Message from the CFO

Deploy Strengths in Data and Finance to Maximize Earning Power

Masaru Nomura
Senior Managing Executive Officer and CFO

Mr. Nomura has over a decade of experience in management of the Asia-Pacific region at global companies including Amazon.com, Inc., Apple Inc., and Coach, Inc. (currently Tapestry, Inc.). In Japan, he served as a director at Seiyu Co., Ltd. and Rakuten Seiyu Netsuper, Inc. (currently Rakuten Mart, Inc.), where he successfully led improvements in performance, M&A, personnel system reform, and digital transformation. He utilizes his insight into investment funds to conduct in-depth dialogue with investors and to help improve the corporate value of the Yamato Group.

My Mission as CFO: Show Markets the True Value of the Yamato Group

I became the Yamato Group's Chief Financial Officer (CFO) in April 2025. I am committed to maximizing the corporate value of the Yamato Group by leveraging the analyst experience I gained as an institutional investor and my experience in finance, human resources, and digital transformation at multiple operating companies.

First and foremost, I strongly believe that the Yamato Group's intrinsic corporate value has the potential to be significantly higher than the Group's current valuation in capital markets. The Group has unparalleled resources that range from its last-mile network covering all Japan and rapid, temperature-controlled transport to customer-facing Sales Drivers who provide high-quality service. Our job is to demonstrate the value of these resources by improving profitability in the Express Business. In addition, the Contract Logistics Business and Global Business will grow by providing added value that transcends the boundaries of traditional logistics in managing customer supply chains. Furthermore, we will share our expertise in managing electric vehicles and energy with our corporate clients to grow profitable new businesses that contribute to the realization of a sustainable society. We will deepen our dialogue with capital markets and steadily implement our plans to ensure that markets fully recognize the Group's value.

Right now, reconciling the difference between the Group's intrinsic value and its current market valuation is job one. My mission as CFO is to elucidate the true corporate value of the Yamato Group. A key element of this mission is the extensive delivery and customer database we have built as the company with the top share of Japan's parcel delivery market and our ability to evolve our finance organization to transform that data into value. This organization must evolve beyond its traditional administrative role to maximize the Yamato Group's earning power by deploying highly accurate data-based analyses and predictions in partnership with business departments. I am convinced that this transformation is the path to ensuring that our intrinsic corporate value is properly evaluated by the capital markets.

Three Drivers of Earnings Growth and Business Portfolio Transformation

We have identified three main earnings growth drivers to resolve the issues mentioned above and enhance the Group's sustainable earning power. These drivers are pricing optimization, growth of the Corporate Business, and optimization of operating costs. These drivers are essential to fundamentally improving our earnings structure in a changing business environment that is characterized by the expansion of online consumption, labor shortages, and geopolitical instability.

For pricing optimization, there is an urgent need to set prices commensurate with the value we add, especially in the Express Business, which is the core of the Yamato Group. The Yamato Group offers world-class added value that ranges from its high-quality last-mile network throughout Japan to outstanding speed and attentive customer service that includes temperature control. However, we are not yet pricing our services to accurately reflect the value they provide. In particular, we need to intensively negotiate optimized pricing that articulates the added value we provide to corporate customers. After all, fair pricing is essential for us to fulfill our responsibilities as social infrastructure.

We understand that price hikes are generally considered negatively in Japan, but fair pricing is an essential engine of healthy economic growth. Moreover, sustainable business operations require that we maximize the value we provide to customers while receiving appropriate compensation for it. A particular emphasis will be cost increases that are beyond our control, such as sudden hikes in fuel prices. We intend to rationally and appropriately pass on these costs, just as we do with airfares, in order to secure the profits necessary for future capital investment.

Proper communication in the sales and marketing domain will be essential for optimized pricing. Rather than simply raising prices, we need to enable customers to fully understand our value propositions by providing logical, data-based explanations of why our quality and services are superior to those of other companies, and why our pricing is appropriate. We will continue to enhance our human resource development programs, which will enable us to accurately communicate the Group's value to customers and gain their understanding while also helping us to achieve earnings targets and increase corporate value.

Growth of the Corporate Business and optimization of operating costs are central to improving profitability. In the Corporate Business, we will emphasize the Contract Logistics Business and the Global Business as we leverage synergies with the *TA-Q-BIN* network and employ M&A with rigorous investment discipline to accelerate growth in the corporate solutions domain. Concurrently, we will assiduously improve productivity by using digital technology for optimization of operating costs in the Express Business, and achieve sustainable earnings growth by fundamentally improving our cost structure.

We will embed these earnings growth drivers while also decisively transforming our business portfolio. Starting this fiscal year, we have revised the criterion for determining whether to continue a business or service. This decision is now based on an assumed 6-8% range of our weighted average cost of capital (WACC) during our current medium-term management plan. Our objective is to improve Group profitability by reassessing unprofitable businesses and concentrating resources in growth areas. We are using this new criterion to employ zero-based budgeting as we reassess businesses that are unable to generate returns that exceed their cost of capital, with possible outcomes including sale of or exit from the business. At the same time, we will prioritize the allocation of resources to growth domains such as the Contract Logistics Business and the Global Business, and to new solutions businesses such as the Mobility Business. Our objective is to improve profitability and capital efficiency Groupwide.

▶ Policies for FY2026/3

Earnings Growth Drivers	Policies
Pricing optimization	Increase operating profit by transforming the Group's revenue structure and aligning pricing with added value
Growth of the Corporate Business	Increase operating profit by leveraging the Group's corporate transportation and delivery network and operational expertise to propose and win deals for large-scale distribution centers and fulfillment centers, and by adding value in the global operations of our customers to increase Group revenue
Optimization of operating costs	Review the functions of new and existing facilities, delivery methods, and staff allocation to meet client needs, while controlling fixed costs and managing variable costs in line with volume

Note: Distribution centers are mainly for storage and inventory management, and also offer picking, packing, shipping, and other services in response to orders. Fulfillment centers provide a one-stop series of operations from inventory management, picking, packing, and shipping to handling returns, mainly for e-commerce operators.

Message from the CFO

Balance Sheet Management: Pivot to Aggressive Financial Strategies

The Yamato Group has built a strong financial foundation. We give due consideration to the principles of conservatism by maintaining a high shareholders' equity ratio and ample liquidity. However, we see value in deploying our strong financial foundation more aggressively than defensively with strategies that help to improve capital efficiency and generate funding for growth investments.

Specifically, we will promote the effective deployment of portfolio assets. We completed sale and leaseback transactions in March 2025 for four properties, including our head office, and will continue to evaluate options for every property in our portfolio. Our evaluation process involves considering whether ongoing ownership of assets contributes the most to the continued growth of our businesses and corporate value, or whether continuing to use a particular asset while relinquishing ownership will enable more efficient management. We will evaluate assets with insufficient use value or efficiency, with options including repurposing, disposition, or securitization to generate capital for new growth investments. In addition, we continue to reduce cross-shareholdings. Our ongoing program to optimize capital efficiency for all portfolio assets is part of our commitment to further increasing corporate value.

Furthermore, we will consolidate management of Group cash and deposits and deploy them more efficiently to maximize capital efficiency Groupwide and reduce capital costs. Specifically, we will review the cash and deposits at each Group company and further consolidate surplus funds at Yamato Holdings, which will reduce interest expenses Groupwide. In addition, we will maximize free cash flow by monitoring investments more rigorously, manage cash flow effectively Groupwide, and increase the deployment of capital for growth investments and shareholder returns. Optimizing the Group's capital structure is also an important theme. Maintaining the debt-to-equity ratio within a conservative range, we will employ leverage to reduce the cost of capital and control shareholders' equity through share buybacks with the objective of reducing WACC and supporting increased corporate value. Moreover, we will consider risks such as fluctuations in exchange rates, interest rates, and fuel prices, and secure diverse funding methods to structure a stable financial base to prepare for growth investments for the future.

Strategic Capital Allocation to Maximize Corporate Value

Our commitment to increasing corporate value will guide effective deployment of the funding we procure. With a particular focus on the growth of our Corporate Business, we will adhere to a disciplined capital policy to ensure that we always maintain the capacity to execute M&A. By maintaining an optimal capital structure and providing appropriate shareholder returns, we will preserve our high level of trust from the market and ensure that we can act promptly when opportunities arise. We intend to identify strategic deals that measurably increase corporate value and execute them with appropriate timing.

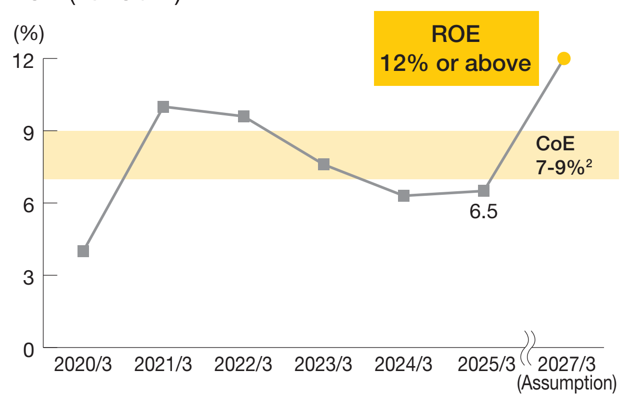
Growth investments and strategic M&A are central to the Yamato Group's ability to generate sustainable growth. We will prioritize investments that support our growth strategy with reference to ROIC and payback period, and execute them in domains where we forecast strong returns. We will accelerate investments to strengthen our future revenue base. This will involve investments in our facility strategy to enhance the efficiency and sustainability of our *TA-Q-BIN* network, which is social infrastructure. Other investments will include digital transformation to address changes in the business environment over the medium to long term. We will execute our M&A strategy with a focus on achieving clear synergies and carefully nurturing them so that they help to strengthen the Group's competitiveness. We plan to consider the acquisition of multiple companies with emphasis on their compatibility with our growth strategy. Specifically, we will counter the influence that demographics have on *TA-Q-BIN* by focusing on forwarding and contract logistics, which are our next growth domains. Geographically, we will target countries with growth potential that have sufficiently developed infrastructure and legal systems in place from the perspective of governance. A team that reports directly to me will be deeply involved in the post-merger integration (PMI) process to rigorously monitor progress toward planned synergies. This setup will maximize capital efficiency with an emphasis on payback period and ROIC. Our goal is not simply to sell companies we acquire at higher multiples. We will focus on accretive deals that will grow EBITDA after acquisition and contribute to increasing the Group's shareholder value. Our objective is to maximize capital efficiency in all investment decisions.

For shareholder returns, our target dividend payout ratio is 40% or more based on profit attributable to owners of parent, with a baseline of continuous and stable dividends. We also intend to enhance shareholder returns by complementing dividends with flexible share buybacks as part of our dynamic capital policy. This is further evidence of our commitment to efficiently managing cash with a full understanding of its cost. A specific example is the ¥50 billion share buyback we announced in November 2024 and have already completed. We will consider a comprehensive array of factors that include stock price and the status of growth investments, and take action only when we determine that a share buyback will help increase corporate value, thereby improving capital efficiency and increasing shareholder returns. We intend to adopt methods for both shareholder returns and funding that contribute to increasing capital efficiency.

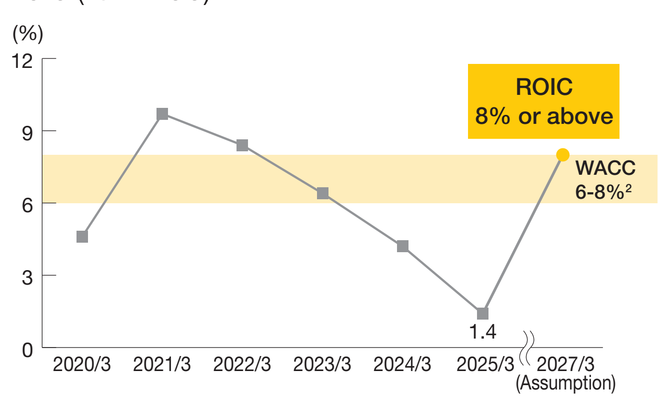
To Our Stakeholders

Rapid contemporary change notwithstanding, the Yamato Group aspires to be an entity that consistently contributes to society by providing value that exceeds customer expectations. As CFO, I will do everything in my power to contribute to sustainable earnings growth and increased corporate value for the Yamato Group as a means to maximize returns for all stakeholders. The Yamato Group is committed to earning the continued understanding and support of its stakeholders by delivering robust results that are aligned with their expectations for the future.

ROE (vs. CoE[1])



ROIC (vs. WACC)



1. CoE: Cost of shareholders' equity
2. Estimate for the current medium-term management plan period (FY2025/3 to FY2027/3)

▶Management Policies for Enhancing Corporate Value over the Medium Term

We will transform our business portfolio and strengthen balance sheet management to enhance earnings growth and quality as the means to achieve returns on capital that exceed the cost of capital. (ROE > CoE, ROIC > WACC)