

Message from the President



We will turn social issues into growth engines and accelerate business portfolio transformation.

Yutaka Nagao Representative Director, President and Executive Officer

The Yamato Group's Purpose and Commitment to the Sustainable Creation of Corporate Value

Since its founding, the Yamato Group has been attuned to social change and has helped to enrich society. Our contemporary business environment is fraught with uncertainties that include the 2024 Logistics Problem as well as a shrinking labor force in Japan, worsening climate change, and increasing geopolitical risks. However, at the same time we see these social issues as opportunities to fully put our purpose into action and create new value.

The Group has set out its vision for 2030 of becoming a value-creating company that contributes to the realization of a sustainable future, and is executing a medium-term management plan called “Sustainability Transformation 2030 ~1st Stage ~”. This demonstrates our unwavering determination to achieve sustainable increases in corporate value by helping to resolve environmental and social issues through our businesses.

During the fiscal year ended March 31, 2025 (FY2025/3), the first year of our medium-term management plan, we strengthened the sales capabilities of our corporate sales branches with emphasis on large corporate customers. With the resulting addition of transactions with new customers, *TA-Q-BIN*

parcel volume increased generally in line with our plan. At the same time, personal consumption remained lackluster, which delayed a recovery in parcel volume handled by *TA-Q-BIN* sales offices for individuals and small corporate customers until the second half of the fiscal year. We also revised our *TA-Q-BIN* delivery charges and negotiated with corporate customers to optimize pricing, but we were unable to fully pass on increased costs during FY2025/3.

While acknowledging this challenging external environment, the Yamato Group has strengthened its business foundation for future growth by investing in human resources internally and among partner companies, and through M&A in its corporate business. We were therefore able to rally and achieve increased revenue and earnings in the second half of FY2025/3. The ongoing recovery of the *TA-Q-BIN* business during the fiscal year ending March 31, 2026 (FY2026/3) has been a particularly positive sign. We will further strengthen this positive trend and promote structural reform initiatives to ensure that we increase corporate value over the medium to long term by creating value that is unique to the Yamato Group.

Business Strategy and Earnings Growth Drivers

The Yamato Group will drive earnings growth with three core approaches.

Pricing Optimization

We are emphasizing pricing optimization that reflects the value we add in negotiating intensively with the large-scale corporate clients we serve in the Corporate Domain. Improving profitability in this domain is both a major challenge and an opportunity. We are enhancing our ability to make proposals that cover entire customer supply chains rather than simply requesting price increases. This approach brings greater accuracy to negotiations for pricing optimization to steadily improve profitability.

Exemplifying our approach, B2B customers are more open to negotiating price increases than B2C businesses in general and e-commerce businesses in particular, for which price increases pass through directly to sales prices. However, our approach involves increasing the value we add for customers in ways such as proposing speedy delivery that only the Yamato Group can offer, with pricing optimization. This will lead to sustainable improvement in profitability. Furthermore, in FY2025/3 we launched new *TA-Q-BIN* offerings that incorporate the Contract Logistics Business and the Global Business domains to provide value throughout supply chains.

The competitive environment remains challenging, with some companies chasing business with cut-rate proposals. However, we are focused on improving profitability by further enhancing our ability to negotiate prices that fully reflect the value the Yamato Group provides.

The *TA-Q-BIN* Domain for small corporates and individuals accounts for over half of sales, so we absolutely need to

enhance our ability to sell to them in order to generate continuous top-line growth. That top-line growth was a challenge in FY2025/3, but we have been generating growth since the third quarter and into FY2026/3.

We are reinforcing top-line growth by creating an environment in which our Sales Drivers, who are the Yamato Group's foremost strength, can perform better than ever. We are also working to enhance our front-line sales capabilities by redeploying managers and personnel who support Sales Drivers to sales offices. While closely monitoring trends among our competitors, we intend to lead healthy competition by further strengthening our relationships of trust with our customers.

Growth of the Corporate Business

The Contract Logistics Business and Global Business are important growth drivers for our Corporate Business.

The Contract Logistics Business is enhancing its proposal capabilities throughout entire customer supply chains and increasing operating revenue. The December 2024 addition of Nakano Shokai Co., Ltd. to the Yamato Group through M&A was an important step that accelerated this strategy. We are leveraging Nakano Shokai's resources and expertise to create synergies in order to both expand our Contract Logistics Business and improve the efficiency of our warehouse operations.

In the Global Business, we are focusing on deepening business relationships with major players in cross-border e-commerce from China to Japan. Rather than simply handling deliveries within Japan, we are expanding our services to include comprehensive proposals that cover everything from upstream supply chain processes to corporate compliance and sustainability. Collaborating with customers from their logistics center operations in China allows the Yamato Group to quickly identify cargo volume and surges to reduce stress on the

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TA-Q-BIN network and improve the efficiency of transportation and delivery by directing products to the optimal airport for each delivery area. This array of strategic initiatives will enable the Group to increase profitability and support earnings growth.

Additionally, we are focusing on North America, India, Southeast Asia, and China as key regions outside Japan, and are currently selecting and negotiating with potential M&A and alliance partners in the contract logistics industry. We will accelerate global business expansion by establishing a strong foundation in our focus regions.

Fundamental Cost Structure Reform and Efficiency Gains

The Yamato Group is targeting a strong foundation that empowers it to adapt to the dramatic change in the logistics environment over the past few years. In the last-mile domain, we will invest in improving the working conditions and motivation of Sales Drivers and streamlining operations as means to increase productivity without overworking employees. We will also enhance profitability by expanding the volume of transactions with individuals and small corporates.

Meanwhile, the transportation domain is evolving in Japan. Logistics warehouses are proliferating around major consumption areas such as the Tokyo metropolitan area and the Kansai region, and e-commerce is a key factor ramping up the flow of goods from those centers to the rest of Japan. Consequently, imbalances such as asymmetrical product distribution flows are materializing within traditional transportation networks. Furthermore, the 2024 Logistics Problem is resulting in reduced capacity in the transportation industry, particularly in long-distance transport. We are addressing these challenges by optimizing operating costs and establishing a foundation for sustainable, efficient growth by switching to a transportation method that connects transit points using a relay system and optimizing transportation processes through modal shifts, including the use of freighters. We are countering the cost increases caused by declines in transportation efficiency and sorting productivity during FY2025/3, and expect to reduce costs by nearly ¥10 billion during FY2026/3. We will implement specific actions and monitor progress as necessary.

Commercialization of “Green Mobility”

The Yamato Group has been working proactively to resolve the 2024 Logistics Problem, climate change, and other issues in

collaboration with its business partners. This has given us knowledge and expertise in areas such as reducing greenhouse gas emissions, building sustainable and efficient logistics systems, and managing employee health.

We are refining our knowledge and expertise to make them available to companies within a “Green Mobility” business model that provides solutions for increasing supply chain sustainability, which we expect to generate new growth for the Yamato Group.

We will use our insights into vehicles and energy to meet the environmental needs of corporate customers who use vehicles by bundling electric vehicle (EV) Lifecycle Services that range from vehicle maintenance services and expertise in the procurement and efficient use of EVs to the supply of electricity generated via renewable energy sources and energy management systems developed by the Yamato Group. We are also helping people by providing the MY MEDICA online medical service to support health management among employees of transportation companies, who tend to have increased health risk, and to prevent accidents caused by health issues. In addition, we will contribute to improving the efficiency of logistics across industry boundaries by providing joint transportation and delivery services via an open platform that matches all shippers and logistics companies on a system based on trunk-route transportation.

We will combine these services in an integrated fashion tailored to customer needs to help improve the sustainability of the supply chain while developing them into a new source of revenue.

Improving Capital Efficiency and the Role of the New CFO

Our management structure and the new CFO are committed to improving capital efficiency by strengthening balance sheet management while maximizing cash flow generation. Our former capital policy focused on door-to-door delivery services that required large-scale capital investment, so our balance sheet certainly had its conservative aspects. However, we are restructuring our businesses to expand in business domains other than TA-Q-BIN and diversify our revenue portfolio. We are also transforming our financial structure to make it more robust and efficient.

The CFO is also leading organizational reforms to strengthen collaboration among sales, operations, finance, and human resources. Naturally, each of our businesses will use data to improve efficiency and productivity, and we also expect the CFO to delve deeper into the financial outcomes of business initiatives and provide timely and specific suggestions to management. The CFO will champion the formulation and implementation of financial strategies based on this data to serve as a compass for management.

Human Capital Investment and Organizational Change

As we deploy various management resources to advance our business, we believe that our employees are the most important factor in creating a competitive advantage. Our top business priority is to ensure that employees feel safe, to make them proud to work for the Yamato Group, and to increase their job satisfaction and motivation. This will be the starting point for improving service quality, communication, and sales capabilities for customers, which will positively affect our business performance and ultimately lead to returns for shareholders, thus creating a virtuous cycle. This mindset is the basis for our investment in human capital and organizational transformation.

We will improve working conditions for Sales Drivers with wage increases and reassessment of various allowances, and we are also emphasizing the creation of an environment that reduces their workload. We believe this will directly support increased engagement among Sales Drivers, leading to improved service quality, increased customer satisfaction, and ultimately, increased productivity. We fully addressed labor union demands during labor-management negotiations in spring 2025, and we will further enhance the competitive advantage of the Yamato Group by creating an environment in which employees can work with peace of mind.

We will also introduce a job-based personnel system for positions other than Sales Driver, creating an environment in which each employee can demonstrate their strengths and feel motivated to work. This will transform our organization into one where diverse talent can thrive and accelerate innovation.

We will also promote organizational reforms to narrow the gap between the head office and the front line to build a flexible corporate structure that is resilient to change because it quickly reflects front-line feedback in management. We are not limiting



A roundtable discussion with employees in October 2024

these organizational changes to simplistic, systemic adjustments. Rather, we are strongly determined to transform the culture of the Yamato Group itself.

Outlook

The Yamato Group has set targets for the fiscal year ending March 31, 2027 (FY2027/3), the final year of its medium-term management plan, that include consolidated operating profit of ¥120 to ¥160 billion, a consolidated operating profit margin of 6% or higher, ROE of 12% or higher, and ROIC of 8% or higher. We are carefully reviewing the plan’s numerical targets in light of factors such as our business performance during FY2025/3, the first year of the plan, plan progress, and changes in the business environment. However, our commitment to achieving sustainable growth and enhancing corporate value remains unchanged.

To achieve our goals, we are vigorously transforming our business portfolio by expanding the range of value we provide beyond TA-Q-BIN. We will diversify our revenue sources and achieve sustainable growth by expanding our Corporate Business, commercializing “Green Mobility,” and accelerating global expansion.

Another important issue for us is building a strong corporate structure that can adapt to change. We will generate sustainable increases in corporate value by constantly identifying changes in society and customer needs and continuing to transform ourselves, without being bound by past successes.

The Yamato Group sincerely appreciates your continued understanding and support.

Yutaka Nagao