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Mr. Nomura has over a decade of experience in management in the Asia-Pacific region at global companies including Amazon, Apple, and Coach. In Japan, he served as a director at Seiyu and Rakuten Seiyu Netsuper, where he successfully led initiatives to improve performance, implement M&As, reform personnel systems, and promote digital transformation. He utilizes his investment fund insights to engage in in-depth dialogue with investors and to help improve the corporate value of the Yamato Group.

Rebuild Earning Power to Restore Strong Returns on Capital

Introduction

I would like to express the Yamato Group's sincere gratitude to its shareholders, investors, and other stakeholders for the exceptional understanding, support, and constructive feedback they have consistently provided regarding Yamato Group management.

Current Financial Situation and Challenges to Address

Since assuming the role of CFO in April 2025, I have faced a harsh reality in the course of my dialogue with capital market participants. The reality is that the Group's return on equity (ROE) and return on invested capital (ROIC) remain below its weighted average cost of capital (WACC). At the same time, I am convinced that the fundamental value of the Group's unparalleled resources signifies potential that far exceeds the Group's current market valuation. My primary mission as CFO is to resolve this gap between what I see as intrinsic value and market valuation as quickly as possible to maximize corporate value.

Overview of Financial Results for FY2026/3: Emerging Structural Challenges

Both revenue and earnings increased during FY2026/3, and operating profit increased to ¥28.3 billion. We successfully reversed the downward trend in earnings. However, the pace of recovery fell short of the forecast made at the beginning of the fiscal year and was by no means satisfactory. The main reason was that, when delivery volume declined more sharply than expected in the third quarter—typically our peak earnings period—our cost controls lacked the precision and speed needed to respond promptly to the resulting fluctuation in demand. However, we did make steady progress in managing our balance sheet. We reduced assets to improve capital efficiency. This included the ongoing sale of cross-shareholdings, and we completed the liquidation of large-scale, non-operating real estate assets as planned. These achievements notwithstanding, as a member of the management team, I take extremely seriously the fact that the delay in restoring the profitability of our core business has undermined the confidence of the capital markets.

CFO Commitment to the New Management Structure: Rebuilding Earning Power

The Group launched a new management structure in April 2026 under the leadership of our new president, Toshiyuki Sakurai. Under this new management structure, I am committed to ensuring a turnaround that puts the Group on a growth trajectory with a return on capital that exceeds the cost of capital. The key to this will be combining our extensive database as the market leader in parcel delivery with finance capabilities that reliably convert our data into cash. We will transcend the traditional boundaries of the administrative functions to drive agile cost control and rebuild the Group's earning power—its ability to generate cash. We will demonstrate the results of that structural reform to our stakeholders in the form of concrete improvements in financial performance in FY2027/3.

Financial Strategies for Restoring Our Ability to Generate Cash

The earnings forecast for FY2027/3 represents an important milestone that the Group must achieve while absorbing approximately ¥20 billion in upfront costs to address the shrinking workforce and ensure the medium- to long-term sustainability of its supply chain, including costs to improve

employee compensation and pay fair rates to business partners. We view these contributions to human and social capital not merely as an increase in costs, but as capital investments designed to mitigate future business risks and ensure we can generate sustainable cash flow. We have strengthened our business foundation with these upfront investments, so I will now focus on the following four approaches for increasing earnings and enhancing capital efficiency to ensure that the business strategies spearheaded by President Sakurai translate into measurable financial returns.

1. Qualitative Top-Line Shift through Price Optimization

We will take an approach to pricing that reflects the value we provide, rather than simply raising prices across the board. We are considering mechanisms such as surcharges that would enable us to flexibly pass on cost increases in response to soaring fuel prices and other fluctuations in external costs. Through these measures, we will build an inflation-resilient earnings structure that is less susceptible to changes in the external environment.

Furthermore, for contracts with large corporate clients, we will separate basic freight charges from ancillary service fees and revamp our pricing structure to align with the specific services provided. We are moving away from emotion-driven negotiations and making a qualitative shift toward data-driven communication that enables us to logically explain the value we provide and the basis for our costs. In addition, network capacity is finite, so we must achieve profitable top-line growth through customer portfolio optimization that prioritizes the allocation of resources to high-margin business.

2. Elimination of Downward Cost Rigidity through Operating Cost Optimization

We will eliminate the issue of downward cost rigidity and work to lower the break-even point and increase ROIC. Our structural weakness lies in carrying excess resources to accommodate substantial fluctuations in daily workload, resulting in persistently high fixed costs. The implementation of dispatch systems that leverage AI and data goes beyond simply improving operational efficiency in the field. It is a financial strategy under which we use precise data analysis to identify patterns in demand volatility and dynamically allocate resources accordingly, thereby converting fixed costs into variable costs and lowering the break-even point. At the same time, we are consolidating and eliminating surplus operating assets such as unneeded vehicles and small-scale facilities identified through our optimization processes. This is helping to reduce invested capital, which is the denominator of ROIC. We are pivoting to a lean cost structure capable of adapting to demand fluctuations to improve capital efficiency.

3. Allocation of Capital to High-ROIC Markets through Business Portfolio Transformation

Business portfolio transformation through expansion of the Contract Logistics Business and the Global Business is a key driver enhancing the Group's return on capital over the medium to long term. We will move away from excessive reliance on the Express Business by concentrating resources in these B2B businesses under strict investment discipline, while expanding solutions businesses with high capital efficiency.

4. Promotion of AI and Data-Driven Management and Deployment of Human Capital to Front-Line Operations

We are implementing AI and data-driven management to create new value as well as to reduce costs. We will establish a competitive advantage and improve capital efficiency over the medium to long term by transforming operations based on data and creating new services. The Group will achieve these objectives by restructuring its digital assets through initiatives such as expanding Groupwide data infrastructure and migrating core systems to the public cloud. We are transitioning from conventional large-scale, inflexible systems to a framework whereby functions operate independently. We are also strengthening our ability to respond agilely to market needs and changes in the operating environment by combining in-house and AI-driven development to create added value more quickly.

These initiatives also directly contribute to maximizing the value of the Group's human capital. We will streamline back-office operations by revamping business processes and redeploying reskilled personnel to cash-generating front-line roles. In doing so, we will both reduce indirect costs and build a resilient earnings structure.

Balance Sheet Management That Drives Improved Capital Efficiency

We are supporting our ability to sustainably generate cash by swiftly conducting objective and rigorous reviews of past investments and existing assets. Our approach to balance sheet management that maintains financial soundness while optimizing invested capital within an optimal capital structure is based specifically on the following two core tenets.

Decisive Monetization of Non-Core Assets and Removal of Liabilities from the Balance Sheet

The Group divested all shares held in Yamato Credit Finance Co., Ltd. on September 1, 2026 to optimize the business portfolio. The sale of our stake in this financial services company to a new owner that is capable of driving the business removed approximately ¥40 billion in liabilities, including ¥31.6 billion in interest-bearing debt, from our balance sheet. As a result, the Group was able to significantly reduce its total invested capital.

Another key focus is rigorous asset governance, which involves accurately assessing the intrinsic value of the assets we hold. The Group completed the securitization of large-scale non-operating real estate as planned in FY2026/3. We have also received feedback from some market participants expressing expectations for further real estate securitization. However, we will not hastily undertake sale-and-leaseback (S&LB) transactions involving critical core assets—facilities in which specialized automation equipment is integrated with the building and that perform functions that are difficult to replace within our network—merely to generate short-term cash or temporarily improve financial indicators. This is because

the substantial rent payments incurred over the long term could undermine our ability to generate free cash flow over the medium to long term. At the same time, we continue to thoroughly review the rationale for cross-shareholdings and are proceeding with the sale of holdings that do not meet our established criteria, as appropriate. We will continue to maximize corporate value over the medium to long term through disciplined balance sheet management, regardless of short-term market valuations.

Capital Allocation to Maximize Corporate Value

Disciplined Investment Governance and Business-Specific Hurdle Rates

We plan to make strategic investments in our facility strategy, M&As, and other initiatives to expand growth areas, primarily in our business for corporate clients, including integrated business solution hubs.

At the start of FY2027/3 we introduced new business-specific internal hurdle rates for all capital investments. These rates are customized for the characteristics of each business, as opposed to a uniform Groupwide rate. We rigorously apply these hurdle rates to new investments from the planning stage, and will not commit to investments that do not meet criteria for return on capital. M&As are an important strategic investment option, and we carefully select deals that will create synergies with our strengths and clearly offer post-acquisition EBITDA growth and lead to improved ROIC.

Furthermore, we do not limit this governance framework to the initial stages of new investments. Drawing on rigorous post-investment reviews of past investments, we have fully implemented a framework for regularly measuring the ROIC of existing businesses. If a business's ROIC falls below the hurdle rate, we formulate a turnaround plan and objectively determine whether to continue or exit the business.

Building an Optimal Capital Structure for the Next Medium-Term Management Plan

Our medium- to long-term financial strategy also involves preparations for our next medium-term management plan, which will start in FY2028/3. Management is currently conducting in-depth discussions about the optimal capital structure and ideal balance sheet for the Group, along with the appropriate level of leverage to support growth investments. These discussions fully consider the balance sheet impact from regulatory changes such as the application of the new lease accounting standards. Once we finalize our policy, we will clearly present our path forward to the capital markets.

Shareholder Return Policy: An Optimal Cash Cycle with a Focus on Cost of Capital

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 of ¥46 per share. From this point of reference, we will carefully assess the balance between the capital we generate and our funding needs for growth investments, while dynamically and proactively considering additional shareholder returns through means including flexible share buybacks that directly help improve capital efficiency.

As CFO, I am acutely aware that holding cash carries a corresponding cost of capital. We will not hold excessive amounts of cash that are not linked to our business objectives and inflate our balance sheet. Our fundamental policy is to pursue a flexible financial strategy that involves raising funds from the capital markets in a timely manner using the most appropriate means when funding needs arise for major future investments. We will deploy the cash we generate either for effective growth investments or shareholder returns, rather than letting it sit idle. We will improve capital efficiency through a lean balance sheet and rigorous discipline.

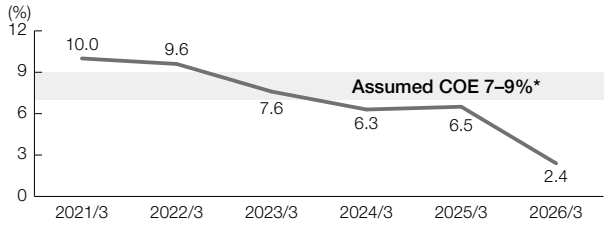
Conclusion: Constructive Dialogue with Capital Markets

Capital markets have harshly criticized our failure to meet our performance targets for FY2026/3, and we are taking it very seriously. Under the new management structure led by President Sakurai, we are addressing the current situation by making rational and swift decisions regarding both our business and asset portfolios with rigorous discipline, as we work to establish a structure in which the return on capital exceeds the cost of capital (ROE > cost of equity and ROIC > WACC).

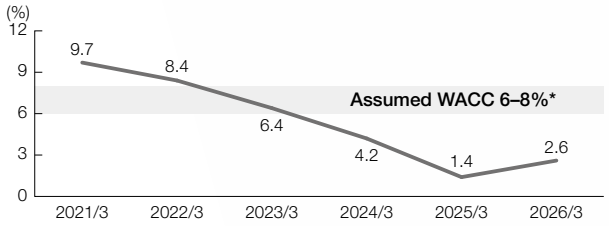
The first quarter of FY2027/3 is already over and we are closely monitoring our progress against our initial plan. First and foremost, my greatest responsibility as CFO is to ensure that we achieve our performance targets for FY2027/3 and demonstrate to everyone through concrete financial data that we have rebuilt our earning power.

The Yamato Group is now moving resolutely toward true transformation and renewed growth. We invite our shareholders and investors to share our expectations for the future and to continue giving us your frank opinions and encouragement.

ROE (vs. COE)



ROIC (vs. WACC)



* COE is based on our projections for the term of the medium-term management plan (FY2025/3 to FY2027/3).