

## Corporate Governance

## Nomination and Compensation Committee

## Message from the Chairperson of the Nomination and Compensation Committee

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Outside Director  
(Chairperson of the Nomination  
and Compensation Committee)

**Selecting and Developing Leadership and Enhancing Incentives to Create Corporate Value**

The Nomination and Compensation Committee supervises management and promotes and advances initiatives related to nominations and compensation to meet shareholder expectations and to sustainably enhance corporate value.

**Nomination Strategic Development of Leaders to Drive Business Portfolio Transformation**

The most important theme in the nomination process is strategically developing and identifying the next generation of management leaders who can vigorously drive the transformation of the Group's business portfolio. This is a management issue that is essential to enhancement of the Group's corporate value.

The Nomination and Compensation Committee is enhancing the selection process to promote a more effective succession plan. For example, we ask candidates to actively participate in discussions about key management issues, such as the review of the medium-term management plan, and provide them with the opportunity to directly receive pointed critiques from us on the supervisory side in a high-pressure environment. This encourages candidates to grow while enabling the committee to objectively assess their qualifications.

In addition, we gain a deeper understanding of the candidate's vision and personality by utilizing opportunities to communicate not only in formal venues, but also in casual settings that enable more frank dialogue.

Our initiatives are the means to consistently implement a highly effective and transparent succession plan and promote the development and selection of leaders who can vigorously drive the Group's transformation.

**Compensation Objective: A Compensation System More Closely Linked to Corporate Value**

The key theme for compensation is strengthening the link between officer compensation and increased corporate value to promote the sharing of interests with shareholders. We have been transitioning the Group's compensation system away from a high proportion of fixed compensation to merit-based incentives for increasing corporate value over the medium to long term.

Revisions during FY2025/3 included increasing the proportion of variable compensation and adding return on invested capital (ROIC) to the metrics for determining medium- to long-term performance-linked compensation. We will further accelerate these reforms with ongoing systemic reviews that will include considering a share-based compensation system that supports increased corporate value over the medium to long term.

By promoting management reform in terms of nomination and compensation, we will contribute to sustainable growth in the Yamato Group's corporate value.

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 deliberates on the details of particularly important matters pertaining to nomination and compensation, and presents 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, etc., 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 deliberate on several candidates for representative director, including candidates recommended by the incumbent representative director, based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors and present the results to the Board of Directors.

**Main Nomination and Compensation Committee Agenda Items and Reports during FY2025/3****Related to Nomination**

- Deliberation on appointment or reappointment of director candidates
- Evaluation of candidates for president and deliberation on the talent pool
- Deliberation on management structure and important personnel matters

**Related to Compensation**

- Deliberation on establishment of missions for inside director compensation
- Deliberation on verification of compensation levels for directors and executive officers
- Deliberation on the revision of compensation for individual directors
- Deliberation on performance-based compensation decisions
- Overall structure of deliberations on officer compensation benchmarks