

Message from the Chief Financial Officer



PROFILE

Toshizo Kurisu | Representative Director, Executive Officer and Vice President Responsible for Finance, Public Relations and Digital

We aim to improve corporate value over the medium to long term under the One Yamato management structure, which centralizes the management resources of the Yamato Group. While enhancing profitability through the optimal allocation of management resources and the implementation of growth strategies, we will reinforce financial strategies that contribute to reducing capital costs as well as enhance the efficiency of assets and capital and sustainable management for the sustainable development of society and businesses.

Promoting Structural Reforms Based on "One Yamato 2023"

During the fiscal year ended March 31, 2022, the first year of the medium-term management plan "One Yamato 2023" scheduled to finish in fiscal 2023, we steadily promoted structural reform initiatives under the One Yamato management structure, which focuses on Yamato Transport and centralizes the management resources of nine Group companies. As a result, we have seen an increase in operating revenue owing to our focus on increasing our delivery amount as part of our response to accelerated growth in the EC domain and optimizing customer logistics. There was a decrease in operating profit due to an increase in the cost price of fuel and an increase in costs following the promotion of structural transformation. Ordinary profit also decreased, despite the positive effect of gains on investments in investment partnerships. Profit attributable to owners of parent remained at the same level as the previous fiscal year due to gains from sale of strategic holdings of shares, the cost of revision of retirement benefit plan, and a loss on sale of shares following the business transfer of associated companies, which reduced taxable income for fiscal 2021.

During the second year of One Yamato 2023, the fiscal year ending March 31, 2023, in addition to global inflation trends, such as the rising cost of resources and steep food prices due to the instability of the international situation, there has been continued depreciation of the yen caused by the increasing gap between domestic and international exchange rates, making a full-scale economic recovery difficult to foresee. At the same time, there has been an increase in procurement costs, such as fuel, electricity, and labor. Under such circumstances, the Yamato Group has been making amendments to the Group's Management Structure where necessary, based on results and issues from the first year of the plan, and accelerating initiatives for providing value for corporate clients from "End to End" and structural reform of networks and operations as a foundation for future growth. We aim to enable the stable creation of profit by reforming cost structures in line with workload through optimization of the EC logistics network, which is currently being built, and the existing TA-Q-B/I/N network.

Financial Strategy and Investment Aimed at Creating Future Cash Flows

In the three-year period between the fiscal year ended March 31, 2022 and the fiscal year ending March 31, 2024, we expect to invest a cumulative ¥400 billion, including ¥200 billion in growth investments and ¥200 billion in current investments related to the maintenance of businesses, and to launch initiatives for structural transformation to promote the main initiatives of "One Yamato 2023."

In the first year of "One Yamato 2023," we actively promoted digital investments that contributed to the creation of a digital information infrastructure (Yamato Digital Platform), which maintains and utilizes data, and the enhancement of customer experiences and value provision. Meanwhile, we promoted the utilization of resources from external partners in the creation of an EC logistics network to pursue resilience in responding to the speed of management and fluctuations in demand. Going forward, we will implement investments when necessary, depending on whether or not they will increase corporate value over the medium to long term.

In regard to financial strategy, as a company responsible for social infrastructure, our basic policy is to maintain financial soundness, taking into account business continuity in light of increasingly severe disasters, to engage in reducing capital costs through accurate utilization of liabilities, to enhance operating profit margin by promoting structural reforms, and to enhance asset and capital efficiency through optimization of the balance sheet. Under this policy, we will strive to maintain our credit rating (AA-, Rating and Investment Information, Inc.) while keeping in mind an optimal capital structure.

In terms of fundraising, we will do so in a timely and appropriate manner with an awareness of financial soundness and efficiency. In particular, we will examine the utilization of sustainable finance in environment-related investments, such as climate change response.

From the perspective of our business portfolio, in April 2020 we transferred 60% of the issued common shares of Yamato Lease Co., Ltd. to Fuyo General Lease Co., Ltd. to strengthen the competitiveness of the lease service business and achieve joint ventures with partner companies aimed at expanding business domains. We also transferred 51% of the issued common shares of Yamato Home Convenience Co., Ltd. to ART MOVING COMPANY Co., Ltd. in January 2022 to further increase convenience for customers in the moving market.

We will continue to promote initiatives, such as reorganization in anticipation of future business growth and reallocation of management resources to highly profitable businesses, with the aim of improving capital efficiency.

Basic Stance on Capital Policies and Shareholder Returns

In regard to capital policy and shareholder returns, we will consider timely and appropriate measures based on the future growth potential (operating revenues) and profitability (operating profit margin) of our businesses, financial soundness (status of cash creation, cash and cash equivalents, and capital adequacy ratio levels), investment progress, capital efficiency, and other factors, with a basic policy of stable dividends (with an awareness of the ratio of dividends to shareholders' equity). The key indicators for capital policies will be ROE of 10% or more (fiscal year ending March 31, 2024), a dividend payout ratio of 30% or more, and a total return ratio of 50% or more (cumulative for the period from the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2024).

In the fiscal year ended March 31, 2022, we paid dividends of ¥46 per share and achieved a payout ratio of 30.5%. In the fiscal year ending March 31, 2023, we plan to pay out an interim dividend

of ¥23 (implemented) per share and a final year dividend of ¥23 per share, for a full-year dividend totaling ¥46 per share. Furthermore, in the period between February and May 2022, the Company repurchased 8.75 million shares of its own stock (¥20 billion) and canceled all such shares.

Improvement of Corporate Value over the Medium to Long Term

The Yamato Group has positioned ROE as a key indicator for improving shareholder value. We will strive to improve ROE by increasing profitability through optimizing the allocation of management resources and implementing growth strategies while remaining cognizant of an optimal capital structure.

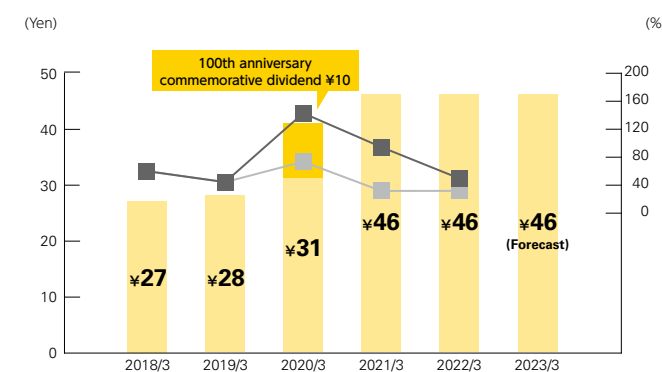
Additionally, we will continue to strengthen corporate governance to achieve sustainable growth and a sustainable society. Based on our vision for sustainable management and material issues, we will also promote Groupwide efforts to achieve the sustainable targets for society and the environment established in Sustainable Medium-Term Plans 2023.

As part of this, we will endeavor to enhance information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) while identifying and evaluating the risks, opportunities, and impacts associated with climate change in recognition of its importance in improving the Yamato Group's corporate value over the medium to long term and realizing a sustainable society.

Going forward, we will aim to improve corporate value through not only the financial aspect of enhancing ROE but also the promotion and disclosure of initiatives aimed at the sustainable development of society and the business and through constructive dialogues with all of our shareholders and investors.

Shareholder Return Results and Forecast*

(Fiscal Year Ended March 31, 2018 to Fiscal Year Ending March 31, 2023)



* The forecast dividend figure is the figure announced on November 7, 2022.