

## MESSAGE

## Message from the Chairperson of the Board of Directors

In June 2022, Outside Director Shiro Sugata was appointed as the chairperson of the Board of Directors.

“Pursuing benefits for all our stakeholders”

## PROFILE

Shiro Sugata

Chairperson of the Board and Outside Director



## Message from Chairperson of the Nomination and Compensation Committee

In June 2022, Outside Director Mariko Tokuno was appointed as chairperson of the Nomination and Compensation Committee.

“For governance that ensures transparency and fairness”

## PROFILE

Mariko Tokuno

Chairperson of the Nomination and Compensation Committee and Outside Director



### Mindset Needed to Be Chairperson of the Board of Directors

As a company that utilizes an executive officer system, I feel that it is appropriate to entrust matters relating to short-term and daily business operations to the management team as much as possible. Meanwhile, discussions and decision-making at Board of Directors meetings should be more about important medium- to long-term policies and initiatives.

Additionally, while outside directors are generally said to be the representatives of shareholders, it is my belief that we should also provide benefits to all of our stakeholders, including customers, business partners, local communities, and employees, in addition to our shareholders. Accordingly, I place importance on management speed. A management style that can prevent delays in decision-making and implementation while avoiding hasty decisions will definitely lead to the maximization of benefits for stakeholders.

As chairperson of the Board of Directors and an outside director, I will propose management policies and specific initiatives that contribute to medium- to long-term benefits for all our stakeholders and will endeavor to select agenda items and keep proceedings on track to achieve this.

### Effectiveness of the Board of Directors

I was appointed as an outside director in 2019. Over the last three years, Yamato's Board of Directors has been thoroughly enhanced, not only in terms of structure, such as the ratio of outside directors, but also in terms of substance, including details of agenda items and discussions and pre-meeting briefings. For example, we discuss vital agenda items at Board of Directors meetings, such as the transfer of shares in consolidated subsidiaries and the introduction of cargo flights (freighters) as a new trunk-route transportation method, from the planning stage. The decisions made, as well as the subsequent progress, are then reported to and discussed by the executive side. According to the requests of outside directors, we also proactively report strategic failures and hold constructive discussions based on these. Going forward, I hope to encourage outside directors to gain an understanding of the business and deepen discussions with the executive side by creating opportunities for outside directors to visit the front line, and communicate with working employees, although

this depends on the spread of COVID-19.

However, the effectiveness of the Board of Directors cannot truly be assessed until several years later. Factors including future performance and stock price, the level of customer satisfaction, and the level of employee satisfaction, can help us confirm the appropriateness of our current discussions and decision-making process. Accordingly, we must be aware of whether the corporate governance system, including the Board of Directors, has the best and most suitable structure and operational status. As the chairperson of the Board of Directors, I will participate from the preparatory stage in deciding how each topic is selected and adopted, including items for resolution, reports, and consultation, with the aim of further enhancing effectiveness.

### Improvement of Long-Term, Sustainable Corporate Value

It is important to hold discussions with an even greater awareness of sustainability for the future ahead. Sustainability ensures the sustainable growth of the Yamato Group. This entails not only environmental aspects, such as the reduction of greenhouse gas emissions and decarbonization, but also the enhancement of the services and operations we provide, utilization of digitalization (DX) and human capital in response to the declining working population, new businesses, and global expansion. Our business continuity plans are also an important topic. As a part of social infrastructure, our services must remain uninterrupted, even during natural disasters, including abnormal weather and earthquakes. It is vital to reinforce a structure and business operations that are prepared for these risks.

These business continuity plans are capable of maintaining sufficient profit levels. We must continue to generate high levels of profit to maintain proactive long-term investments and a stable business operational structure. I will continue to place importance on profitability with “sustainable corporate value improvement” as a vital key phrase.

### The Nomination and Compensation Committee's Significance and My Role as Chairperson

The purpose of outside directors is to ensure transparent and fair management through effective corporate governance and to contribute to enhancing corporate value over the medium to long term. The same is also said of the Nomination and Compensation Committee. Deliberation of the nomination process ensures the transparency and fairness of the management structure through the selection and dismissal of directors, the evaluation of the president and succession plans, and the composition of the entire Board of Directors, including outside directors. Deliberation of the process for determining compensation sets out transparent and fair compensation systems and decision-making policies for securing talented human resources and encourages them to play an active role in the development of the Yamato Group of the future.

As of June 2022, the Yamato Group's Nomination and Compensation Committee comprises one inside director (executive officer and president) and five outside directors (all outside directors of the Board). We transitioned to the current composition to eliminate the information gap between outside directors and ensure a higher level of discussion and decision-making. The Nomination and Compensation Committee deliberates on nomination and compensation but is also a forum for vital communication between the outside directors and the president, who is the chief executive officer of Yamato's operations. The discussions of outside directors become even more beneficial when carried out with a deep understanding of the president. In actively exchanging opinions on not only agenda items in the Nomination and Compensation Committee but also our vision for the future of the Yamato Group, including the axis of management decision-making, the thought process leading to those decisions, and the direction the president is considering, I, as chairperson, will play the role of facilitator in stimulating these discussions.

### Status of Nomination and Compensation Committee Activities and Issues to Consider Going Forward

In the fiscal year ended March 31, 2022, deliberations regarding nomination included the number and structure of directors and

necessary personnel based on a skills matrix, the selection of new candidates for director, and the appointment process for independent outside directors. Yamato's process for appointing directors is to narrow down a list of candidates based on the experience and skills they possess that are necessary for the Group. In light of the Group's growth strategies, we will continue to examine the Board of Directors, including details of the skills its members should have.

Deliberations regarding compensation included the establishment of performance benchmarks for performance-linked, share-based compensation, the establishment of a mission for inside director officer compensation, and a revision of policies for determining individual compensation for directors (removal of decision-making power from the president).

From the fiscal year ended March 31, 2022, we have raised the percentage of performance-linked compensation (variable compensation) as an incentive and introduced a new officer compensation system with revised performance indicators. However, we are only just catching up to the average compensation system in Japan. I believe that there is still room to advance the officer compensation system and we will continue examining a compensation system that better motivates directors to improve corporate value over the medium to long term, such as how to set percentages for performance-linked compensation and incentives.

### Key Topic That Contributes To Corporate Value in the Medium to Long Term

A key topic that needs to be thoroughly discussed going forward is a succession plan for the president. Regardless of the president's age and term length, we must always keep the future in mind and consider the successor appointment process and methods for their development. For example, we must consider measures including the reinforcement of outside director points of contact with the executive side; presentations by candidates; the creation of opportunities to understand human nature, values, and enthusiasm; and the utilization of external programs. We will deepen deliberations as soon as possible to establish a mechanism and fulfill our role as the Nomination and Compensation Committee.