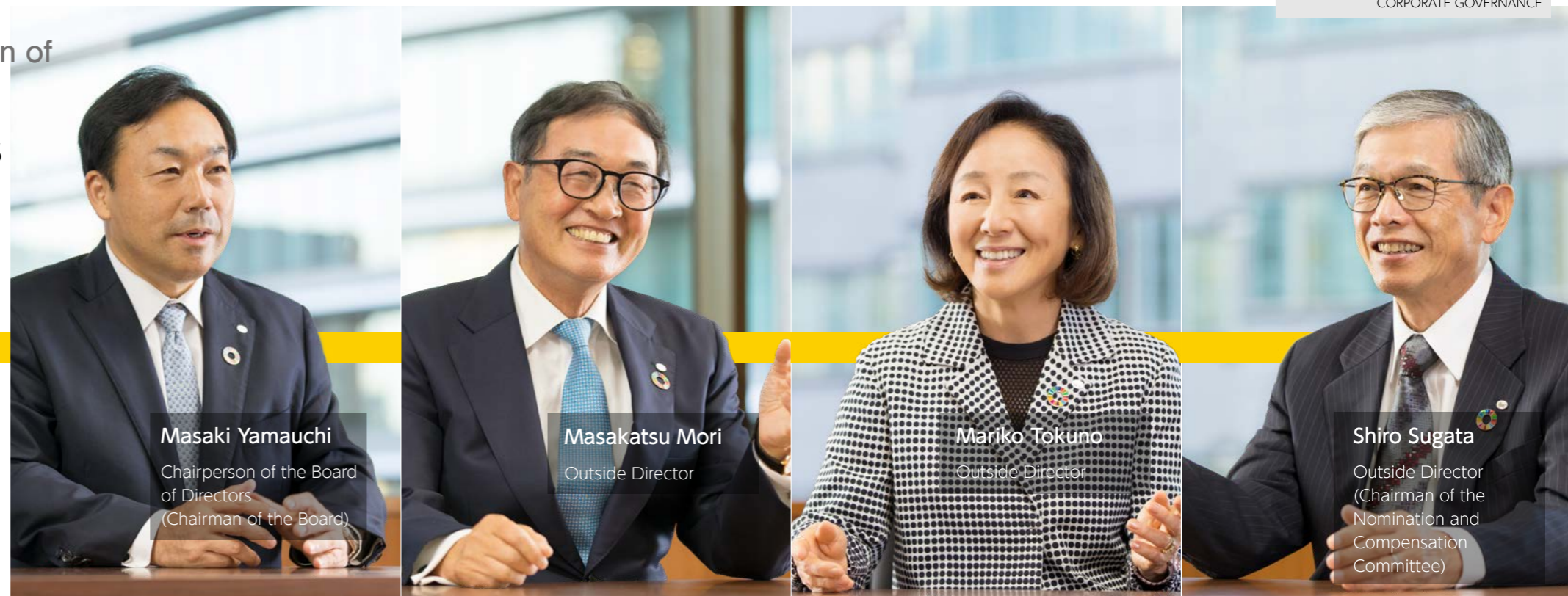


Governance Roundtable between the Chairman of the Board and Outside Directors

The Function of the Board of Directors and Governance in Achieving a Medium- to Long-Term Enhancement of Corporate Value

In April 2021, the Yamato Group launched a new Group management structure and engaged in structural reform of Group management aimed at the medium- to long-term enhancement of corporate value, as well as the creation of a corporate governance structure that supports this system. Masakatsu Mori, Mariko Tokuno, and Shiro Sugata, who are outside directors, and Masaki Yamauchi, who is the chairperson of the Board of Directors and the chairman of the Board, exchanged opinions on issues such as the type of governance Yamato should aim to realize and the important material issues the Group should engage in.



Masaki Yamauchi
Chairperson of the Board of Directors
(Chairman of the Board)

Masakatsu Mori
Outside Director

Mariko Tokuno
Outside Director

Shiro Sugata
Outside Director
(Chairman of the Nomination and Compensation Committee)

The Status of Governance at Yamato

Aiming to Strengthen the Functions of the Board of Directors and Its Management Speed

Yamauchi

We have continued to engage in initiatives, such as positioning corporate governance as the foundation of enhancing corporate value and continuing to separate the supervision and execution of management, ahead of the revision of the Corporate Governance Code (hereinafter referred to as the "CG Code"). While we implement an annual evaluation of the effectiveness of the Board of Directors to confirm said effectiveness, we have become aware of the growing importance of discussion at Board of Directors meetings and the necessity of further deepening discussions of management issues and management strategies amid rapid changes to the business environment. As the chairman of the Board, I believe that I exist to fulfill this role.

I would like to ask the outside directors, what is your understanding of the current situation regarding Yamato's governance structure?

Mori

In recent years, the CG Code has been introduced and revised by the Tokyo Stock Exchange and the supervisory

functions of the Board of Directors are being reinforced at all listed companies. Under these circumstances, I believe that we have been able to advance Yamato's corporate governance structure.

The Board of Directors has the key functions of making vital management decisions and supervising business execution. Regarding the former of these functions, we ensure the premise of setting topics of discussion in a timely and appropriate manner, share the necessary materials in advance of meetings, and thoroughly promote understanding of their content. In terms of the latter, there is a widespread belief that it is the responsibility of the president to report on the status of business execution as the chief executor. Each time, the president gives a detailed report on financial and non-financial information, as well as management issues. Additionally, we, the outside directors, can leverage our supervisory functions by making proposals based on these reports.

With regard to internal control, another key function of the Board of Directors, audits by the Audit & Supervisory Board and internal audits have been enhanced, and the opinions of outside directors have been reflected in many cases. As such, I believe that we have successfully established these three functions.

Tokuno

The Board of Directors is functioning soundly, and I feel that its effectiveness has been increasing year by year.

Discussions are lively and directors do not hold back from each other. As a result of disagreements during discussions of proposals on the executive side, I have witnessed a process that results in a more refined and complete conclusion numerous times. However, to make this approach compatible with the speed of management, we need to accelerate our exchanges with the executive side. While we are making improvements, we hope to further increase speed.

Additionally, in our efforts to promote diversity in the Board of Directors, it is not only important to consider gender but also how extensive the experience and qualifications of each director is. Accordingly, while we are composed of diverse members, it is important that each director is constantly reconsidering their point of view and maintaining multiple standpoints. I have reaffirmed that this effort is essential to avoid falling behind the changing times.

Sugata

The enhanced pre-meeting briefings for the Board of Directors enable us, the outside directors, to draw reasonable conclusions from a full understanding of the meetings. The materials are intuitive and easy to understand through the use of charts and photographs. I believe that the process of creating these materials is a useful opportunity to deepen understanding of the Company's current status, not only for the outside directors but also for people within the Company.

Additionally, evaluating the effectiveness of the Board of Directors has become a worthwhile mechanism for reflecting the opinions of the outside directors and Audit

& Supervisory Board members in the management of meetings. Recently, this has enabled us to also report on the analysis of failed strategies and negative results of projects. This is an example of how the initiatives have worked effectively through the acceptance of opinions from the outside directors.

However, if the questionnaire for evaluating the effectiveness of the Board of Directors becomes an end in itself, we may lose sight of the important essence of the evaluation. We should ultimately evaluate the effectiveness of the Board of Directors based on the improvement of our medium- to long-term results and stock price.

Yamauchi

As everyone has already stated, we have had extremely lively discussions at Board of Directors meetings. Furthermore, the Board of Directors meeting has become a platform for deeper discussion, rather than simply a question and answer session, due to the enhancement of pre-meeting briefings. I recognize that we need to further reinforce this initiative to make it compatible with management speed.

As Mr. Sugata has pointed out, the approach of identifying issues through post-meeting reviews and verification is important for the decision-making process of the Board of Directors. I believe that the establishment of mechanisms to increase the effectiveness of strategies, such as discussion at Board of Directors meetings and advice from the executive side, is of great significance in terms of reinforcing governance that supports the enhancement of corporate value.

Governance Roundtable between the Chairman of the Board and Outside Directors

Initiatives of the Nomination and Compensation Committee

Working toward a More Logical, Transparent, and Independent Appointment Process

Yamauchi

In 2005, Yamato established the Nomination and Compensation Committee, which has been managing the nomination and compensation of executives based on a system where independent outside directors make up a majority of the members and one serves as chairperson. First, I would like to ask about the nomination process. During the process of appointing and dismissing directors, including the president, what factors do you place importance on discussing in the Nomination and Compensation Committee?

Mori

While it is generally expected that a skilled president will serve for many years, regardless of term of office, it is also possible that a president could be replaced after a short period of time, depending on their work style. The core of governance is the selection and evaluation of a president. The responsibility for this lies with the Nomination and Compensation Committee.

The point I have just raised applies not only to the president but also to all of the directors. To build a strong board of directors, I believe that we should make judgments on whether to appoint and reappoint directors according to their individual qualities and contributions. Additionally, once we have selected a president or executive officer, we need to respect the executive members we have selected.

Sugata

It's advisable that the process for appointing outside directors has a high level of transparency and objectivity and is separate from management. This enables us to maintain independence and fully leverage supervisory functions. At Yamato, we have also designed a process for selection that is our vision for the Nomination and Compensation Committee.

First, we discuss the skills needed by a candidate for outside director and decide on personnel requirements. Based on these, we create a list of candidates that references opinions from both inside and outside the Company and rank them while taking various factors into account. We are making use of this new logical and transparent process to select candidates.

Additionally, incoming candidates for manager are a major theme of governance. As the Nomination and Compensation Committee, we hope to further deepen discussions regarding plans for succession.

Yamauchi

Since Mr. Mori took the position as the chairman of the Nomination and Compensation Committee, the process for selecting outside directors has become a clearer and more logical and transparent process performed by an independent advisory committee. Under the recently appointed chairman, Mr. Sugata, we will further advance reforms to achieve better governance. Additionally, I hope to improve the process itself while listening to the opinions of the outside directors regarding plans for succession.

Introducing a Compensation System That Encourages the Enhancement of Corporate Value over the Short, Medium, and Long Term

Yamauchi

Next, I would like the current chairman of the Nomination and Compensation Committee, Mr. Sugata, to explain the background and goals of the compensation system, which was revised in June 2020.

Sugata

Regarding the compensation of directors and Audit & Supervisory Board members, we decided to introduce a performance-linked, share-based compensation system in June 2020 and launched the system in the current fiscal year. There are two main aims for introducing this system.

The first is the provision of compensation that corresponds to the role and responsibilities of a position and performance as a result. To acquire and establish capable personnel, we need to have a competitive level of compensation compared with other companies.

The second is a compensation structure that is linked to the medium- to long-term corporate value and stock price and that encourages a sense of common interests with all of our shareholders. As an incentive, we revised the performance indicators and raised the percentage of performance-linked compensation (variable compensation). The operating profit-based, performance-linked compensation that we had previously employed was insufficient in terms of reflecting corporate value. Therefore, we created a multifaceted evaluation system that separates the subjects of evaluation into the short and medium to long terms. To the former (short term), we added operating revenues and profit attributable to owners of parent, as well as operating profit, and the latter (medium to long term) includes ROE, TSR, and ESG indicators.

In addition, we will increase the objectivity and transparency of the process for determining compensation.

Tokuno

Yamato places importance on the form and process of its nomination and compensation of directors and Audit & Supervisory Board members, and I believe that it has reached a point where it is comparable with, or even one step ahead of, its competitors.

Realization of Sustainable Growth and the Enhancement of Corporate Value

Pursuing Unique Value as Part of a Growing Industry and a Social Infrastructure Company

Yamauchi

Yamato is currently promoting its medium-term management plan "One Yamato 2023." What kind of issues do you think are especially important for realizing sustainable growth and the enhancement of corporate value amid the harsh business environment surrounding the Yamato Group?

Mori

At Board of Directors meetings, we discussed and developed the strategy "One Yamato 2023." We placed particular importance on three points from this strategy.

The first point is proactive investment. Yamato is part of a growing industry and we should proactively make investments with awareness of the favorable position we

are in. Going forward, we need to further enhance corporate value through expanding the business by proactively carrying out investments following the reorganization of the delivery industry.

The second point is the pursuit of capital efficiency. It is necessary to continue optimizing our business portfolio by placing further importance on capital efficiency in business management.

The third point is the promotion of sustainable management. As a social infrastructure company, Yamato holds significant social responsibility. We should pursue the creation of new value while actively incorporating both ESG and SDG perspectives.

Tokuno

Sustainable Medium-Term Plans 2023 includes a number of elements that are signs of growth. While the plans are scheduled to run until the fiscal year ending March 31, 2024, the content is based on a long-term outlook beyond that period and should be strongly promoted.



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Additionally, Yamato is a company that supports Japan through its logistics infrastructure. The Group has a consolidated 220,000 employees and has a strong presence in people's daily lives. Conversely, we must be conscious of the effect Yamato's behavior has on society. Sustainability initiatives that aim to establish an appropriate work environment and contribute to all of society are important. I believe that, in the face of these various issues, we can find a new direction for growth.

Sugata

First, it is important to steadily promote the current structural reform. On top of that, there are four themes that we should engage in going forward.

The first theme is the cultivation of new business domains involving digital transformation (DX). Our DX initiatives so far have been centered on "internal DX" and have contributed to improving productivity and efficiency. Additionally, I believe that "external DX," the development of new digital services and products based on various types of information accumulated within the Group, represents another major potential opportunity for achieving sustainable growth.

The second theme is the promotion of automation through laborsaving initiatives. As society sees a major decrease in population, we also expect a labor shortage within the logistics industry. To get a head start, we must continue to promote laborsaving initiatives by improving operational efficiency from a wide range of aspects.

The third theme is the restructuring of overseas strategies. As part of our structural reform, we withdrew from unprofitable businesses overseas and focused our man-

agement resources on areas such as domestic e-commerce and corporate business. However, a company the size of the Yamato Group should aim to become a global company over the medium to long term, so we must reconsider our overseas strategies in the future.

The final theme is the current daily issue of ensuring a stable supply of logistics services. The most serious responsibility of a social infrastructure company is to provide services and products without interruption. Taking into account the impact of climate change over recent years, the need for business continuity planning is likely to increase. Regardless of the situation, Yamato must regularly increase its strength and resilience to enable the maintenance of its logistics services.

Yamauchi

As Mr. Mori always says, our position as a company in a growing industry is a strength we should be utilizing further. Your observation regarding the importance of capital efficiency is an issue that we will continue to address.

Furthermore, as each of you have identified, by supporting the logistics of the entire country, the Yamato Group is a company responsible for social infrastructure. I hope that we can further reinforce sustainable management through ESG initiatives and the SDGs, take responsibility for issues such as business continuity, and meet the expectations of our stakeholders.

The first step to achieving sustainable growth is the steady accomplishment of our medium-term management plan "One Yamato 2023." We will appropriately monitor and support the execution of this process as the Board of Directors.

Further Enhancement of Corporate Governance

Examining the Nature of Governance and the Role of Outside Directors

Yamauchi

Finally, what is necessary for Yamato's governance to function sufficiently? Also, what kind of role should outside directors fulfill?

Tokuno

The most important requirement for functioning corporate governance is the proper sharing of information. This has

two meanings. The first is the sharing of information between the Company and shareholders and investors. The second is the sharing of information between inside and outside directors.

Regarding the former, Yamato is expanding dialogues with shareholders and investors. By holding regular dialogues, I believe that we can deepen mutual understanding. The proper exchange and sharing of information is essential for smooth communication and for governance as a whole.

Meanwhile, the latter is necessary because it acts as a brake for the executive side. Applying the brake at the appropriate time, without hesitation, is an important



responsibility for the outside directors. Accordingly, we must properly share information. The brake (supervisory functions) and the accelerator (the support of the executive side) are two halves of a whole. Because we apply the brake appropriately, this also enables us to accelerate as needed.

Sugata

When considering the issues surrounding governance, it is often easy to confuse goals with methods. The individual actions that are concrete examples of governance are no more than the methods. The ultimate goal of governance, in other words its essence, is to quickly carry out proper decision-making. Additionally, while the Board of Directors is often said to have two functions, supervision and decision-making, I remember feeling uncomfortable with the word "supervision."

The people who run companies and deliver services and products to the world are all professionals in their fields. Our purpose as outside directors is to mediate as outside entities among these people. Rather, we essentially provide support as a catalyst that enables them to properly make more efficient decisions and act as a check to ensure that they do not go in the wrong direction.

The checking function is based on all of our stakeholders, including shareholders and investors. While being aware of this position, outside directors will demonstrate a concrete checking function by utilizing their knowledge cultivated through social trends and company management.

Mori

The ultimate goal of governance is to sustainably enhance corporate value over the long term. For Yamato to achieve this, we must make steady progress with our

medium-term management plan "One Yamato 2023," the process of which the Board of Directors will monitor. The primary issues we will be monitoring at this time will be risk management; the soundness of labor and management and of shareholders; sustainability initiatives, including the SDGs; and business continuity. As management conditions have become increasingly uncertain, it is particularly important to further reinforce risk management.

At the same time as these initiatives, we must also increase the transparency of management and fulfill our responsibility of providing explanations for our shareholders and investors. Our integrated reports are also a tool for this purpose. Communication is definitely more important than anything.

Yamauchi

Today I received numerous suggestions from all of your unique perspectives. A number of key points stood out, including the sharing of information, a sound relationship with stakeholders, sustainability, and transparent management. Furthermore, to sustainably achieve enhanced corporate value, we will engage in improving risk management and demonstrate a healthy entrepreneurial spirit, rather than turning to excessive risk aversion, after identifying multifaceted risks. I believe that we must strive to be a board of directors that supports this.

I would like to thank you for all the valuable opinions you shared today from various angles. Going forward, I will continue endeavoring to further enhance and improve the effectiveness of the Board of Directors as a forum for free and open discussion that leads to enhanced corporate value.