Message from the Chairperson of the Board of Directors

Enhancing Board Effectiveness to Support Robust Growth

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A Sense of Urgency Regarding Our Challenging Conditions and the Fundamental Cause of Declining Profitability

Under its medium-term management plan, Sustainability Transformation 2030 ~1st Stage~, the Yamato Group is working to enhance its corporate value. However, in FY2026/3 ROE and ROIC remained at 2.4% and 2.6%, respectively, and the Group has continued to find itself forced to revise its earnings forecasts. The fundamental cause of the current decline in profitability is that the benefits of our structural reforms have been slower to materialize than expected amid dramatic changes in the operating environment.

Furthermore, considering these results in light of the Board's responsibility for overseeing management, I conclude that the Board was not sufficiently effective in overseeing and supporting the structural reforms being implemented by the executive team. A review of operational processes as part of the evaluation of Board effectiveness identified two issues for improvement in light of the Board's performance to date. The first issue was agenda balance and the allocation of time for discussion. The Board was spending too much time receiving status and progress reports from the executive team, which left insufficient time for substantive discussion of future growth. The second issue is insufficient assessment of risks and alternatives. Board discussions should have been more thorough in proactively identifying risks, alternative plans to address changing conditions, and exit criteria and strategies. The Group's outside directors, including myself, take this situation very seriously and recognize that these issues are among the factors that prevented the Group from sufficiently accelerating the pace of structural reform.

Board Operational Reform: Maximizing Management Oversight and Ensuring Disciplined Monitoring

As chairperson, I intend to transform the Board into a forum for substantive discussion that drives increased corporate value in order to fundamentally resolve these issues and enhance the execution of our plans. Specifically, we are committed to the following two reforms.

(1) Create an Environment That Enables a Genuine Focus on Substantive Discussions

We will review the criteria for matters to be submitted to the Board. This will involve considering quantitative factors along with qualitative significance, and delegating authority for routine matters to the executive team. We will narrow the scope of deliberations to key matters that are directly linked to Group strategy, with an emphasis on allocating the time freed up to exploring medium- to long-term themes. We reinforced this initiative by establishing the Corporate Value Enhancement Committee in July 2026, which comprises five outside directors and the president and representative director. The committee will move beyond the constraints of formal reporting to focus on objectively assessing corporate value from a market perspective and reviewing past investments, which will enhance the quality of Board discussions.

(2) Strengthen Disciplined Monitoring

For critical initiatives such as large-scale facility restructuring or M&As, we will ensure that alternative options and clear exit criteria are incorporated from the preliminary deliberation stage. Furthermore, we will also continue to strengthen post-investment monitoring based on criteria such as business-specific hurdle rates. A recent example is Nakano Shokai. It recognized one-time amortization of goodwill in FY2026/3, which underscored the importance of identifying variance between plans and actual results early and objectively. We are therefore enhancing our monitoring framework for post-merger integration following an investment. Through these initiatives, the Board will serve as an effective check—facilitating prompt course corrections in response to variances between initial plans and actual results, and immediately calling for plans to be revised or projects to be discontinued if the expected returns are unlikely to materialize.

Offensive and Defensive Governance under the New Management Structure

We are enhancing our governance framework so that the Board can provide structural support for the above reforms. Two new outside directors joined the Board in June 2026: Mr. Masayoshi Fujimoto, who has extensive experience in business and marketing strategies; and Ms. Christine Edman, who has extensive experience in global marketing and branding strategies. We believe they will further strengthen the oversight and advisory functions with respect to our growing Contract Logistics and Global businesses, and enhance the effectiveness of the substantive discussions mentioned earlier.

We also reformed the executive structure in April 2026. President Sakurai has extensive expertise in growth areas such as corporate sales, and now leads the Group. Mr. Awa, president of the core Group operating company Yamato Transport Co., Ltd., has joined the Board of Directors. This structure has strengthened collaboration in the Group and accelerated decision-making. Mr. Nagao has entrusted front-line operational responsibilities to the new management team in transitioning from president to chairman, and is focusing on external activities and management oversight. This has created an environment in which the new executive team can devote its full energy to revitalizing the Group's businesses, while the Board of Directors provides appropriate supervision to ensure that this team management approach generates maximum synergy.

Steady improvements in performance resulting from our governance system, rather than the form of the system itself, will demonstrate the effectiveness of our approach to governance. We will strengthen the supervisory and advisory functions of the Board of Directors to drive management transformation. Management will also remain mindful of the cost of capital to continuously enhance corporate value and meet the expectations of shareholders and investors.