1,234	(13,434)	9,244
(Increase) decrease in inventories	(357)	144	(2,672)
(Decrease) increase in notes and accounts payable	(5,259)	11,537	(39,387)
Increase in liability for employees' retirement benefits	4,634	21,823	34,703
Other—net	7,826	(28,789)	58,611
Total adjustments	33,138	(29,023)	248,171
Net cash provided by operating activities	89,954	52,017	673,660
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	1,391	348	10,419
Purchases of property, plant and equipment	(35,435)	(40,779)	(265,374)
Proceeds from sales of investment securities	2,787	18,638	20,874
Purchases of investment securities	(1,752)	(5,690)	(13,120)
Decrease in investments in and advances to unconsolidated subsidiaries and affiliates	3,068	1,423	22,974
Payment for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 21)		(7,313)	
Collection of loans	1,210	1,259	9,061
Payment of loans	(1,375)	(1,466)	(10,302)
Other	(19,314)	(25,363)	(144,640)
Net cash used in investing activities	(49,420)	(58,943)	(370,108)
FINANCING ACTIVITIES:			
Repayments of short-term debt—net	(10,690)	(10,663)	(80,052)
Repayments of long-term debt		(14,000)	
Dividends paid	(17,151)	(19,741)	(128,446)
Purchase of treasury stock—net	(10,025)	(10,057)	(75,079)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	19		140
Purchase of shares of subsidiaries not resulting in change in scope of consolidation (Note 5)	(778)		(5,824)
Other	7	5	56
Net cash used in financing activities	(38,618)	(54,456)	(289,205)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	706	701	5,286
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,622	(60,681)	19,633
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	180,604	241,285	1,352,534
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.e)	¥183,226	¥180,604	\$1,372,167
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Newly recorded assets related to lease transactions	¥ 11,386	¥ —	\$ 85,267
Newly recorded liabilities related to lease transactions	11,797		88,344

\*The amounts of newly recorded assets and liabilities related to lease transactions for the fiscal year ended March 31, 2022, are omitted due to immateriality.



# Notes to Consolidated Financial Statements

Year Ended March 31, 2023

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2022 consolidated financial statements to conform them to the classifications and presentations used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Holdings Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to \$1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a. Consolidation*—The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 29 (30 in 2022) significant subsidiaries (together, the “Group”).

Effective from the fiscal year ended March 31, 2023, Yamato Web Solutions Co., Ltd. has been excluded from the scope of consolidation due to absorption-type mergers in which Yamato System Development Co., Ltd. is the surviving company.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The unconsolidated subsidiaries, whose combined assets, net sales, profit and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

There were 24 (22 in 2022) affiliates accounted for by the equity method.

Effective from the fiscal year ended March 31, 2023, Sweetmag Solutions (M) Sdn. Bhd. and one other company have been included in the scope of equity method due to GDEX BHD., an affiliate accounted for using equity method, newly acquiring their shares.

Investments in the unconsolidated subsidiaries and several affiliates not accounted for by equity method are stated at cost, less a valuation allowance representing possible losses on the investments that are deemed to be other than temporary. If the equity method of accounting had been applied to the investments in such companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

*b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—

Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that profit is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of

an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

*c. Unification of Accounting Policies Applied to Foreign Affiliated Companies for the Equity Method*—ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments,” requires adjustments to be made to conform the affiliate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate’s financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that profit is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign affiliate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

*d. Revenue Recognition*—Principal performance obligations in the principal businesses relating to revenues recognized from contracts with customers in the Group and the normal timing of satisfaction of performance obligation (the normal timing of recognizing revenues) are as follows:

*(1) Retail Business Unit*

Retail Business Unit mainly provides small-parcel delivery services such as TA-Q-BIN. In this service, the Group provides a service to collect and deliver cargoes at the customer’s request based on a contract with the customer, and revenue from this service is recognized in accordance with satisfaction of performance obligations measured by the progress of delivery, because other companies are not required to perform the transportation process that has already been performed, even if delivery to the designated delivery destination cannot be completed.

*(2) Corporate Business Unit*

In addition to the same transportation services as Retail Business Unit, Corporate Business Unit provides logistics support services, such as cargo storage and logistics services for inbound and outbound shipments, in order to provide value to the entire supply chain of its customers. The Group provides logistics support services, which include the collection, storage, packing, and delivery of cargo based on contracts with customers, and recognizes each contractually agreed-upon process as a performance obligation, and recognizes revenue for each process under contract in accordance with satisfaction of performance obligations measured by the progress of the work, as the customer receives the economic benefit of the work as it progresses.

*e. Cash Equivalents*—Cash equivalents in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents in the consolidated statement of cash flows include time deposits, certificates of deposit, and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

The difference between cash and cash equivalents in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Cash and cash equivalents presented in the consolidated balance sheet	¥185,374	¥182,645	\$1,388,254
Time deposits due beyond three months	(2,148)	(2,041)	(16,087)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥183,226	¥180,604	\$1,372,167

*f. Inventories*—Inventories are stated at the lower of cost determined by the first-in, first-out method or net selling value.

Notes to Consolidated Financial Statements

*g. Investment Securities*—Investment securities are classified and accounted for, depending on management’s intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2023 and 2022.

Equity securities with no market price and investments in capital are stated at cost determined by the moving-average method.

Investments in the limited partnership for investment partnerships and similar partnerships, which are deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act are stated at net amount of equity interest in the partnership based on the most recent financial statements available according to the reporting date stipulated in the partnership agreement.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

*h. Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment excluding leased assets is computed by the straight-line method. Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

The range of useful lives is principally as follows:

Buildings and structures	7–60 years
Vehicles	2– 7 years
Machinery and equipment	2–20 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

*i. Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

*j. Other Assets*—Amortization of intangible assets is computed by the straight-line method.

Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

*k. Retirement and Pension Plans*—The Company and consolidated subsidiaries mainly have contributory trusted pension plans and unfunded retirement benefit plans. In addition, defined contribution retirement plans were introduced along with these defined benefit retirement plans.

In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to service performed up to the end of the current fiscal year.

Past service costs are recognized in profit or loss in full in the fiscal year in which it arises. Actuarial gains and losses are amortized on a straight-line basis over a period within the average remaining service period of the eligible employees (mainly five years) on and after the fiscal year following the fiscal year in which it arises.

Actuarial gains and losses are recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status is recognized as a liability or asset.

*l. Asset Retirement Obligations*—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as reconciliation to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

*m. Leases*—For a lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

For a lessor, all finance leases that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

*n. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and certain domestic consolidated subsidiaries will transition from the non-consolidated taxation system to the Japanese Group Relief System because they submitted the application for the Japanese Group Relief System during fiscal year ended March 31, 2023 and the approval was granted at April 1, 2023. In addition, the Company has adopted the ASBJ PITF No. 42, “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” with respect to the accounting treatment and disclosure related to tax effect accounting for national and local corporate income taxes from the end of the fiscal year ended March 31, 2023.

*o. Foreign Currency Transactions*—All short and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

*p. Foreign Currency Financial Statements*—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

*q. Per Share Information*—Basic earnings per share is computed by dividing profit attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

For the years ended March 31, 2023 and 2022, diluted earnings per share is not disclosed because the Company had no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

*r. Accounting Changes and Error Corrections*—Under ASBJ Statement No. 24, “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections,” accounting treatments are required as follows:



Notes to Consolidated Financial Statements

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

s. *Performance-Based Share Remuneration Plan “Board Benefit Trust (BBT)”*—The Company has introduced a performance-based share remuneration plan “Board Benefit Trust (BBT)” for the directors (except for outside directors) and executive officers who do not concurrently serve as directors of the Company (“Officers”). This plan purports to further enhance the connection between Officers’ remuneration and performance and share value of the Company, and raise their motivation to make contributions to increase the Company’s long-term performance and corporate value by sharing not only the benefits of a rise in share prices but also the risk of a decline in share prices with shareholders.

The Plan is a performance-based share remuneration plan in which the trust acquires the Company’s shares using money contributed by the Company as the source of funds, and Officers are provided with the Company’s shares and cash equivalent to the market value of the Company’s shares (“Shares of the Company”) through the trust in accordance with “Regulation for Benefit of Shares to Officers” established by the Company. As a general rule, Officers shall be entitled to receive Shares of the Company at the time of retirement.

The Company applies the same accounting method as stipulated in the ASBJ PITF No.30, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employee etc. through Trusts.”

The book value (excluding incidental costs) of the Company’s shares held by the trust bank is accounted for as treasury stock in the equity section of the Company’s consolidated balance sheet. The book value and number of treasury stock held by the trust bank at March 31, 2023 and 2022, were both ¥1,376 million (\$10,308 thousand) and 483,700 shares, respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Impairment of Long-Lived Assets

Amount recorded in the consolidated financial statements for the current fiscal year based on accounting estimates that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Property, plant and equipment	¥443,017	¥429,879	\$3,317,735
Intangible assets	43,759	45,646	327,712

In cases where there are indications that an asset may be impaired, an impairment test is performed based on the future cash flows generated by the asset. The cash-generating unit, which is used to determine whether it is necessary for an asset to recognize impairment loss, is the smallest unit in an asset group generating cash inflows generally independent of cash inflows from other assets or asset groups. The criteria of the asset groups are the management accounting classification and the unit used for investment decision making. In Yamato Transport Co., Ltd., the four businesses of Retail, Corporate, Global SCM, and EC were grouped as the smallest cash flow generating units, and assets associated with the Transportation division and the Head Office division were classified as common assets. Because the Retail Business Unit holds most of the above property, plant and equipment and intangible assets, the undiscounted future cash flows used in determining recognition of impairment losses on those assets of the business are based on future management plans that include significant assumptions, such as the unit price and the transaction volume of TA-Q-BIN. These assumptions may have a material impact on the consolidated financial statements for the following fiscal year and thereafter if it becomes necessary for them to be reconsidered due to uncertain economic conditions and the operating conditions of the Group.

4. ADDITIONAL INFORMATION

Dissolution and Liquidation of Subsidiaries

At the meeting held on February 17, 2023, the Board of Directors of the Company resolved to liquidate its consolidated subsidiaries, YAMATO ASIA PTE. LTD. and YAMATO INVESTMENT (HONG KONG) LIMITED.

Reasons for dissolution and liquidation

The Company decided to liquidate YAMATO ASIA PTE. LTD. and YAMATO INVESTMENT (HONG KONG) LIMITED. The Company judged that reorganizing the current management structure based on previous overseas governance by abolishing intermediate holding companies was necessary. The purpose of liquidation is to reconstruct an appropriate governance framework that aligns with business scale, characteristics, country and region-specific factors, and the growth stage of overseas business.

Name, business and ownership of subsidiaries

Name: YAMATO ASIA PTE. LTD.  
Business: Management of regional business in Southeast Asia, business development and market research  
Ownership: 100% owned by the Company

Name: YAMATO INVESTMENT (HONG KONG) LIMITED  
Business: Management of regional business in East Asia, business development and market research  
Ownership: 100% owned by the Company

Schedule of dissolution and liquidation

Board of Directors Resolution (the Company): February 17, 2023  
Extraordinary Meeting of Shareholders (companies involved): August 2023 (planned)  
Conclusion of liquidation: October 2023 (planned)

Financial situation of the subsidiaries

YAMATO ASIA PTE. LTD.  
Net assets: ¥3,676 million (\$27,527 thousand)  
Total assets: ¥3,768 million (\$28,216 thousand)  
Total liabilities: ¥92 million (\$689 thousand)

YAMATO INVESTMENT (HONG KONG) LIMITED  
Net assets: ¥6,172 million (\$46,223 thousand)  
Total assets: ¥6,176 million (\$46,252 thousand)  
Total liabilities: ¥4 million (\$29 thousand)

Effect on profit or loss due to the dissolution and liquidation

The effect caused by expenses arising from the dissolution and liquidation of the subsidiaries on profit or loss is immaterial.

Significant effect on operating activities due to the dissolution and liquidation

The effect caused by the dissolution and liquidation of the subsidiaries on operating activities is immaterial.

Notes to Consolidated Financial Statements

5. BUSINESS COMBINATIONS

Transactions under Common Control

a. Absorption-type Merger among Consolidated Subsidiaries

At the meeting held on January 20, 2022, the Board of Directors of the Company resolved to conclude contracts involving the absorption-type merger between Yamato System Development Co., Ltd. and Yamato Web Solutions Co., Ltd., which are consolidated subsidiaries of the Company, and they implemented the absorption-type merger on April 1, 2022.

1. Outline of Business Combination

(1) Absorption-type merger in which Yamato System Development Co., Ltd. is the surviving company

Name and business of the companies involved in the business combination

Surviving company

Name: Yamato System Development Co., Ltd. (“YSD”)  
Business: Research, development, information provision and consulting services for computer-based systems  
Operation and management of information processing services and computer systems and related services

Dissolving company

Name: Yamato Web Solutions Co., Ltd. (“YWS”)  
Business: Worker dispatch services  
Fee-based employment placement services  
Research, development, information provision and consulting services for computer-based systems

Date of the business combination

April 1, 2022 (effective date)

Legal form of the business combination

Absorption-type merger with YWS as the dissolving company and YSD as the surviving company

Name of the company after the business combination

The name did not change.

(2) Outline and purpose of business combination

The purpose of the business combination is to improve growth potential of the business by further utilizing business resources and optimizing the professional personnel in the IT department through the absorption-type merger with YSD and YWS. YSD is responsible for the IT functions of the Yamato Group, and YWS provides design, construction, operation of website, and staffing services.

2. Outline of Accounting Treatment

The transaction was accounted under common control in accordance with ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” and ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures.”

b. Additional Acquisition of Shares of Subsidiary

On September 26, 2022, the Company made Yamato Dialogue & Media Co., Ltd., which is a consolidated subsidiary of the Company, a wholly-owned subsidiary through additional acquisition of shares of Yamato Dialogue & Media Co., Ltd. held by DHL eCommerce Japan K.K.

1. Outline of Business Combination

Name and business of the company involved in the business combination

Name: Yamato Dialogue & Media Co., Ltd.  
Business: Various businesses related to direct marketing

Date of the business combination

September 26, 2022 (effective date)

Legal form of the business combination

Acquisition of shares from non-controlling shareholders

Name of the company after the business combination

The name did not change.

Outline and purpose of business combination

The purpose of the business combination is to enhance growth potential of the business by increasing the efficiency of the managing process through making Yamato Dialogue & Media Co., Ltd. a wholly-owned subsidiary.

2. Outline of Accounting Treatment

The transaction was accounted for as a transaction with non-controlling shareholder of transactions under common control in accordance with ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” and ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures.”

3. Matters related to Additional Acquisition of Shares of Subsidiary

Acquisition cost and the breakdown are as follows:

Acquisition consideration:	Cash and cash equivalents	¥613 million (\$4,587 thousand)
Total acquisition cost:		¥613 million (\$4,587 thousand)

4. Change in Equity related to Transaction with Non-controlling Shareholders

Main reason for the change in capital surplus

Additional acquisition of shares of subsidiary

Increase in capital surplus by transaction with non-controlling shareholders

¥23 million (\$170 thousand)

6. INSTALLMENT RECEIVABLES

Sales recorded on the installment basis were 0.2% of operating revenues in both 2023 and 2022.

Annual maturities of installment receivables at March 31, 2023, and related amortization of deferred profit on installment sales are as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2024	¥22,182	¥2,020	\$166,121	\$15,125
2025	10,876	1,150	81,451	8,616
2026	6,685	598	50,066	4,479
2027	3,838	324	28,742	2,424
2028	2,147	191	16,080	1,427
2029 and thereafter	4,781	515	35,802	3,858
Total	¥50,509	¥4,798	\$378,262	\$35,929



## Notes to Consolidated Financial Statements

## 7. INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Merchandise	¥ 169	¥ 187	\$ 1,265
Work in process	322	167	2,412
Raw materials and supplies	2,089	1,862	15,647
Total	¥2,580	¥2,216	\$19,324

## 8. INVESTMENT SECURITIES

Investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Non-current:			
Marketable equity securities	¥21,001	¥21,562	\$157,274
Non-marketable equity securities	3,759	3,813	28,154
Other	7,476	8,567	55,987
Total	¥32,236	¥33,942	\$241,415

Information regarding each category of the securities classified as available-for-sale at March 31, 2023 and 2022, is as follows:

	Millions of Yen			
	2023			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥10,807	¥10,448	¥254	¥21,001
	Millions of Yen			
	2022			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥10,643	¥11,572	¥653	¥21,562
	Thousands of U.S. Dollars			
	2023			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$80,933	\$78,242	\$1,901	\$157,274

Information for available-for-sale securities, which were sold during the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	¥2,787	¥1,970	¥4
Other			
Total	¥2,787	¥1,970	¥4
	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2022			
Available-for-sale:			
Equity securities	¥18,638	¥14,431	¥—
Other			
Total	¥18,638	¥14,431	¥—

March 31, 2023	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$20,870	\$14,757	\$34
Other	4		
Total	\$20,874	\$14,757	\$34

Loss on valuation of available-for-sale securities for the years ended March 31, 2023 and 2022, were ¥2 million (\$17 thousand) and ¥49 million, respectively.

## 9. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2023 and 2022. Upon review, due to no future use, continuous operating losses of those units or significant declines in market prices, the Group recognized an impairment loss of ¥1,995 million (\$14,938 thousand) as other expense for the asset groups of Credit Card Payment Business Unit of Yamato Credit Finance Co., Ltd. and 4 other asset groups for the year ended March 31, 2023, and ¥2,420 million as other expense for the asset groups of the head office and the Tokyo Regional Branch of Yamato Home Convenience Co., Ltd. and 6 other asset groups for the year ended March 31, 2022. The carrying amounts of the relevant asset groups were written down to their recoverable amounts. In the case where the net selling prices were used as recoverable amounts, idle assets were evaluated at zero, and the relevant asset groups other than idle assets were evaluated mainly based on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices. In the case where the recoverable amounts were measured at their value in use, the discount rates used for computation of present value of future cash flows for the years ended March 31, 2023 and 2022, were mainly 5.29% and 5.23%, respectively.

## 10. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2023 and 2022, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2023 and 2022, were approximately 0.047% and 0.055%, respectively.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Lease obligations	¥38,274	¥30,888	\$286,632
Total	38,274	30,888	286,632
Less current portion	(5,415)	(4,850)	(40,554)
Total	¥32,859	¥26,038	\$246,078

Annual maturities of long-term debt at March 31, 2023, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 5,415	\$ 40,554
2025	4,983	37,316
2026	3,731	27,937
2027	2,885	21,608
2028	2,083	15,601
2029 and thereafter	19,177	143,616
Total	¥38,274	\$286,632

## Notes to Consolidated Financial Statements

### 11. RETIREMENT AND PENSION PLANS

The Group has defined benefit retirement plans and defined contribution retirement plans for employees.

The defined benefit retirement plans provide, under most circumstances, that employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages exceeding the standard retirement age.

#### (1) Defined Benefit Retirement Plans

The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	<b>¥151,477</b>	¥183,859	<b>\$1,134,407</b>
Service cost	<b>14,233</b>	14,317	<b>106,592</b>
Interest cost	<b>151</b>	169	<b>1,128</b>
Actuarial loss arising during the year	<b>169</b>	1,849	<b>1,266</b>
Retirement benefits paid	<b>(10,721)</b>	(9,901)	<b>(80,289)</b>
Past service cost arising during the year		14,999	
Decrease due to transition to defined contribution pension plans		(52,271)	
Decrease due to change in scope of consolidation		(1,544)	
Balance at end of year	<b>¥155,309</b>	¥151,477	<b>\$1,163,104</b>

The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	<b>¥57,351</b>	¥112,181	<b>\$429,500</b>
Expected return on plan assets	<b>574</b>	855	<b>4,295</b>
Actuarial gain arising during the year	<b>657</b>	1,334	<b>4,926</b>
Contributions from the employer	<b>2</b>	3,827	<b>14</b>
Retirement benefits paid	<b>(1,550)</b>	(2,034)	<b>(11,608)</b>
Decrease due to transition to defined contribution pension plans		(57,158)	
Decrease due to change in scope of consolidation		(1,654)	
Balance at end of year	<b>¥57,034</b>	¥ 57,351	<b>\$427,127</b>

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Defined benefit obligation of funded plan	<b>¥ 11,802</b>	¥ 12,935	<b>\$ 88,385</b>
Plan assets	<b>(57,034)</b>	(57,351)	<b>(427,127)</b>
	<b>(45,232)</b>	(44,416)	<b>(338,742)</b>
Defined benefit obligation of unfunded plan	<b>143,507</b>	138,542	<b>1,074,719</b>
Net liability arising from defined benefit obligation	<b>¥ 98,275</b>	¥ 94,126	<b>\$ 735,977</b>

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for employees' retirement benefits	<b>¥98,295</b>	¥94,142	<b>\$736,127</b>
Asset for employees' retirement benefits	<b>(20)</b>	(16)	<b>(150)</b>
Net liability arising from defined benefit obligation	<b>¥98,275</b>	¥94,126	<b>\$735,977</b>

The amount of the liability and asset for employees' retirement benefits that are offset individually by the Company and subsidiaries are combined.

The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	<b>¥14,233</b>	¥14,317	<b>\$106,592</b>
Interest cost	<b>151</b>	169	<b>1,128</b>
Expected return on plan assets	<b>(574)</b>	(855)	<b>(4,295)</b>
Recognized actuarial loss (gain)	<b>493</b>	(488)	<b>3,689</b>
Past service cost		14,999	
Gain on transition to defined contribution pension plans		(1,420)	
Others	<b>52</b>	(76)	<b>391</b>
Net periodic benefit costs	<b>¥14,355</b>	¥26,646	<b>\$107,505</b>

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined benefit retirement plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial gain (loss)	<b>¥981</b>	¥(7,510)	<b>\$7,349</b>
Total	<b>¥981</b>	¥(7,510)	<b>\$7,349</b>

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined benefit retirement plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gain	<b>¥1,387</b>	¥406	<b>\$10,390</b>
Total	<b>¥1,387</b>	¥406	<b>\$10,390</b>

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
General accounts	<b>58%</b>	57%
Debt investments	<b>22</b>	22
Others	<b>20</b>	21
Total	<b>100%</b>	100%

Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	<b>0.1%</b>	0.1%
Expected rate of return on plan assets	<b>1.0%</b>	1.0%

The expected rate of return on plan assets is determined on the basis of the distribution of plan assets, past performance of respective assets that make up investments of plan assets, and market trends.

#### (2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 2023 and 2022, were ¥10,796 million (\$80,849 thousand) and ¥6,886 million, respectively.



Notes to Consolidated Financial Statements

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	<b>¥9,928</b>	¥9,646	<b>\$74,347</b>
Additional provisions associated with the acquisition of property, plant and equipment	<b>23</b>	456	<b>168</b>
Reconciliation associated with passage of time	<b>104</b>	105	<b>779</b>
Reconciliation associated with changes in accounting estimates	<b>(7)</b>	(138)	<b>(51)</b>
Reduction associated with settlement of asset retirement obligations	<b>(449)</b>	(138)	<b>(3,362)</b>
Others	<b>10</b>	(3)	<b>77</b>
Balance at end of year	<b>¥9,609</b>	¥9,928	<b>\$71,958</b>

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement at the beginning of the year would change. A reconciliation has been prepared for the change, which resulted in a decrease of the asset retirement obligation for the years ended March 31, 2023 and 2022, by ¥7 million (\$51 thousand) and ¥138 million, respectively.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Accrued expenses	<b>¥ 11,197</b>	¥ 11,871	<b>\$ 83,856</b>
Legal welfare expense	<b>1,881</b>	1,970	<b>14,086</b>
Enterprise tax	<b>1,906</b>	1,958	<b>14,277</b>
Allowance for doubtful accounts	<b>526</b>	510	<b>3,938</b>
Tax loss carryforwards	<b>4,257</b>	3,656	<b>31,884</b>
Liability for employees' retirement benefits	<b>30,777</b>	29,229	<b>230,486</b>
Loss on valuation of land	<b>20,485</b>	20,485	<b>153,408</b>
Loss on impairment of long-lived assets	<b>4,242</b>	3,856	<b>31,771</b>
Loss on valuation of investment securities	<b>920</b>	1,062	<b>6,890</b>
Investments in subsidiaries and affiliates	<b>10,628</b>		<b>79,589</b>
Unrealized profit	<b>3,944</b>	3,812	<b>29,538</b>
Loss on valuation of telephone subscription rights	<b>394</b>	398	<b>2,947</b>
Other	<b>9,428</b>	8,679	<b>70,604</b>
Total tax loss carryforwards and temporary differences	<b>100,585</b>	87,486	<b>753,274</b>
Less valuation allowance for tax loss carryforwards	<b>(4,257)</b>	(3,651)	<b>(31,884)</b>
Less valuation allowance for temporary differences	<b>(24,585)</b>	(23,915)	<b>(184,109)</b>
Total valuation allowance	<b>(28,842)</b>	(27,566)	<b>(215,993)</b>
Deferred tax assets	<b>¥ 71,743</b>	¥ 59,920	<b>\$ 537,281</b>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	<b>¥ (2,703)</b>	¥ (2,756)	<b>\$ (20,248)</b>
Other	<b>(5,230)</b>	(4,880)	<b>(39,168)</b>
Deferred tax liabilities	<b>¥ (7,933)</b>	¥ (7,636)	<b>\$ (59,416)</b>
Deferred tax assets—net	<b>¥ 63,810</b>	¥ 52,284	<b>\$ 477,865</b>

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023, are as follows:

Year Ending March 31	Millions of Yen		
	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowances for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2024	<b>¥ 24</b>	<b>¥ (24)</b>	<b>¥—</b>
2025	<b>50</b>	<b>(50)</b>	
2026	<b>36</b>	<b>(36)</b>	
2027	<b>3</b>	<b>(3)</b>	
2028			
2029 and thereafter	<b>4,144</b>	<b>(4,144)</b>	
Total	<b>¥4,257</b>	<b>¥(4,257)</b>	<b>¥—</b>

Notes to Consolidated Financial Statements

Year Ending March 31	Thousands of U.S. Dollars		
	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowances for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2024	\$ 180	\$ (180)	\$—
2025	378	(378)	
2026	269	(269)	
2027	19	(19)	
2028			
2029 and thereafter	31,038	(31,038)	
Total	\$31,884	\$(31,884)	\$—

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, was as follows:

	2023
Normal effective statutory tax rate	30.6%
Per capita levy of local taxes	4.7
Difference of tax rates for foreign subsidiaries	(0.1)
Valuation allowance	(17.0)
Share of profit or loss of entities accounted for using equity method	2.2
Other—net	(0.3)
Actual effective tax rate	20.1%

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates for the year ended March 31, 2022, was omitted since the difference between both rates was less than 5% of the normal effective statutory tax rates.

15. LEASES

The Group leases certain buildings, cargo aircrafts, computer equipment and other assets as the lessee. Future rental payments under non-cancelable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 9,785	¥ 7,496	\$ 73,275
Due after one year	44,460	22,608	332,961
Total	¥54,245	¥30,104	\$406,236

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, in order to expand its business based on its investment plan to expand its network. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes but to manage exposure to interest fluctuation risk. Certain consolidated subsidiaries conduct installment sales operations.

(2) Nature and Extent of Risks Arising from Financial Instruments and the Risk Management for Financial Instruments

Receivables such as notes and accounts receivable and installment sales receivable are exposed to customer credit risk. Therefore, the Group minimizes customers' credit risk by monitoring collections and accrued receivables at due dates. Investment securities are mainly equity securities of the companies with which the Group has business relationships or capital alliances. Such securities are exposed to the risk of market price fluctuations. Most payment terms of payables such as notes and accounts payable are less than one year.

Short-term bank loans and long-term bank loans are mainly related to a financial business. Bank loans are mainly variable interest rate loans.

Accounts payable and bank loans exposed to liquidity risks are managed by each company of the Group, such as through fund settlement, bookkeeping, monitoring of the balances outstanding, and managing cash flows.

(3) Fair Value of Financial Instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, the fair value may change due to the adoption of different assumptions, etc.

Fair value of financial instruments at March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
Trade notes and accounts receivable, and contract assets	¥216,251		
Allowance for doubtful accounts	(261)		
	215,990	¥216,028	¥ 38
Installment sales receivable	50,509		
Allowance for doubtful accounts	(942)		
Deferred profit on installment sales	(4,798)		
	44,769	49,136	4,367
Available-for-sale securities	21,001	21,001	
Shares of affiliates	4,309	5,805	1,496
Liabilities:			
Short-term loans	10,000	10,000	

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
Trade notes and accounts receivable, and contract assets	¥218,923		
Allowance for doubtful accounts	(158)		
	218,765	¥218,777	¥ 12
Installment sales receivable	48,055		
Allowance for doubtful accounts	(936)		
Deferred profit on installment sales	(4,714)		
	42,405	46,956	4,551
Available-for-sale securities	21,562	21,562	
Shares of affiliates	6,668	10,127	3,459
Liabilities:			
Short-term loans	15,000	15,000	

March 31, 2023	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Assets:			
Trade notes and accounts receivable, and contract assets	\$1,619,494		
Allowance for doubtful accounts	(1,954)		
	1,617,540	\$1,617,824	\$ 284
Installment sales receivable	378,262		
Allowance for doubtful accounts	(7,060)		
Deferred profit on installment sales	(35,929)		
	335,273	367,974	32,701
Available-for-sale securities	157,274	157,274	
Shares of affiliates	32,271	43,476	11,205
Liabilities:			
Short-term loans	74,890	74,890	



Notes to Consolidated Financial Statements

Cash and cash equivalents are omitted because they are settled in a short period of time and their carrying amounts approximate fair value.

Trade notes and accounts receivable, and contract assets are presented after deducting allowances for doubtful accounts set up for trade notes and accounts receivable, and contract assets not settled in a short period of time.

Installment sales receivable is presented after deducting the relevant allowance for doubtful accounts and deferred profit on installment sales.

Equity securities with no market price and investments in capital are not included in available-for-sale securities or shares of affiliates. The amount of these financial instruments recorded as investment securities on the consolidated balance sheet at March 31, 2023 and 2022, were ¥3,840 million (\$28,759 thousand) and ¥3,894 million, respectively, and the amount of these financial instruments recorded as investments in unconsolidated subsidiaries and affiliates on the consolidated balance sheet at March 31, 2023 and 2022, were ¥6,213 million (\$46,532 thousand) and ¥7,362 million, respectively.

Investments in partnerships and other similar entities that are recorded on the consolidated balance sheet at net amount of equity interest are not included. The amount of these investments recorded as investment securities on the consolidated balance sheet at March 31, 2023 and 2022, were ¥7,395 million (\$55,382 thousand) and ¥8,486 million, respectively.

Trade notes and accounts payable are omitted because most of them are due within one year and their carrying amounts approximate fair value.

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2023	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥185,374	¥ —	¥ —
Trade notes and accounts receivable, and contract assets	216,213	38	
Installment sales receivable	22,182	23,546	4,781
Total	¥423,769	¥23,584	¥4,781

March 31, 2022	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥182,645	¥ —	¥ —
Trade notes and accounts receivable, and contract assets	218,883	40	
Installment sales receivable	22,061	22,729	3,265
Total	¥423,589	¥22,769	¥3,265

March 31, 2023	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	\$1,388,254	\$ —	\$ —
Trade notes and accounts receivable, and contract assets	1,619,214	280	
Installment sales receivable	166,121	176,339	35,802
Total	\$3,173,589	\$176,619	\$35,802

(5) Matters Concerning the Breakdown of the Fair Value of Financial Instruments by Level and Other Items

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated by the market price of the asset or liability formed in the active market among observable inputs

Level 2 fair value: Fair value calculated by observable inputs excluding inputs of Level 1

Level 3 fair value: Fair value calculated by unobservable inputs

When multiple inputs that have a significant influence on the fair value calculation are used, the fair value is classified into the lowest priority level in the fair value calculation among the levels to which those inputs belong.

Financial instruments recorded on the consolidated balance sheet at fair value

March 31, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Equity securities	¥21,001	¥—	¥—	¥21,001
Total assets	¥21,001	¥—	¥—	¥21,001

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Equity securities	¥21,562	¥—	¥—	¥21,562
Total assets	¥21,562	¥—	¥—	¥21,562

March 31, 2023	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Equity securities	\$157,274	\$—	\$—	\$157,274
Total assets	\$157,274	\$—	\$—	\$157,274

Financial instruments other than those recorded on the consolidated balance sheet at fair value

March 31, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable, and contract assets	¥ —	¥216,028	¥—	¥216,028
Installment sales receivable		49,136		49,136
Shares of affiliates:				
Equity securities		5,805		5,805
Total assets	¥5,805	¥265,164	¥—	¥270,969
Short-term loans	¥ —	¥ 10,000	¥—	¥ 10,000
Total liabilities	¥ —	¥ 10,000	¥—	¥ 10,000

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable, and contract assets	¥ —	¥218,777	¥—	¥218,777
Installment sales receivable		46,956		46,956
Shares of affiliates:				
Equity securities	10,127			10,127
Total assets	¥10,127	¥265,733	¥—	¥275,860
Short-term loans	¥ —	¥ 15,000	¥—	¥ 15,000
Total liabilities	¥ —	¥ 15,000	¥—	¥ 15,000

March 31, 2023	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable, and contract assets	\$ —	\$1,617,824	\$—	\$1,617,824
Installment sales receivable		367,974		367,974
Shares of affiliates:				
Equity securities	43,476			43,476
Total assets	\$43,476	\$1,985,798	\$—	\$2,029,274
Short-term loans	\$ —	\$ 74,890	\$—	\$ 74,890
Total liabilities	\$ —	\$ 74,890	\$—	\$ 74,890

Notes to Consolidated Financial Statements

Available-for-sale securities and shares of affiliates

Marketable equity securities are valued using the market prices. Since marketable equity securities are traded in active markets, their fair value is classified as Level 1 fair value.

Trade notes and accounts receivable, and contract assets

The fair value of these assets is determined using the discounted present value method based on the amount of the receivable, the period to maturity and the interest rate that takes into account credit risk for each receivable classified by certain time periods and is classified as Level 2 fair value.

Installment sales receivable

The fair value of installment sales receivable is determined using the discounted present value method based on the amount of the receivable, the period to maturity and the interest rate that takes into account credit risk for each receivable classified by certain time periods and is classified as Level 2 fair value.

Short-term loans

The fair value of short-term loans is determined using the discounted present value method based on the total amount of principal and interest and the interest rate that takes into account the remaining term of the debt and credit risk and is classified as Level 2 fair value.

17. REVENUE RECOGNITION

(1) Information about Disaggregated Revenues from Contracts with Customers

	Millions of Yen			
	2023			
	Retail Business Unit	Corporate Business Unit	Other	Total
Transportation income	¥1,191,265	¥617,221	¥ 24,617	¥1,833,103
Logistical support income	3,352	259,526		262,878
Others	25,858	33,358	151,751	210,967
Revenues from contracts with customers	1,220,475	910,105	176,368	2,306,948
Other revenues			3,437	3,437
Total	1,220,475	910,105	179,805	2,310,385
Internal segment revenues or transfers	(2,563)	(47,597)	(7,773)	(57,933)
Operating revenues by reportable segments	1,217,912	862,508	172,032	2,252,452
Intersegment revenues or transfers	(323,338)	(16,455)	(111,991)	(451,784)
Operating revenues from external customers	¥ 894,574	¥846,053	¥ 60,041	¥1,800,668

	Millions of Yen			
	2022			
	Retail Business Unit	Corporate Business Unit	Other	Total
Transportation income	¥1,144,359	¥598,306	¥ 50,968	¥1,793,633
Logistical support income	3,587	249,638		253,225
Others	28,184	33,023	171,975	233,182
Revenues from contracts with customers	1,176,130	880,967	222,943	2,280,040
Other revenues			4,583	4,583
Total	1,176,130	880,967	227,526	2,284,623
Internal segment revenues or transfers	(3,716)	(42,691)	(18,327)	(64,734)
Operating revenues by reportable segments	1,172,414	838,276	209,199	2,219,889
Intersegment revenues or transfers	(279,017)	(26,091)	(121,163)	(426,271)
Operating revenues from external customers	¥ 893,397	¥812,185	¥ 88,036	¥1,793,618

	Thousands of U.S. Dollars			
	2023			
	Retail Business Unit	Corporate Business Unit	Other	Total
Transportation income	\$ 8,921,327	\$4,622,346	\$ 184,354	\$13,728,027
Logistical support income	25,104	1,943,574		1,968,678
Others	193,653	249,814	1,136,458	1,579,925
Revenues from contracts with customers	9,140,084	6,815,734	1,320,812	17,276,630
Other revenues			25,737	25,737
Total	9,140,084	6,815,734	1,346,549	17,302,367
Internal segment revenues or transfers	(19,200)	(356,450)	(58,207)	(433,857)
Operating revenues by reportable segments	9,120,884	6,459,284	1,288,342	16,868,510
Intersegment revenues or transfers	(2,421,460)	(123,230)	(838,699)	(3,383,389)
Operating revenues from external customers	\$ 6,699,424	\$6,336,054	\$ 449,643	\$13,485,121

Notes: “Other” includes Yamato System Development Co., Ltd. (development of information systems), and Yamato Autoworks Co., Ltd. (collective vehicle management agent business for transportation companies).  
Other revenues consist of transactions related to financial instruments included in the scope of ASBJ Statement No. 10, “Accounting Standard for Financial Instruments,” such as installment sales.

(2) Information that Provides a Basis for Understanding Revenue from Contracts with Customers

The same information as in Note 2, “Summary of Significant Accounting Policies” is omitted.

None of the contracts include significant financial elements or variable consideration, and the contractual consideration for services is generally received within 30–70 days from the time of revenue recognition. The contractual consideration for transportation services provided to individual customers in the Retail Business Unit is received at the time the parcel is accepted.

(3) Information about the Relationship between the Satisfaction of Performance Obligations under Contracts with Customers and Cash Flows from Such Contracts, and the Amount and Timing of Revenue Expected to be Recognized in Subsequent Periods from Contracts with Customers that Existed at the End of the Current Fiscal Year

Balance of receivables, contract assets and contract liabilities from contracts with customers

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers, beginning of fiscal year	¥188,005	¥178,323	\$1,407,959
Receivables from contracts with customers, end of fiscal year	185,549	188,005	1,389,571
Contract assets, beginning of fiscal year	4,689	4,146	35,115
Contract assets, end of fiscal year	4,794	4,689	35,899
Contract liabilities, beginning of fiscal year	12,887	11,444	96,511
Contract liabilities, end of fiscal year	14,264	12,887	106,820

Contract assets are mainly recognized in TA-Q-BIN transactions and are recognized based on the estimated revenue from the progress of deliveries up to the end of the fiscal year. Contract assets are reclassified to receivables from contracts with customers when the consolidated subsidiary’s rights to the consideration become unconditional.

Contract liabilities mainly relate to advances received from customers who have subscribed to the Kuroneko Member Discount program for TA-Q-BIN transactions. Contract liabilities are reversed upon the recognition of revenue.

Among the revenues recognized during the fiscal years ended March 31, 2023 and 2022, the amounts included in the opening balance of contract liabilities were ¥10,427 million (\$78,091 thousand) and ¥9,558 million, respectively.

The amounts of revenue recognized in the fiscal years ended March 31, 2023 and 2022, from performance obligations satisfied in prior periods were immaterial.



Notes to Consolidated Financial Statements

Transaction prices allocated to remaining performance obligations

The Group applies the practical expedient in noting transaction prices allocated to the remaining performance obligations and does not include performance obligations with original expected contractual terms of one year or less and performance obligations for which the entity is entitled to receive consideration directly corresponding to the value to the customer of the portion of the obligation that has been performed by the entity to date. As a result, there were no significant performance obligations that should have been noted as the transaction price allocated to the remaining performance obligations.

The performance obligations with original expected contractual terms of one year or less mainly relate to TA-Q-BIN transactions in the Retail Business Unit.

In addition, there were no material amounts of consideration arising from contracts with customers that were not included in the transaction price.

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain on available-for-sale securities:			
Adjustments arising during the year	¥ (304)	¥ 10,727	\$ (2,274)
Reclassification adjustments to profit or loss	(1,970)	(19,124)	(14,757)
Amount before income tax effect	(2,274)	(8,397)	(17,031)
Income tax effect	51	2,982	387
Total	¥(2,223)	¥ (5,415)	\$(16,644)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 2,143	¥ 1,437	\$ 16,051
Reclassification adjustments to profit or loss		(643)	
Amount before income tax effect	2,143	794	16,051
Income tax effect	149		1,117
Total	¥ 2,292	¥ 794	\$ 17,168
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	¥ 488	¥ (1,528)	\$ 3,660
Reclassification adjustments to profit or loss	493	(5,982)	3,689
Amount before income tax effect	981	(7,510)	7,349
Income tax effect	(304)	2,227	(2,279)
Total	¥ 677	¥ (5,283)	\$ 5,070
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	¥ 1	¥ 111	\$ 9
Reclassification adjustments to profit or loss	(55)	(3)	(416)
Total	¥ (54)	¥ 108	\$ (407)
Total other comprehensive income (loss)	¥ 692	¥ (9,796)	\$ 5,187

19. EARNINGS PER SHARE

Basic earnings per share ("EPS") for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Profit Attributable to Owners of Parent	Weighted-average Shares	EPS	
Year Ended March 31, 2023				
Basic EPS—Profit attributable to common shareholders	¥45,898	362,446	¥126.64	\$0.95
Year Ended March 31, 2022				
Basic EPS—Profit attributable to common shareholders	¥55,956	370,488	¥151.03	

20. SEGMENT INFORMATION

(1) Description of Reportable Segments

The Group identifies operating segments as components of entity for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to make decisions about resources to be allocated to the segments and assess their performance.

Under the Company, which is the pure holding company, the Group manages business operations by customer segment and operates through group management structure consisting of the Retail Business Unit, which manages the Retail business that provides delivery services for individual customers and mid-to-small sized corporations, the Corporate Business Unit, which manages the Corporate business, the Global SCM business, and the EC business, that provide transportation services etc. for large corporations, and Other.

The Group defines the reportable segments as follows:

Retail Business Unit:	Delivery services for individual customers and mid-to-small sized corporations
Corporate Business Unit:	Transportation services for large corporations, planning and operation of logistics centers, customs services, air cargo agency services
Other:	Development and operation of IT systems, car maintenance services, sales of fuel, non-life insurance agency services, cargo vehicle transportation services

(2) Methods of Measurement for the Amounts of Segment Revenues, Segment Profit, Segment Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Notes to Consolidated Financial Statements

(3) Information about Segment Revenues, Segment Profit, Segment Assets, and Other Items

Millions of Yen						
2023						
	Retail Business Unit	Corporate Business Unit	Other	Total	Reconciliation	Consolidated
Segment revenues:						
Segment revenues from customers	¥ 894,574	¥846,053	¥ 60,041	¥1,800,668	¥ —	¥1,800,668
Intersegment revenues	323,338	16,455	111,991	451,784	(451,784)	
Total segment revenues	¥1,217,912	¥862,508	¥172,032	¥2,252,452	¥(451,784)	¥1,800,668
Segment profit	¥ 32,298	¥ 13,138	¥ 13,901	¥ 59,337	¥ 748	¥ 60,085
Segment assets	788,000	181,737	142,259	1,111,996	(4,409)	1,107,587
Other:						
Depreciation and amortization	21,884	14,796	4,097	40,777	781	41,558
Investment in entities accounted for using equity method	768	4,309		5,077	4,312	9,389
Increase of tangible and intangible fixed assets	38,973	9,101	2,324	50,398	5,293	55,691

Millions of Yen						
2022						
	Retail Business Unit	Corporate Business Unit	Other	Total	Reconciliation	Consolidated
Segment revenues:						
Segment revenues from customers	¥ 893,397	¥812,185	¥ 88,036	¥1,793,618	¥ —	¥1,793,618
Intersegment revenues	279,017	26,091	121,163	426,271	(426,271)	
Total segment revenues	¥1,172,414	¥838,276	¥209,199	¥2,219,889	¥(426,271)	¥1,793,618
Segment profit	¥ 44,464	¥ 17,178	¥ 16,559	¥ 78,201	¥ (1,001)	¥ 77,200
Segment assets	749,718	194,571	156,573	1,100,862	(14,007)	1,086,855
Other:						
Depreciation and amortization	17,538	13,265	3,812	34,615	909	35,524
Investment in entities accounted for using equity method	630	6,668		7,298	5,662	12,960
Increase of tangible and intangible fixed assets	56,587	12,066	7,246	75,899	2,673	78,572

Thousands of U.S. Dollars						
2023						
	Retail Business Unit	Corporate Business Unit	Other	Total	Reconciliation	Consolidated
Segment revenues:						
Segment revenues from customers	\$6,699,424	\$6,336,054	\$ 449,643	\$13,485,121	\$ —	\$13,485,121
Intersegment revenues	2,421,460	123,230	838,699	3,383,389	(3,383,389)	
Total segment revenues	\$9,120,884	\$6,459,284	\$1,288,342	\$16,868,510	\$(3,383,389)	\$13,485,121
Segment profit	\$ 241,881	\$ 98,391	\$ 104,103	\$ 444,375	\$ 5,599	\$ 449,974
Segment assets	5,901,297	1,361,024	1,065,370	8,327,691	(33,022)	8,294,669
Other:						
Depreciation and amortization	163,887	110,808	30,685	305,380	5,845	311,225
Investment in entities accounted for using equity method	5,754	32,271		38,025	32,292	70,317
Increase of tangible and intangible fixed assets	291,866	68,157	17,408	377,431	39,637	417,068

Notes: “Other” includes Yamato System Development Co., Ltd. (development of information systems), and Yamato Autoworks Co., Ltd. (collective vehicle management agent business for transportation companies).

Reconciliations are as follows:

(1) Reconciliations of segment profit for the years ended March 31, 2023 and 2022, of ¥748 million (\$5,599 thousand) and ¥1,001 million, respectively, include group-wide expenses that are not allocated to each reportable segment (general administrative expenses of the Company, which is a pure holding company) of ¥7,385 million (\$55,308 thousand) and ¥10,384 million, and intersegment eliminations of ¥8,133 million (\$60,907 thousand) and ¥9,383 million, respectively.

(2) Reconciliations of segment assets at March 31, 2023 and 2022, of ¥4,409 million (\$33,022 thousand) and ¥14,007 million, respectively, include intersegment eliminations of assets and liabilities of ¥112,277 million (\$840,837 thousand) and ¥108,626 million, and group-wide assets which are not allocated to each reportable segment of ¥107,868 million (\$807,815 thousand) and ¥94,619 million, respectively.

(3) Reconciliations of investments in entities accounted for using equity method at March 31, 2023 and 2022, of ¥4,312 million (\$32,292 thousand) and ¥5,662 million, respectively, are investments that are not allocated to each reportable segment.

(4) Reconciliations of increases of tangible and intangible fixed assets for the years ended March 31, 2023 and 2022, of ¥5,293 million (\$39,637 thousand) and ¥2,673 million, respectively, are the Company’s capital investment.

Segment profit is reconciled with operating profit in the consolidated statement of income.

Segment assets of the Retail Business Unit at March 31, 2023 and 2022, of ¥788,000 million (\$5,901,297 thousand) and ¥749,718 million, respectively, include assets of the Transportation division and the Head Office division of Yamato Transport Co., Ltd. of ¥540,417 million (\$4,047,156 thousand) and ¥524,780 million, respectively.

Increase of tangible and intangible fixed assets of the Retail Business Unit for the years ended March 31, 2023 and 2022, of ¥38,973 million (\$291,866 thousand) and ¥56,587 million, respectively, include the amount of increase of the Transportation division and the Head Office division of Yamato Transport Co., Ltd. of ¥23,631 million (\$176,969 thousand) and ¥36,936 million, respectively.

[Related Information about Reportable Segments]

(1) Information about Products and Services

Operating revenues from customers for the years ended March 31, 2023 and 2022, were as follows:

Millions of Yen							
2023				2022			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total	TA-Q-BIN	Kuroneko DM-Bin	Other	Total
¥1,357,419	¥52,856	¥390,393	¥1,800,668	¥1,322,534	¥54,323	¥416,761	¥1,793,618

Thousands of U.S. Dollars				
2023				
TA-Q-BIN	Kuroneko DM-Bin	Other	Total	
\$10,165,646	\$395,836	\$2,923,639	\$13,485,121	

(2) Information about Geographical Areas

The disclosure of operating revenues by geographical areas for the years ended March 31, 2023 and 2022, were omitted since operating revenues to external customers in Japan account for more than 90% of the amount of operating revenues in the consolidated statements of income.

The disclosure of property, plant and equipment by geographical areas at March 31, 2023 and 2022, were omitted since property, plant and equipment in Japan account for more than 90% of the amount of property, plant and equipment in the consolidated balance sheet.

(3) Information about Loss on Impairment of Long-Lived Assets by Reportable Segments

Loss on impairment of long-lived assets by reportable segments for the years ended March 31, 2023 and 2022, were as follows:

Millions of Yen						
2023						
	Retail Business Unit	Corporate Business Unit	Other	Total	Eliminations or Group-Wide	Consolidated
Loss on impairment of long-lived assets	¥748	¥281	¥966	¥1,995	¥—	¥1,995

Millions of Yen						
2022						
	Retail Business Unit	Corporate Business Unit	Other	Total	Eliminations or Group-Wide	Consolidated
Loss on impairment of long-lived assets	¥—	¥701	¥1,719	¥2,420	¥—	¥2,420

Thousands of U.S. Dollars						
2023						
	Retail Business Unit	Corporate Business Unit	Other	Total	Eliminations or Group-Wide	Consolidated
Loss on impairment of long-lived assets	\$5,604	\$2,100	\$7,234	\$14,938	\$—	\$14,938



Notes to Consolidated Financial Statements

21. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

In January 2022, the Company sold 51% of the shares of Yamato Home Convenience Co., Ltd. As a result, Yamato Home Convenience Co., Ltd. was excluded from the scope of consolidation.

The assets and liabilities of Yamato Home Convenience Co., Ltd. at the time of sales and reconciliation between the selling price and the payment for sales of shares are as follows:

	Millions of Yen 2022
Current assets	¥10,655
Long-lived assets	1,266
Current liabilities	(5,003)
Long-term liabilities	(467)
Investment account after sales of shares	(3,161)
Loss on sales of shares	(2,673)
Other	(617)
Selling price	
Incidental cost for sales of shares	(111)
Cash and cash equivalents	(7,202)
Net payment for sales of shares	¥ (7,313)

22. SUBSEQUENT EVENTS

a. Purchase and Retirement of Treasury Stock

At the meeting held on May 10, 2023, the Board of Directors of the Company resolved matters related to the purchase of treasury stock in accordance with the provisions of articles of incorporation of the Company pursuant to Article 459, Paragraph 1, item 1 of the Companies Act, and retirement of treasury stock in accordance with the provisions of Article 178 of the Companies Act.

(1) Reason for purchase and retirement of treasury stock

Improvement of capital efficiency and enhancement of return to shareholders

(2) Outline of matters related to purchase of treasury stock

Type of shares to be purchased: Common stock of the Company

Total number of shares to be purchased: Up to 22 million shares (Ratio against the total number of issued shares (excluding treasury stock): 6.06%)

(Note) The Company's shares held by BBT are not included in the above treasury stock.

Acquisition cost: Up to ¥ 50,000 million (\$374,448 thousand)

Purchase period: From May 17, 2023 to February 29, 2024

Purchase method: Purchase through the market

(3) Outline of retirement of treasury stock

Type of shares to be retired: Common stock of the Company

Total number of shares to be retired: All of the treasury stock purchased through (2) above

Date of retirement: March 29, 2024 (planned)

b. Issuance of Bonds

At the meeting held on May 17, 2023, the Board of Directors of the Company resolved matters related to issuance of unse-cured bonds with an inter-bonds pari passu clause (Green Bond) as follows:

Total issuance amount: ¥20,000 million (\$149,779 thousand)

Amount per bond: ¥100 million (\$749 thousand)

Issuance price: ¥100 (\$0.75) per ¥100 (\$0.75) of each bond

Interest rate: Up to the yield on Japanese government bonds with the remaining period equal to maturity of the bond plus 0.5%

Redemption method: Bullet maturity amortization

Maturity: 5 years

Date of issuance: July 6, 2023

Use of funds: Investment related to environment

c. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Company's Board of Directors meeting held on May 17, 2023:

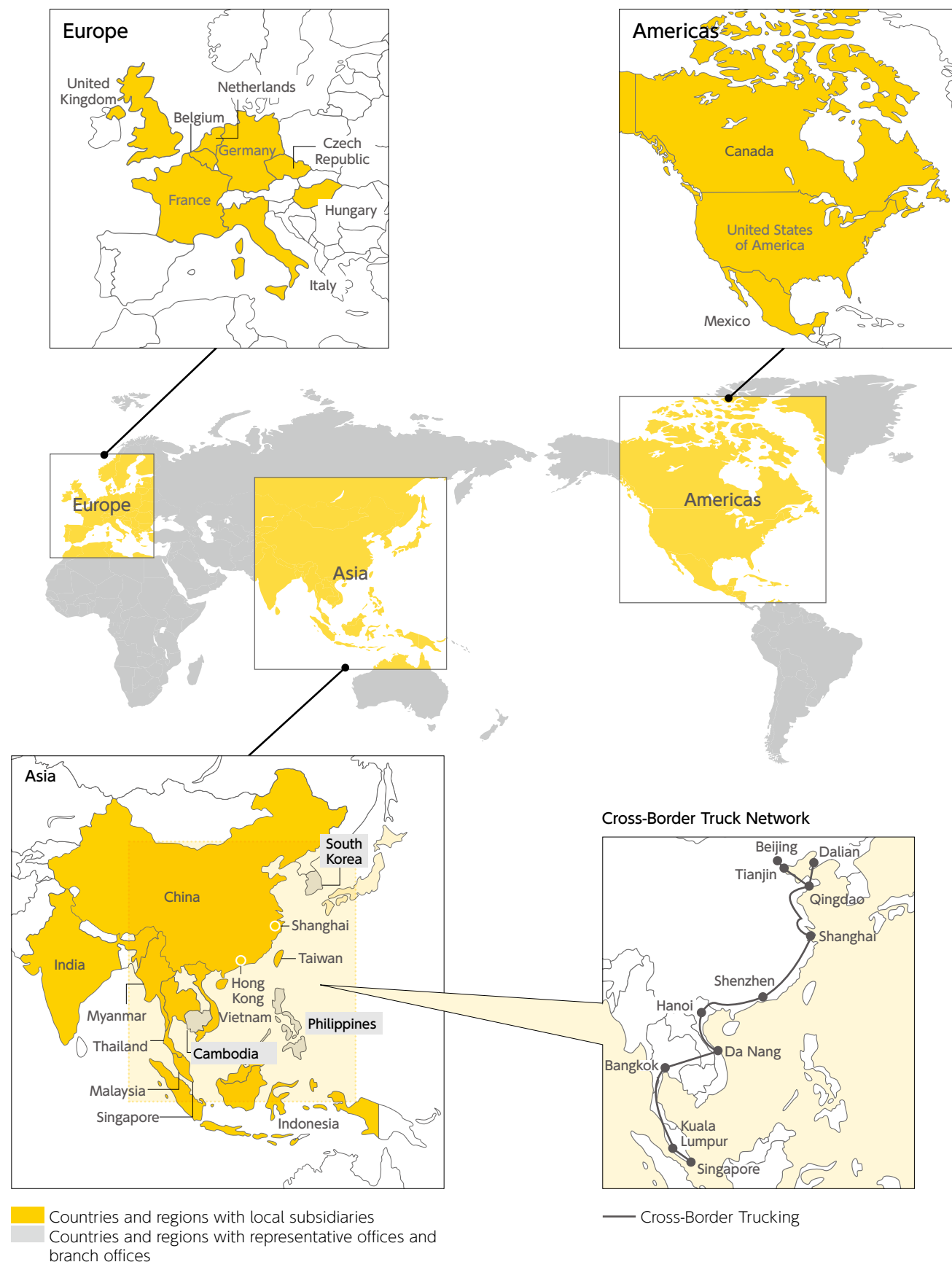
	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥23 (\$0.17) per share*	¥8,343	\$62,483

\* The total cash dividends approved at the Company's Board of Directors meeting held on May 17, 2023, include the dividends of ¥11 million(\$83 thousand) for the share of the Company held by "Board Benefit Trust (BBT)."

# Global Network

As of March 31, 2023

**25** overseas subsidiaries **24** countries and regions of operation (including representative offices and branch offices)



# Corporate Data / Stock Information

As of March 31, 2023

▶ **Company Name**  
Yamato Holdings Co., Ltd.

▶ **Head Office**  
16-10, Ginza 2-chome, Chuo-ku, Tokyo  
104-8125 Japan  
Telephone: 81-3-3541-4141

▶ **Established**  
November 29, 1919

▶ **Registered**  
April 9, 1929

▶ **Paid-In Capital**  
127,234,791,077 yen

▶ **Website**  
<https://www.yamato-hd.co.jp/english/>

▶ **Fiscal Year**  
From April 1 to March 31

▶ **Common Stock**  
Authorized: 1,787,541,000 shares  
Issued: 379,824,892 shares

▶ **Stock Exchange Listing**  
Tokyo Stock Exchange

▶ **Transfer Agent and Registrar**  
Mizuho Trust & Banking Co., Ltd.

▶ **General Meeting of Shareholders**  
Held in June

▶ **Auditor**  
Deloitte Touche Tohmatsu LLC

▶ **Principal Shareholders**

	Percentage of total shares outstanding (excluding treasury shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16.30%
Custody Bank of Japan, Ltd. (Trust Account)	7.69%
Yamato Employees' Shareholding Association	7.65%
Meiji Yasuda Life Insurance Company	4.08%
Nippon Life Insurance Company	4.07%
Mizuho Bank, Ltd.	2.82%
Yamato Trading-Partner Shareholding Association	2.33%
Toyota Motor Corporation	1.58%
STATE STREET BANK WEST CLIENT-TREATY 505234	1.45%
Sompo Japan Insurance Inc.	1.42%
<b>Total</b>	<b>49.41%</b>



## Stock Price Range / Trading Volume (Tokyo Stock Exchange)

