YAMAZEN

Integrated Report 2024

April 1, 2023 to March 31, 2024

Pioneering a new future,
with you all

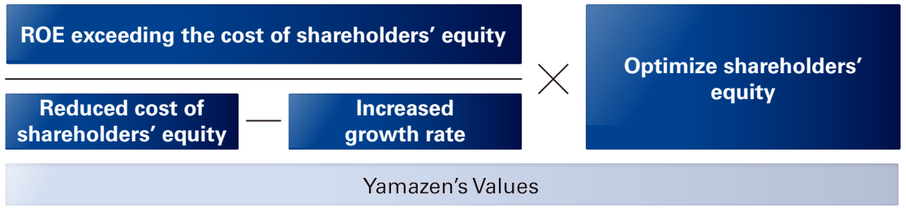
YAMAZEN

YAMAZEN CORPORATION

Contents

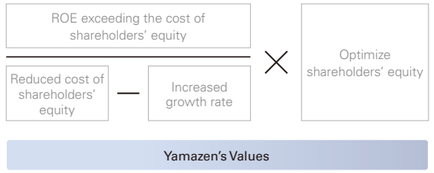
This integrated report is divided into sections that explain the Yamazen Group's ("Yamazen" or "the Company") approach to enhancing corporate value over the medium- to long-term. It summarizes how Yamazen leverages its competitive advantages to create both social and economic value from a medium- to long-term perspective.

Policy for Enhancing Corporate Value over the Medium to Long Term



Lead Feature Yamazen's Values

We will explain our existence's purpose, enduring values (Management Philosophy), the driving force behind value creation cultivated over many years, and our strengths.



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Top Message

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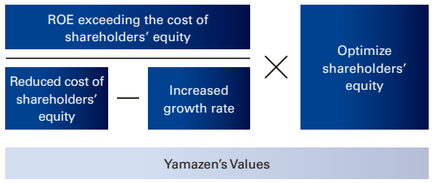

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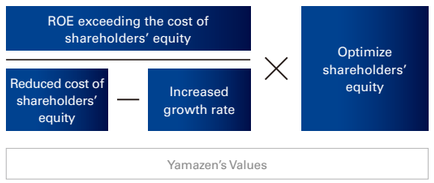

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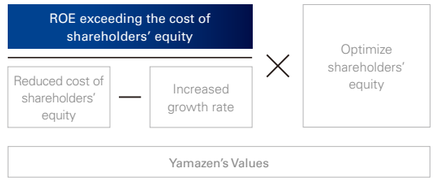

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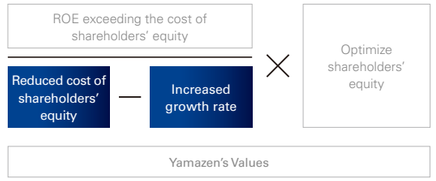

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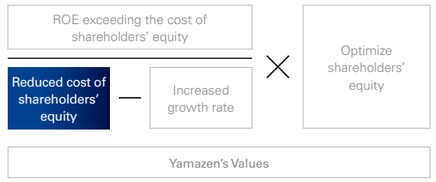

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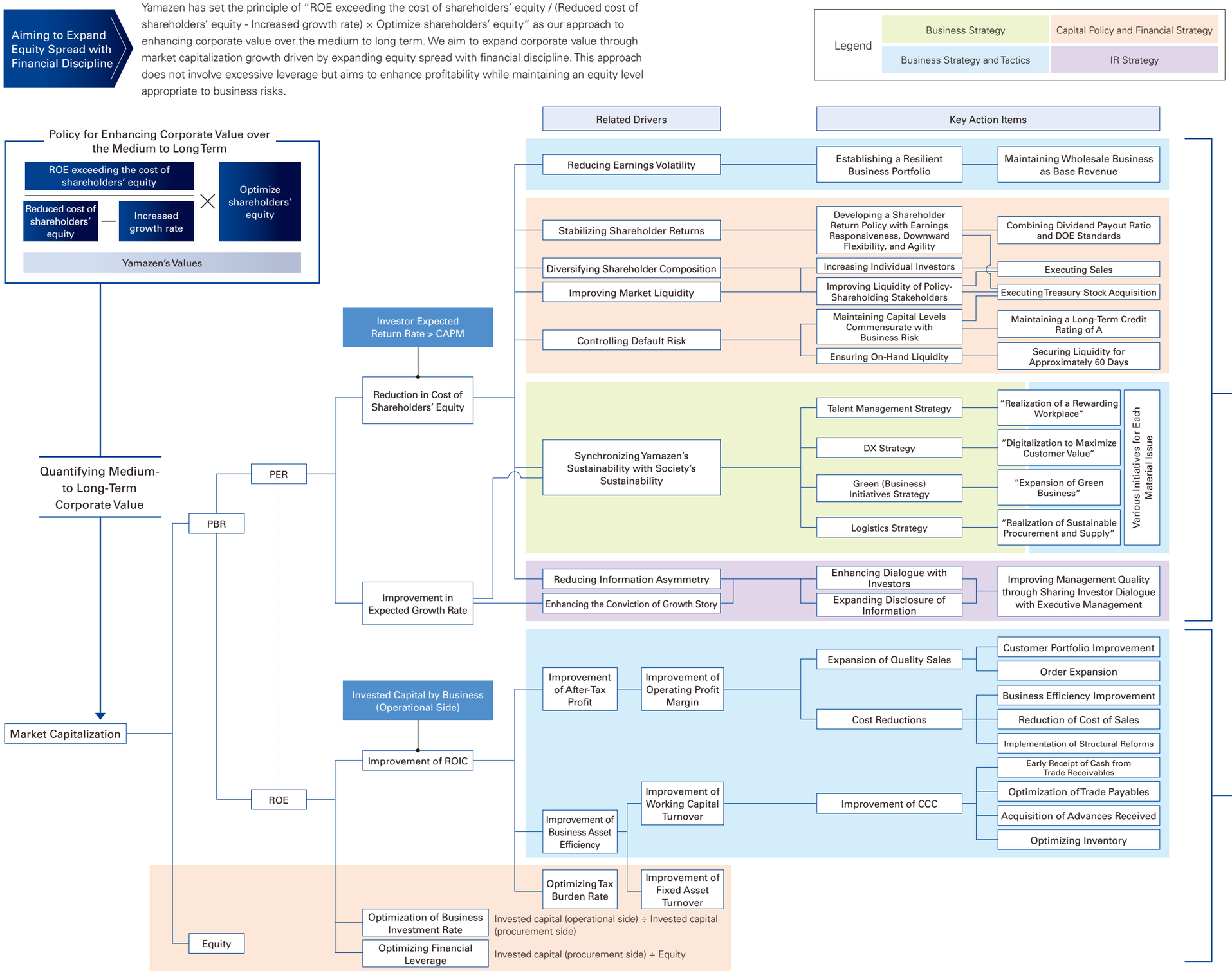
Cautionary Note Concerning Forward-Looking Statements

Statements about the future, including the medium-term management plan and forecasts, in this integrated report are based on the information currently available and on certain assumptions deemed reasonable by management, and are not intended as guarantees by the Company. Actual performance may differ materially from these projections due to various reasons. Factors that may impact future prospects include, but are not limited to, the economic environment in which the Company operates, competition, laws and regulations, changes in product development and fluctuating exchange rates.
Scope: FY2023 (April 1, 2023 to March 31, 2024). Some information from after April 2024 is also included.

Initiatives for Enhancing Medium- to Long-Term Corporate Value

Aiming to Expand Equity Spread with Financial Discipline

Yamazen has set the principle of "ROE exceeding the cost of shareholders' equity / (Reduced cost of shareholders' equity - Increased growth rate) × Optimize shareholders' equity" as our approach to enhancing corporate value over the medium to long term. We aim to expand corporate value through market capitalization growth driven by expanding equity spread with financial discipline. This approach does not involve excessive leverage but aims to enhance profitability while maintaining an equity level appropriate to business risks.



Improving PER

We position the reduction of cost of shareholders' equity and improvement of expected growth rate as factors contributing to an increase in PER.

1. Reducing Cost of Shareholders' Equity

While continuously monitoring the range of cost of shareholders' equity estimated by CAPM, we verify the difference with investors' expected rate of return through dialogue with investors. In many cases, investors' assumptions are higher, and we view narrowing this gap as beneficial to reducing the cost of shareholders' equity. Consequently, we select actions from the perspectives of management, business, financial, and IR strategies.

2. Improving Expected Growth Rate

We recognize that many factors are closely linked to reducing the cost of shareholders' equity. Actions under the IR strategy involve sharing with management how our Company is perceived by investors, including differences between the cost of shareholders' equity as expected by investors and as recognized by our Company, and integrating this into decision-making. We aim to reduce information asymmetry and clearly communicate our business strategy, grounded in history and achievements, through a narrative approach, to convey a high probability of success. Furthermore, synchronizing Yamazen's sustainability with societal sustainability, a key driver linking the present and future, is incorporated into our business strategy and tactics for each business sector.

Improving ROE

To improve ROE, we focus on enhancing ROIC, which reflects business capital profitability, and controlling business investment rates and financial leverage to optimize capital efficiency.

1. Improving ROIC

We position improvements in after-tax profit (operating profit margin) and the efficiency of business assets (working capital turnover rate) as key drivers. For the former, we promote the expansion of "high-quality" sales and margin rate improvement by optimizing capital allocation, including non-financial capital (page 24). For the latter, we aim to maintain a high level of ROIC by minimizing CCC and keeping working capital at a low level.

2. Improving Business Investment Rate

As stated in the cash allocation outlook (page 24), progress in business investment (mainly M&A) has been limited, lowering the business investment rate. However, we are committed to allocating financial and non-financial capital to growth-oriented and high capital-yielding projects.

3. Optimizing Financial Leverage

Financial leverage optimization is closely related to the progress of business investments. We pursue optimal solutions that consider each investment's scale, risk, and capital profitability.

What is Yamazen?

Yamazen is a specialized trading company that deals in both production equipment that supports manufacturing, such as machine tools, industrial equipment and cutting tools, and consumer goods that enrich everyday living, such as housing equipment and home products. The most significant source of competitive advantage for the Group is our people.

Yamazen's independent and virtuous employees* with a pioneering spirit and the ability to think while taking action are keenly attuned to customer and market needs, creating value that inspires.

By leveraging our people, our source of competitive advantage, and practicing management that fosters personnel to develop independent and virtuous employees, we continue to be an organization that is pioneering a new future, with you all, with customers and the market.

* Independent and virtuous employees: Self-reliant human resources who share the Yamazen Group's unique philosophy, who respond promptly and flexibly to change, even as unexpected change becomes commonplace, by independently taking on challenges and putting ideas and actions into practice and who are always of service to customers.

Purpose

Pioneering a new future, with you all

Nobody knows what the future will hold 100 years from now–that's why Yamazen will keep finding the optimal solutions. By connecting with the latest business "frontline" information and further refining our "problem-solving skills" and "people skills," we will continue solving new challenges to surpass all barriers. Not only everyone involved with Yamazen, but also everyone who lives beyond, we have and will continue pioneering a new future, with you all.

Management Philosophy

Based on the Yamazen Founding Spirit and the Corporate Creed established at Yamazen's inception, our Management Philosophy sets forth an approach that we will continue to value and preserve as the basis of management for sound growth and development into the future.

Management of Fostering Personnel

To make active use of personnel, and to foster independent and virtuous employees

"Business relies on manpower." Manpower is the most valuable asset to a company. We commit to society, the development of human resources.

Management of Breaking Through

To challenge, innovate and create

Times are constantly changing. If we stay in the same place, we will be left behind. We will pave new paths in response to the changes.

Management of Trust

To respond to needs and expectations and contribute to them

Mutual trust is the underlying business operation which contributes to industrial progress and the realization of an affluent society.

Yamazens's History, Inheriting the Founder's DNA

Founder Takeo Yamamoto's beliefs and values continue to be carried on, forming the foundation of Yamazen's growth.

Source: "Yattaruwai!" by Hajime Kurihara, published by NIHON BUTSURYU SHINBUN CO., LTD.

The Founder's Value of "Service Fees"

"You don't gotta come all the way to Osaka—just send a telegram or call, and we'll gather the items an' send 'em over."

In May 1947, when Osaka was just beginning to rebuild after the war, founder Takeo Yamamoto established Yamazen Tool Manufacturing & Sales Co., Ltd. Amidst shortages, he procured items like hammers and shovels, fulfilling any request for goods. In a time when orders, payments, and deliveries were typically handled face-to-face, Yamamoto allowed regional retailers to place orders via telegram or phone, with payment upon delivery. Retailers saved considerable time and costs, allowing them to focus on sales and gain profits. Yamamoto added these "benefits" to the product costs. In other words, he created a relationship of "taking on all the tasks customers found inconvenient and charging a service fee for it." This concept remains a key value at Yamazen to this day.

Founder
Takeo Yamamoto (1921-1991)

Yamazen Tool Manufacturing & Sales Co., Ltd.
At its founding

Main Products at its Founding
(calipers, screwdrivers, pliers)

Building Cooperative Relationships with Distributors and Suppliers

Head office building in 1949

Yamazen booth at the 3rd Tokyo International Trade Fair

"People in different positions need to work together and help each other where they are lacking."

Yamamoto traveled across Japan to gather information and build cooperative relationships with retailers. In 1950, he formed a sales cooperation organization called "Yamazen Alliance Group" (now Yamazen Ace Group). Through this organization, benefits like price stability and faster transactions in purchasing and sales were achieved. In 1954, Yamamoto created the "Yamazen Society," a cooperative for manufacturers, to strengthen supply chains further. He aimed to meet manufacturers' expectations, grow sales with retailers, and ensure mutual growth. These cooperative organizations remain active today, forming a cornerstone of Yamazen's strong presence in the industry.

Expansion into New Fields Addressing "Customer's Issues"

Residential Equipment
PR Car Around 1965

Chicago Office at
Its Opening

First Home
Products Catalog

"Follow the path of water, and you'll reach the homes where it flows—to faucets, kitchen sinks, bathrooms. Providing products that serve these needs is not just a business desire but a form of kindness."

Although Yamazen's original business was the wholesaling of machine tools, it later expanded proactively into machinery and industrial equipment. With the demand for waterworks and related tools rising due to postwar water supply and sewer infrastructure projects, Yamazen entered the residential equipment field.

Subsequently, it fully committed to the household equipment sector, initiating a "fabless manufacturer business" focused on delivering affordable, high-quality products directly to consumers, evolving into an efficient profit-generating business. In 1965, Yamazen was among the first to enter overseas markets, establishing an Engineering Business serving manufacturing needs across 68 locations worldwide. The primary capital for business expansion remains the "talented personnel" who carry forward the founder's DNA, allowing Yamazen to flexibly address any "challenges" today.

Yamazen's Competitive Advantages

1 Solid relationships with business partners and the significant presence we have built as a wholesaler based on our track record in the industry

- Solid relationships with suppliers and distributors we have nurtured for over 70 years
- Extensive global network (16 local corporations across 14 countries/regions, 69 locations [68 for production equipment, 1 for home products])*

*As of September 30, 2024

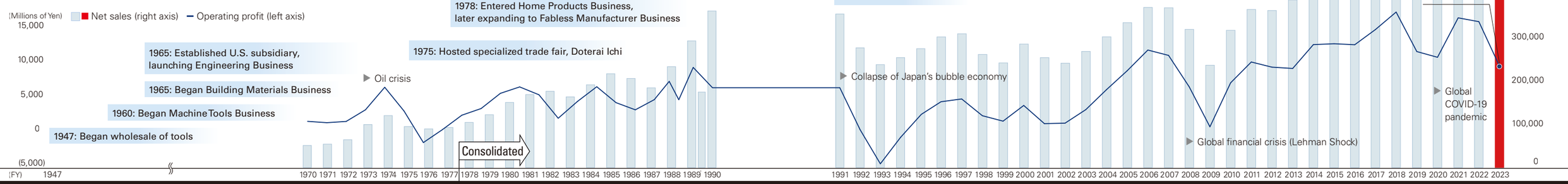
2 Flexible business operations with low risk

- With minimum invested capital, ability to change or expand product categories flexibly and approach various markets
- Promote thorough procurement process based on expected orders

3 Human resources who embody our Management Philosophy

- Sales force with the ability to gather information, make proposals, and negotiate tenaciously—embodying our founder's ambition

Net Sales and Operating Profit

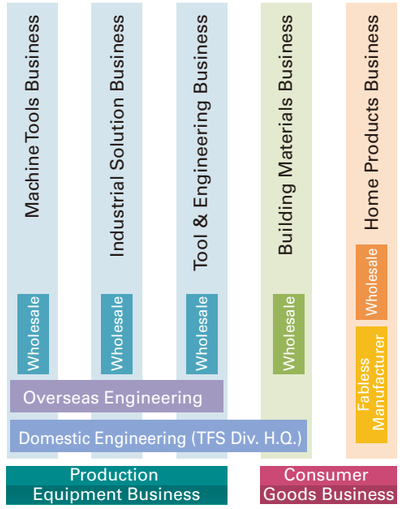


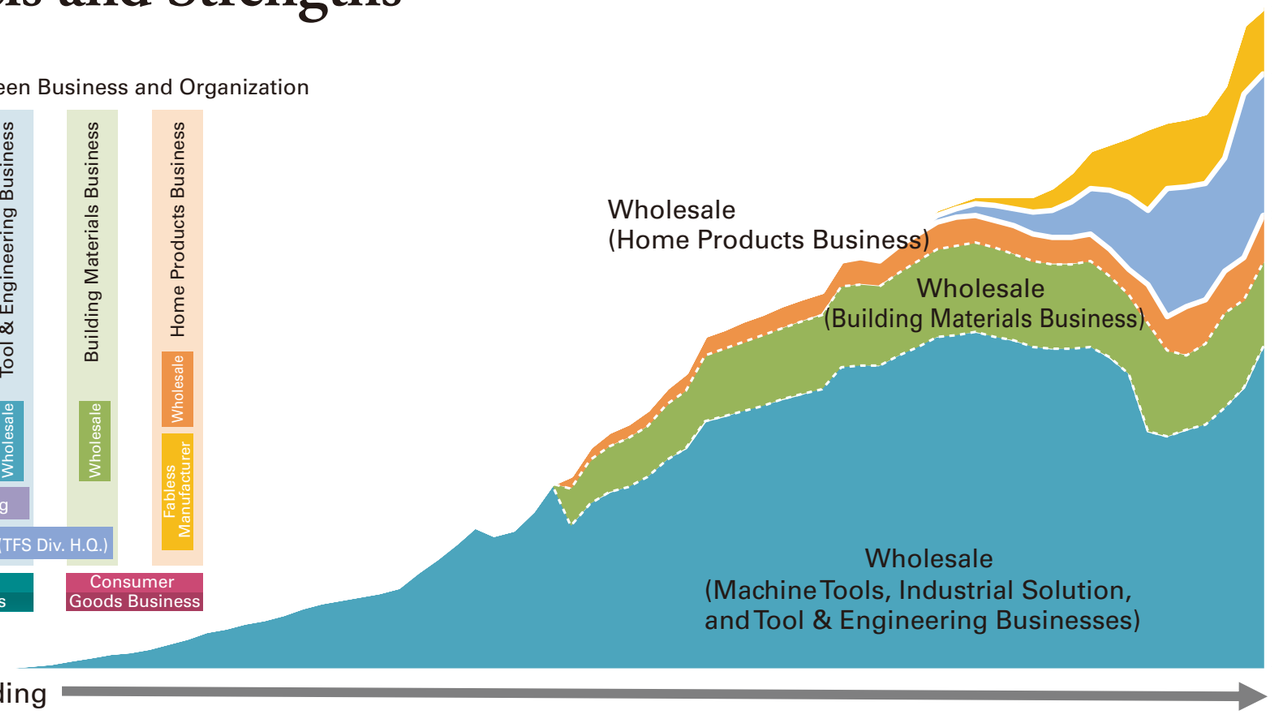
* The closing date of our fiscal year changed from September 20 to March 31 in FY1989. As such, there are two sets of year-end figures for that fiscal year.
(Left) September 21, 1988 to September 20, 1989
(Right) September 21, 1989 to March 31, 1990

The Three Business Models and Strengths

Yamazen generates stable, stock-type cash flow through continued transactions with numerous clients in both production and consumer goods via our foundational Wholesale Business. Building on this, we have developed an Engineering Business domestically and internationally and a Fabless Manufacturer Business in consumer goods, steadily increasing both sales and profit. As a result, we now operate based on three business models—wholesale, engineering, and fabless manufacturer—and are expanding each one.

Relationship between Business and Organization





Fabless Manufacturer

Our MDs (Merchandisers), with extensive sales experience and a deep understanding of consumer and retailer needs, handle planning and development independently and quickly, enabling product commercialization in a short time. High gross profit margins and low risk are due to fabless operations.

Engineering

Comprehensive support for users' manufacturing processes, including line design and after-sales service, achieved through a localized sales system and advanced engineering capabilities across multiple countries and regions. Expected gross profit secured through value-added proposals.

Wholesale

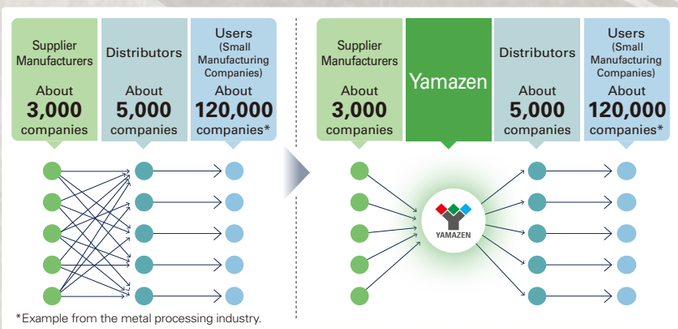
Our core business generates stable cash flow based on trustful relationships with business partners. Solving challenges for both supplier manufacturers by acting as sales agents and for clients by supporting their purchasing needs. Low capital investment and high capital return.

Note: "Fabless manufacturer" refers to net sales of private brand home products and "Wholesale (home products)" refers to net sales of non-private brand products.

The Three Business Models

Wholesale

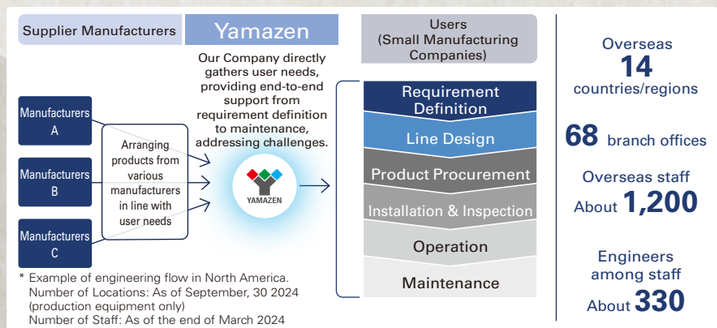
We work with supplier manufacturers, small local distributors, and end-users (small manufacturing companies) in the machine tools industry. Identifying the right equipment among a wide selection of manufacturers and products is challenging for users. At the same time, distributors find it difficult to make optimal proposals based on extensive product information. Similarly, suppliers find it challenging to track which distributors sell their products, and managing individual transactions with distributors can complicate payment collection. Yamazen serves as an intermediary between manufacturers and distributors, leveraging our extensive product knowledge and expertise to propose products that meet user needs. This enables distributors to offer optimal products to users, while supplier manufacturers benefit from a consolidated sales route that reduces the burden of sales operations and payment collection.



*Example from the metal processing industry.

Engineering

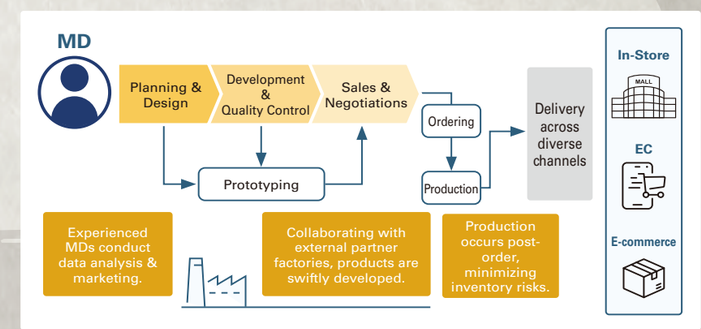
Engineering refers to a comprehensive support system where our employees directly gather user needs, define requirements, design production lines, procure and install production equipment, ensure operation, and provide maintenance. Overseas, we sell production equipment directly to users without going through distributors. With 68 locations in 14 countries and regions, we employ about 1,200 overseas staff, including roughly 330 engineers who deliver advanced engineering services globally. This business model, priced to reflect its added value, is highly profitable and expected to grow, prompting us to focus on expanding it domestically, especially with large users and new industries.



* Example of engineering flow in North America.
Number of Locations: As of September, 30 2024 (production equipment only)
Number of Staff: As of the end of March 2024

Fabless Manufacturer

Accounting for approximately 60% of sales in the Home Products Business, our MDs analyze consumer needs based on sales data, SNS, and reviews to plan, design, develop, and manage quality. Products are produced in overseas partner factories and delivered to consumers through electronics retailers, mail-order, and online (self-owned and third-party e-commerce platforms). With MDs' experienced insight into consumer and distributor needs and a swift development framework, new products are promptly introduced to the market, minimizing missed opportunities. A high product launch volume per MD is also a defining feature.



The Driving Force behind Yamazen's Value Creation

Independent and virtuous employees who have a pioneering spirit and the ability to think while taking action

"Fate is something you carve out for yourself." Founder Takeo Yamamoto's life philosophy is embedded deeply in our corporate ethos and remains ingrained in the hearts of our employees, handed down through generations. Our core competence lies in "people assets" who act autonomously and take on challenges in innovation and creation, shaping the future. This is Yamazen's Core Competence.

Pioneering Spirit

A mindset of constantly responding to change and taking on the challenge of innovation and creation.

Thinking in Action

The ability to think and act on one's own.

Independent and Virtuous Employees

Self-reliant human resources who share the Yamazen Group's unique philosophy, who respond promptly and flexibly to change, even as unexpected change becomes commonplace, by independently taking on challenges and putting ideas and actions into practice on site, and who are always of service to customers.

"Helping is a given.
Meeting expectations is our purpose."

Wholesale

Trust Built over Time is My Foundation

I handle machine tool sales, and the most important thing is to "respond to customer needs quickly and accurately." During the Great East Japan Earthquake, significant damage impacted users' production sites, and a distributor sought assistance with early recovery. We worked together—distributors created a list of damaged equipment, and I coordinated with machinery manufacturers and transport companies to secure restoration crews. Our combined efforts, between suppliers, distributors and ourselves, led to a quick recovery amid a chaotic situation. Solving customer issues isn't something I can do alone. Smooth coordination with partners during emergencies comes from the trust built daily. If customers choose me among many firms, it's only natural to do everything I can. This is the essence of Yamazen and my purpose. "To be the most helpful person, to make people glad it was me helping." This is what drives me.

Takeshi Makita
Machine Tools Division H.Q.
Osaka Sales Department
General Manager

"Launching our first battery-powered appliance series as a foundation for overseas expansion."

Fabless Manufacturer

Pioneering the Future with a Market-Driven Approach

As MDs, we analyze trends, retailer insights, and customer feedback daily to develop products. When a product becomes a hit, I feel we've helped customers, and it's a joy when my family praises our products. Once, I wondered if we could create products for a "cordless world," which led to the development of the "ELEIN" series of lithium-ion battery-powered appliances. It was an entirely new product concept; we had no prior examples or knowledge. Negotiating with a new production partner and building trust was challenging. With support from various team members, including our quality control department, we went through a lot of trial and error, taking twice as long as usual—about two years—from concept to sales launch. Leveraging the unique features of battery-powered appliances, I hope to use this as a stepping stone for overseas expansion in the Home Products Business.

*MD: Merchandiser

Kosuke Murakami
Home Products Division H.Q.
Sales & Merchandising Division
Merchandise Dept., MD*

Engineering

Paving New Paths is the Mission of TFS

To fulfill the TFS Div. H.Q.'s mission of "Total Solution Proposals for Production Sites," I frequently visited a major company that had all but ceased doing business with us, crossing prefectural lines to establish a relationship from scratch. We secured a 100 million yen order over one and a half years by consistently bringing valuable proposals and new insights. With growing demands for automation and labor-saving solutions in various industries, I'm constantly asked to find new clients in new sectors. As a woman in an industry where female sales representatives are rare, I often sense that customers initially have zero expectations of me. But I won't let it end that way. Turning around those first impressions is thrilling. By presenting ideas from all angles and involving internal and external resources, I build rapport step by step, ultimately gaining customer satisfaction. There's nothing more fulfilling than experiencing the joy of pioneering a new path.

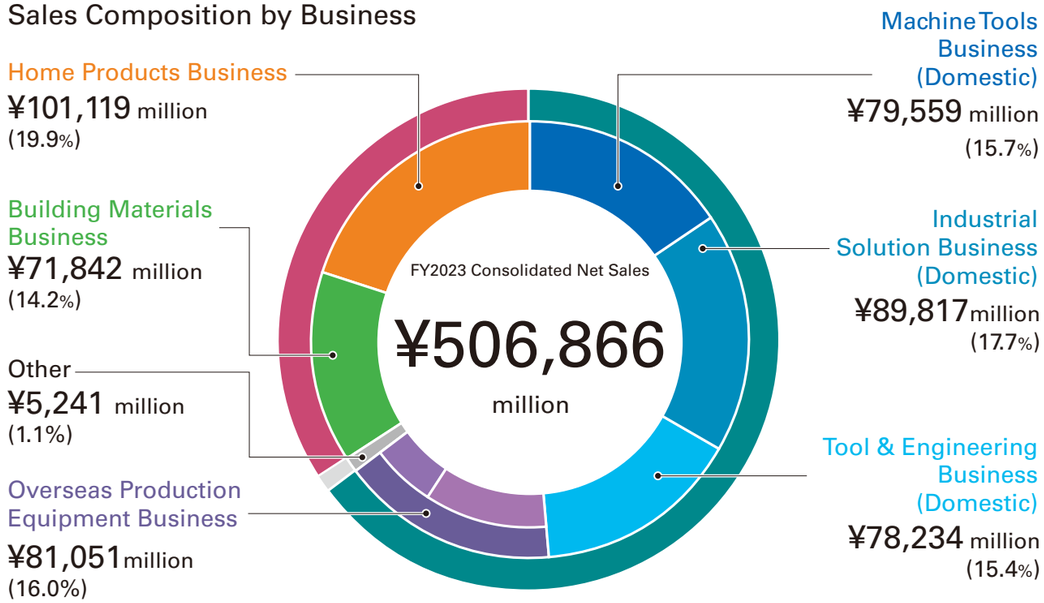
Rei Imanishi
Total Factory Solutions Division H.Q.
Tokyo Branch
Factory Automation

"I won't leave expectations at zero — my weapon is proposal strength and information."

Yamazen by the Numbers

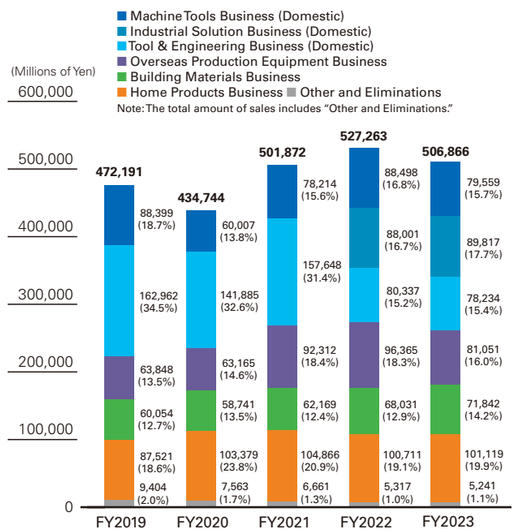
Yamazen is a unique specialty trading company that has proven itself in Japan and internationally in the fields of production equipment and consumer goods. Combining the knowledge and expertise of our various segments (Machine Tools Business, Industrial Solution Business, Tool & Engineering Business, Overseas Production Equipment Business, Building Materials Business and Home Products Business), we create new value that will drive the development of industrial society.

Sales Composition by Business



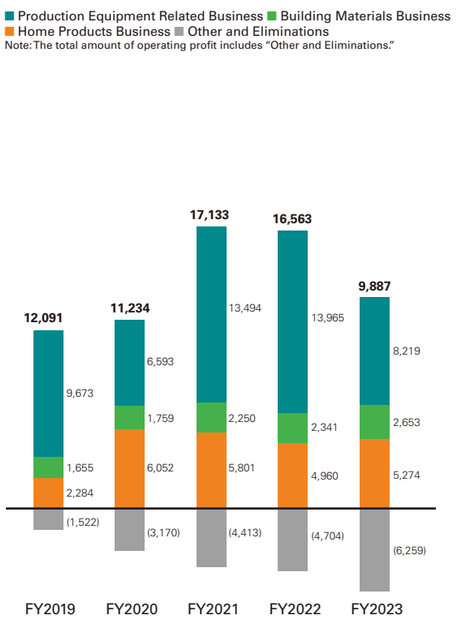
Including
Machine Tools Business Sales: 52,724 million yen (10.4%) Industrial Solutions + Tool & Engineering Business Sales: 28,326 million yen (5.6%)

Trends in Sales by Business



Note: The total amount of sales includes "Other and Eliminations."

Operating Profit Trends by Segment



Note: The total amount of operating profit includes "Other and Eliminations."

Business Overview

Production Equipment

Machine Tools Business (Domestic)

■ Main Products Handled: Machine tools, metal forming machines; plate processing machines, injection molding machines, etc.

Wholesale | Engineering (Domestic)

We provide production and processing systems using machine tools that meet the changing needs of production sites, in collaboration with leading domestic and international manufacturers. We enhance productivity, pursue cost reductions, and combine peripheral equipment, services and information to support manufacturing sites that require a high degree of specialized expertise in Japan.

Industrial Solution Business

■ Main Products Handled: Material handling, mechatronics, environmental improvement, infrastructure equipment, etc.

Wholesale | Engineering (Domestic)

As a total system producer, we provide comprehensive support, addressing customers' "labor shortage" issues through automation and labor-saving solutions that enhance production efficiency and improve working environments. This includes planning and operating production sites, environmental improvements, and BCP (Business Continuity Planning) support.

Tool & Engineering Business (Domestic)

■ Main Products Handled: Cutting tools, auxiliary tools, machine tool accessories, etc.

Wholesale | Engineering (Domestic)

To meet a variety of needs, we handle a wide array of products necessary at production sites, from hand tools to measuring equipment. In addition to the network infrastructure and logistics capabilities we have built over many years, we provide products and information to customers with speed, backed by our technical sales expertise.

Overseas Production Equipment Business

■ Main Products Handled: All categories handled within production equipment-related business

Engineering (Overseas)

We support reciprocal business between Japan and the rest of the world. This includes assistance in overseas relocation of Japanese and multinational companies; international procurement of products, parts and materials; trilateral transactions; total planning of production equipment and systems for factories; and consulting regarding international transactions. With many years of experience and expertise in overseas markets, we aid in the development of industries and local communities.

Consumer Goods

Building Materials Business

■ Main Products Handled: Housing equipment (kitchen, bathroom, air conditioning, solar power generation, storage batteries, etc.), piping materials, construction materials, etc.

Wholesale | Engineering (Domestic)

In this business, we propose new products and systems aimed at creating housing and societies that are environmentally friendly and take people into account. We focus on addressing issues such as the environment, decarbonization, health and barrier-free living. In addition to the stable supply and procurement of primary and secondary processed industrial products, we also offer and sell housing equipment materials and equipment, with a strong focus on the remodeling business.

Home Products Business

■ Main Products Handled: Home appliances, interior furniture, outdoor and leisure products, exterior furnishings, gardening supplies, disaster preparedness items, etc.

Wholesale | Fabless Manufacturer

We combine the trading company functions of retail distribution and logistics with the manufacturer functions of planning and developing private brand products. We handle a wide lineup of useful products that are familiar in daily life, ranging from electrical appliances, interior/exterior products and leisure items to disaster preparedness goods.

Koji Kishida
Representative Director
President & CEO

A Specialized Trading Company with Heart and Skill

Our goal is to be a corporate group that continuously enriches people's lives by refining our wholesale business and adding technological capabilities to support manufacturing sites and sustainability.

Performance for FY2023

In FY2023, the expected recovery in domestic and overseas capital investment did not materialize, significantly impacting the Production Equipment Business, which accounts for about 65% of our total sales. Operating profit was down YoY, affected by increased depreciation and activity expenses associated with the renewal of growth investment in our core systems.

In particular, the production equipment sector anticipated a rapid business recovery following the end of COVID-19, but cautious attitudes toward capital investment persisted in manufacturing industries such as the automotive and semiconductors sectors. In overseas markets, economic recovery remained sluggish in Taiwan and China. We sincerely acknowledge our lack of more detailed market analysis and forward-looking responses to these trends.

Medium-Term Management Plan CROSSING YAMAZEN 2024

(Millions of yen)	FY2022 Results (First Year of Plan)	FY2023 Results	FY2024 Forecast*1 (Final Year of Plan)
Net sales	527,263	506,866	**510,000**
Operating profit	16,563	9,887	**10,000**
Operating profit margin	3.1%	2.0%	**2.0%**
Ordinary profit	17,280	10,435	**10,000**
Profit	12,527	6,488	**7,600**

Index (Millions of yen)	FY2022 Results (First Year of Plan)	FY2023 Results	FY2024 Forecast*1 (Final Year of Plan)
Return on equity (ROE)	10.6%	5.1%	**5.8%**
Basic operating cash flow*2	14,427	10,626	**11,000**
Equity ratio	42.6%	44.6%	**40% to 45%**

*1. Revised on Nov. 14, 2024.
*2. This indicator is calculated by deducting the change in working capital, etc., from cash flows from operating activities.

On the other hand, the Consumer Goods Business, which accounts for about 35% of our total sales, performed well despite this challenging business environment. The B2B Building Materials Business, which focuses on high-value-added products, saw strong sales of solar power generation equipment and storage batteries. The Home Products Business, which serves general consumers, faced a trend of reduced purchases of durable goods as post-COVID consumer behavior shifted significantly toward experiential spending such as travel. However, by introducing numerous private brand products that met consumer needs, we achieved sales exceeding 100 billion yen, roughly on par with the previous fiscal year. Both sectors of the Consumer Goods Business were able to exceed expectations by adapting to changes.

The global economy remains highly unpredictable, with increased geopolitical risks and exchange rate fluctuations. The Yamazen Group views this positively as a time to embrace change. We will take on challenges with initiative, seeking business opportunities in both the production and consumer goods businesses.

The purpose of the Yamazen Group

Yamazen was founded in 1947 in the war-ravaged city of Osaka. It started by selling tools and essential goods to help drive recovery of everyday life. Founder Takeo Yamamoto boldly set forth three management principles: management of fostering personnel, management of breaking through, and management of trust. His philosophy discarded fixed ideas and looked ahead in an environment that was unimaginably harsh by today's standards. This Founding Spirit has become Yamazen's DNA. Now, more than 70 years since our founding, management that does away with fixed ideas is still what is needed. In this turbulent environment, Yamazen will steadfastly maintain its aggressive approach.

Yamazen is a specialized trading company that is closely connected to both manufacturing and daily life. Every product and service we provide involves people, which we consider the heart of what we do. This is why we aspire to be a "trading company with heart."

E-commerce, online retail without human interaction, has become an indispensable part of modern society. The Group is aiming to enhance its e-commerce capabilities as a critical part of its business strategy. However, precisely because we are in such an era, we are more convinced than ever that face-to-face business and proposal-based sales, where people meet eye-to-eye, remain critical. We believe this is what generates high value.

Our Corporate Vision is "leading worldwide manufacturing and enriched lives" through our production and consumer goods businesses. We value our regional distributors and supplier manufacturers as our most important partners, and we strongly desire to support every facet of manufacturing and prosperous living.

As a trading company founded after the war, we are still relatively young in the industry. By steadfastly pursuing management that breaks through, we have built strong partnerships with our supplier manufacturers and trading company clients as a trading company with heart.

Hand in hand with the manufacturers who turn technical expertise into finished products and the partner trading companies who sell these valuable products to users, Yamazen has been a vital supporting pillar for Japanese manufacturing.

Our Purpose, "Pioneering a new future, with you all," represents our commitment to walk into the future together with all those who are important to us. This approach has been embedded in every business we engage in since our founding and remains the core of today's Yamazen. We believe this reflects the unique character of Yamazen.

Yamazen will continue to be a company that serves with both heart and skill by deeply understanding our customers' needs. We aim to be both a trading company with heart, listening sincerely to customers' issues from their perspective, and a trading company with skill, leveraging our accumulated sales expertise and know-how to resolve these issues. By refining both heart and skill, we will better serve our customers as we reach for even greater heights.

Established business model and strengths

The Yamazen Group has three business models: wholesale and distribution based on a long-standing relationships of trust with regional trading companies; engineering primarily focused on overseas markets; and fabless manufacturer, which performs asset-light and agile product development. Each of these models has unique strengths.

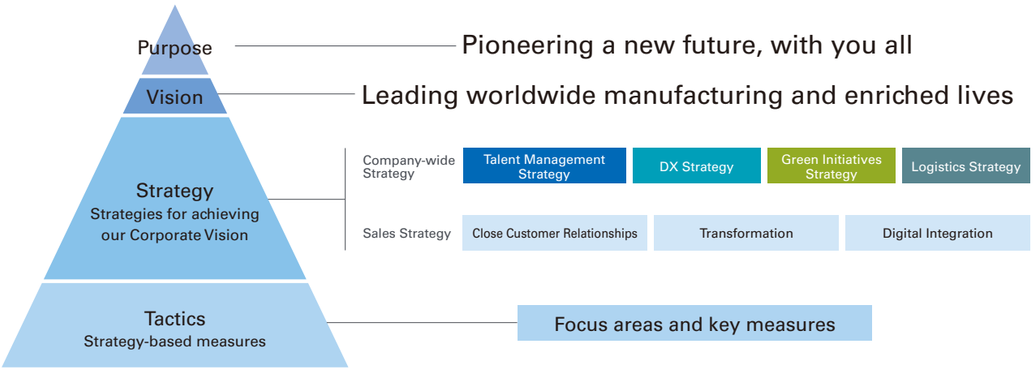
Based on our original machinery tool wholesale business, the wholesale and distribution business has expanded its range of distribution channels and product categories, adding machine tools, labor-saving equipment, and material handling equipment in response to the

changing times. We have been actively reinvesting the profits from these core businesses to strengthen the business foundation of our engineering and fabless manufacturing operations.

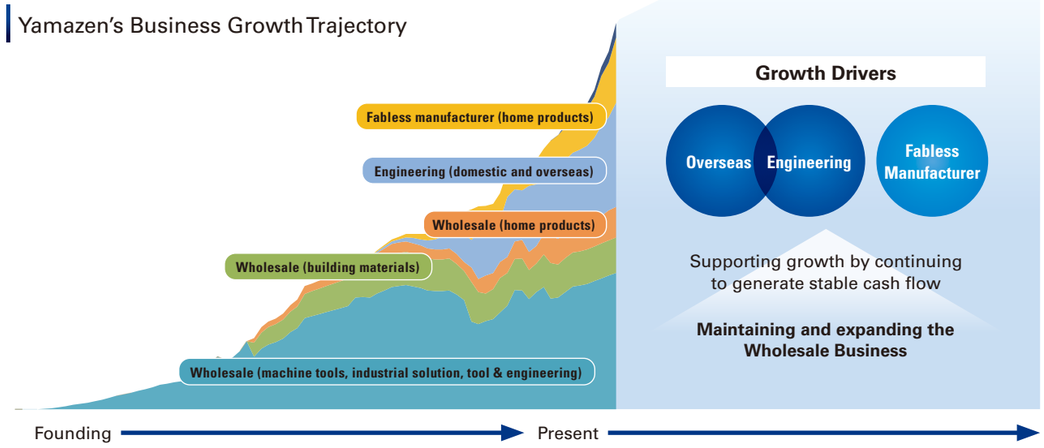
Our strength in wholesale lies in our ability to present new technological trends and information face-to-face to trading companies nationwide, which supports manufacturing in their regions. We can provide detailed and accurate advice, such as, "This product feature may not be competitive with overseas products, so we might need to adjust the product concept." The rise of e-commerce rather highlights the value of face-to-face proposal-based sales of our wholesale business. The Group maintains close relationships with numerous supplier manufacturers, so we have access to accurate information on which to base proposals.

We have positioned Engineering as a critical growth driver in the Group's medium- to long-term business strategy, and are working to accelerate business development both domestically and internationally across business divisions.

Overview of Strategies and Policies to Achieve Our Corporate Vision for 2030



Yamazen's Business Growth Trajectory



Note: "Fabless manufacturer" refers to net sales of private brand home products and "Wholesale (home products)" refers to net sales of non-private brand products.

We expanded the Production Equipment business overseas early on, establishing a unique network with locations worldwide. This is one of Yamazen's key strengths. Our overseas business model is centered on local staff with high technical expertise and know-how. They contribute to customers' production activities at every stage, handling everything from production line design, equipment procurement, and installation to operation and after-sales maintenance. We aspire to be the top trading company handling production equipment overseas.

Even as we face challenges in China, we are expanding our business in Thailand, Vietnam, and Mexico under our cross-border marketing strategy. This is only possible because our locations around the world share customer information. For example, when a customer wants to shift production from one country to another, our locations in both countries share the customer's requests and concerns. After relocation, our base in the new country can seamlessly support production. This level of customer support skill is possible thanks to the robust overseas network the Yamazen Group has built over many years.

Our overseas business also supports Japanese manufacturers seeking overseas markets by promoting high-quality Japanese finished goods to users in Europe, the Americas, and Asia.

We are expanding our business in North America, East Asia, and the ASEAN region and have plans for future forays into EMEA + India (Europe, the Middle East, Africa, and India).

Our Home Products Business was initially established to provide consumers with reasonably priced products, and led to the development of our strength as a fabless manufacturer. Today, the fabless manufacturer business accounts for about 60% of sales in our Home Products Business, with top-class market share products in Japan, and has grown to account for 10% of the Yamazen Group's consolidated net sales. Analyzing consumer feedback and sales data, we quickly develop private brand products that capture consumer needs and launch numerous Yamazen brand products into the market.

Our private brand products are produced mainly overseas. Although rising material costs due to currency fluctuations are a concern, we are optimistic about the expansion of the B2B-focused e-commerce site Yamazen Bizcom and the battery appliance series ELEIN, which was launched in June 2024 as a new sales channel. We are also considering plans for overseas expansion.

Our ongoing medium-term management plan, CROSSING YAMAZEN 2024 (hereafter, the medium-term plan), has reached its final year. In response to changes in the business environment, we decided to review this fiscal year's numerical targets, but our Company-wide strategy, which aims to enhance corporate value by growing sales and profits while reducing the cost of shareholders' equity, along with sales strategies aiming for ROE exceeding capital cost, is steadily progressing.

Environmental contribution and sustainability

Yamazen views global environmental issues as a crucial management challenge and proactively develops environmental businesses to address them. We consider various energy policies and rising energy prices as business opportunities and are expanding businesses such as smart energy battery storage systems and the corporate PPA (Power Purchase Agreement) business, which supports the installation of solar power systems. We have been working on the Green Ball Project since 2008, which involves selling environmentally friendly products in collaboration with customers, and will continue to expand it.

From a sustainability perspective, we organize Doterai Ichi, a trade fair with live exhibitions and sales that stimulate the local economy. Now in its 49th year, last year's Doterai Ichi was held at 24 locations nationwide. Along with distributors and manufacturers that support regional industry, we maintain a direct view of Japan's manufacturing landscape.

At the Osaka Doterai Ichi in 2024

Practicing management of fostering personnel

Management of Fostering Personnel, as our founder advocated, is a fundamental Yamazen management principle. Supporting employees so that they can enjoy their work and enrich their lives by striving for days filled with rewarding work and enhancing engagement is central to our management. We will continue to build a corporate culture and organization to achieve this goal. Yamazen has many people who have inherited what we call the Yamazen DNA—individuals who can discard fixed ideas and look ahead—a significant strength of our human resources. We are working on bold HR system reforms to further leverage this strength and develop individuals who can lead worldwide manufacturing and enriched lives. We aim to cultivate employees who embody Yamazen's strength in face-to-face sales and are nimble thinkers, and people who can lead cross-border strategies spanning multiple countries.

Leadership capable of navigating a rapidly changing environment is essential in these uncertain times. Building a solid manager class capable of demonstrating this is extremely important. They are guided to the same management perspective and shared understanding as officers, division heads, and branch managers. The same applies to the foreign employees who comprise one-third of the Group's workforce, and we will continue to rapidly implement these personnel development strategies.

Improving profitability and capital efficiency

Improving profitability and capital efficiency are vital parts of achieving sustainable growth. In addition to human capital investment, we will accelerate growth investments to expand our profitability. The medium-term plan allocates an investment budget of 40 billion yen, but rather than focusing on fully utilizing this amount, we will consider the balance of overall management and take bold action with consideration for expected outcomes and risk. Investment in new and overseas businesses and promotion of partnerships and M&As are essential to enhancing the Group's comprehensive strengths. Achieving the larger goal of improving our comprehensive strength requires significant labor and time, so thoroughly analyzing the returns on these investments is essential. With this approach, we aim to achieve sustainable improvements in profitability and growth, thereby enhancing corporate value over the medium to long term.

Strengthening governance

To strengthen our governance, we increased the number of outside directors to four in 2020, established a Nominating and Remuneration Committee in 2021, and achieved compliance with all principles of the Corporate Governance Code in 2022, working toward a governance system with a core of management fairness and transparency. Both internal and outside directors freely offer opinions, suggestions, and proposals, leading to lively discussions at Board meetings. We will continue monitoring management appropriately based on the mechanisms we have strengthened thus far. Future efforts will focus on enhancing governance for overseas business, a growth area. Within the Internal Audit Department, which is under the direct supervision of the President, we will further increase our focus on overseas business audits beyond the previous domestic business focus. As the CEO, I will maintain robust oversight on this process.

Toward further growth

Today's business environment resembles the challenging environment of our founding in the post-war era, and it is extremely difficult to make accurate predictions about the future. "Pioneering a new future, with you all," the Purpose at the heart of Yamazen as a specialized trading company puts into word our feelings toward all our stakeholders, including our essential partners: regional trading companies and supplier manufacturers. While steadily expanding our core wholesale business, Yamazen will continue to enhance the functions of our engineering and fabless manufacturer operations to flexibly respond to rapidly changing market conditions. We sincerely hope to become a corporate group that, with a more global perspective, can support manufacturing sites and manufacturing sustainability while enriching people's lives.

We look forward to your continued support for the future endeavors of the Yamazen Group as we boldly take on new challenges.

Special Feature: CFO and Investor Dialogue

The Yamazen Group: A Company Where Investments Can Be Made with Confidence The Need to Further Promote Business Appeal in the Capital Market

Fukashi Tsukioka
Senior Analyst, TriVista Capital Inc.

Masamichi Yamazoe
Director and Executive Officer, CFO

Masaki Gotoh
Partner, TriVista Capital Inc.

The appeal of the Yamazen Group as an investment target

Gotoh: Our investment strategy is quality value investing, where we seek out high-quality companies, often market leaders or near-leaders in their industries, whose stocks are undervalued by the market, and invest accordingly. The Yamazen Group is a top-tier company in machine wholesaling, yet when we started our dialogue five years ago, it was undervalued in the capital market, which led to both investment and interesting conversation.

Generally, I understood that most companies in the wholesale industry conduct business by looking at client companies and their end customers, but after speaking directly with you, I realized your company is different. It was a first for me to meet a company that considers not only its clients and end customers but also its suppliers as valued customers. As our understanding of your company grew, we concluded that this culture could allow you to maintain your top industry position and continue increasing your market share. We believe that despite the short-term cycle of orders in the challenging Japanese wholesale industry, your company can steadily grow its market share.

Another point that surprised us is that you have been managing your business with a focus on optimal inventory for quite some time. Nowadays, many companies manage with capital efficiency in mind. However, your company's cash conversion cycle (CCC), the most important KPI in wholesale, has been mostly negative for about the last 10 years, ensuring stable cash flow. Achieving high ROIC was one of the factors that influenced our investment decision.

Tsukioka: When assessing the strength of a business or a company, we often refer to ROIC. I noticed your company as a high-ROIC entity that was undervalued in the market. As Mr. Gotoh mentioned, we later learned about your business model and understood how you achieve high ROIC.

Yamazoe: Thank you for recognizing this. It's true that an increasing number of companies now use CCC. As a management indicator, we have long emphasized to our sales staff not to advance payments. We have continued instructing them to balance receivables and payables, avoid holding excess inventory, and keep working capital from expanding. To reinforce this mindset, we have imposed internal interest on key working capital as a management method and treated the profits after deducting this interest from departmental earnings as the actual profit. Additionally, if inventory exceeds the standard level, we impose an inventory penalty by incorporating it into performance-linked bonus evaluations. By emphasizing cash flow and inventory reduction at the operational level early on, we created a structure that instills these values in our sales staff at a deep level.

Tsukioka: I was astonished to hear that. It seems that capital cost-conscious management has been deeply ingrained at the ground level, even among individual sales staff.

Gotoh: Having implemented ROIC-driven management from an early stage is genuinely impressive. While many Japanese companies have recently started focusing on ROIC, most try to improve it by increasing the profit (numerator). And as they don't necessarily assess the invested capital (denominator) accurately, it's questionable whether they are truly managing with ROIC in mind. Unlike yours, few Japanese companies aim to enhance the efficiency of invested capital.

Yamazoe: That approach is likely unique to us, and it's something we achieved after many twists and turns. We, too, experienced financial difficulties, struggling with funding and limited access to bank loans, which led us to operate with as much internal funding as possible and focus on repaying loans.

At the beginning of our conversation, Mr. Gotoh mentioned that we value our supplier manufacturers as customers, which stems from our founder, who, after starting the business during the post-war devastation, worked hard to sell products and quickly recover funds to pay suppliers who supported us in those tough times. I believe this has been passed down as part of our DNA. From this foundation, the concept of trinity management, where manufacturers, distributors, and our Company are unified, has taken root.

Business model superiority and human capital

Yamazoe: We recognize that the Japanese wholesale industry faces an uphill battle. With the spread of e-commerce (EC), companies specializing in EC are emerging, and we believe some wholesale businesses will be eliminated. Currently, gathering information or securing adequate volume for specialized products like machinery and tools through EC alone is difficult. Face-to-face sales remain necessary, but supplier manufacturers cannot allocate personnel for sales. As a result, products must be distributed to regional distributors to reach end-users. While I don't think our Wholesale Business, which coordinates this, will disappear easily, we must remain aware as a management team of the risk of being left behind. As a company, we believe that while we must continue efforts to enhance our proposal capabilities and add value to our core Wholesale Business, we also need to add new businesses. As part of this, we plan to actively expand our Engineering Business domestically and internationally and the fabless manufacturer business in home products.

For example, we established the TFS (Total Factory Solution) Div. H.Q. to expand our domestic Engineering Business. This branch primarily aims to propose solutions directly to manufacturers' production sites and new industries such as food, pharmaceuticals, and cosmetics, thereby further developing the Engineering Business.

Tsukioka: We were also concerned that the industry was shrinking, but the performance of the TFS Div. H.Q. is steadily growing, and we feel reassured by your proactive approach to addressing industry challenges. This is one of the reasons we are encouraged to continue investing in your company.

Gotoh: For example, in the machinery and tools wholesale market, I believe your company has significant growth potential because it is not dominated by a few large players. Even with your company being among the top in market share, it's roughly 10% at most. Even if the overall market growth rate were zero, strategic efforts could significantly increase market share.

Yamazoe: As a top sales performer in the industry, I believe our employees excel at gathering a wide range of products. Many of our employees come from non-technical backgrounds. Although they may lack extensive technical knowledge, they are very skilled at assembling the best finished goods to solve customers' issues by listening to their needs and providing tailored solutions. They have strongly embraced the idea that we do more than just supply standard finished goods, rather we make various suggestions that are genuinely helpful to our customers.

Tsukioka: That may well be the value your company offers. I think your company is indispensable to both your customers and your supplier manufacturers.

Gotoh: It may be something you can do precisely because of the strong relationships you have with supplier machinery manufacturers. During the post-COVID recovery period, when global supply chains were disrupted, many companies struggled to procure essential machinery and tools. Even then, your company leveraged its robust procurement and proposal capabilities to provide customers with diverse solutions promptly. I see this as a significant strength. Your company's strengths become even more apparent when society is facing challenges.

Fukashi Tsukioka — TriVista Capital Inc. Senior Analyst

Yamazoe: Recently, we have been trying to strengthen our technical proposal capabilities by arranging training where our sales staff can study with supplier manufacturers. We are also focusing on recruiting technical experts. Enhancing career training programs for different employee levels is another initiative that is strengthening our organizational capabilities.

Gotoh: When looking for investment targets, we seek companies that place great value on human capital. Industry leaders tend to value people highly and often have relatively high salary levels. In Japan, where the population is declining, people are now a scarce resource. A company like yours that values, nurtures, and fairly compensates its people can continue to secure these scarce resources. This is something only a leading company can achieve.

Tsukioka: We are long-term investors, but when we began our dialogue with your company, our primary concern was whether the Wholesale Business was sustainable. We wondered if an increase in direct transactions between manufacturers and distributors, bypassing wholesalers altogether, would be a significant risk. Through discussions with your company, we understood your business model and realized that the wholesale machinery and tools industry actually carries less of this risk. This understanding, with the logic of increased investment in people as a sensible risk-taking strategy, was one of the factors that led us to invest in your company.

Capital cost and share price-aware management

Yamazoe: As I mentioned earlier, we once aimed for a debt-free management approach, which led to an accumulation of funds. As times have changed, we now live in an era that demands capital efficiency, and we paid careful attention to this when developing our medium-term management plan.

However, we don't consider all the funds we hold to be surpluses. Looking ahead to the industry's future, some markets may shrink, while others may grow and require further management resources. If the wholesale industry faces challenges, we must proactively consider M&A or industry restructuring to expand into other areas. This takes funding, and since creditworthiness is crucial for a wholesaler, maintaining a favorable credit rating to control funding costs is also essential. When thinking about capital efficiency, we try to always consider that balance.

Gotoh: As I mentioned, we emphasize ROIC in our investment decisions. And of course, the level of ROIC varies by business. I recognize that it is challenging for a high-ROIC company like yours to aim even higher. However, I hope your company can continue growth investments by identifying promising business opportunities and using retained earnings or borrowed funds to both grow the company and maintain or improve ROIC.

That being said, ROE is a different matter. ROIC is about the return on capital invested in the business and reflects business management philosophy. At the same time, ROE is a KPI that indicates whether returns exceed the cost of shareholders' equity. If non-business-related assets are included in shareholders' equity, ROE will inevitably not increase, and the price-to-book ratio (PBR) will not improve. Management focused on an optimal balance sheet leads to improved ROE.

Tsukioka: Your company has set a target shareholders' equity ratio of 40 to 45%, establishing not only a lower limit but also an upper limit. We expect the awareness of not holding excessive shareholders' equity to contribute to improving ROE.

Our company would like to see funds directed toward growth investments if opportunities are expected to yield returns above the WACC. If such attractive investment opportunities are unavailable, we hope you will maintain an optimal balance sheet through dividends or share buybacks.

Sustainable growth of the Yamazen Group

Gotoh: Defining a quality company in a single phrase is challenging, but I believe companies that can maintain a sustainable competitive edge will continue to win over the long term. It took time to understand your company's competitive edge, including its corporate culture. However, once we understood it better, we concluded it has the qualities we seek. Despite future market fluctuations, we believe it is a company in which we can continue investing confidently. We are neither activists nor an engagement strategy fund. Engaging in dialogue with the management of our investment targets is natural for long-term investors. As shareholders—partners, essentially—over long periods, we aim to increase corporate value through dialogue. We are shareholders, partners, and fans of your company. That is why we hope to continue this dialogue with you, and look forward to your future business development.

Masaki Gotoh — TriVista Capital Inc. Partner

Tsukioka: I feel that your company's strengths have not yet been fully conveyed to the capital market. Reading this integrated report, I hope that even a little of its appeal will come across. In the future, I hope you will take the time to engage meaningfully with the capital market and continuously communicate your company's value. We look forward to it.

Yamazoe: We intend to continue cherishing the DNA inherited by our sales staff. If we mark out the regions where we operate on a world map, there are still many blank spaces that we will continue to color in. Even in the challenging wholesale industry, we see potential in individual businesses. By changing perspective, growth opportunities can be found close by. Moving forward, our Group's growth will remain at the core of our thinking. Over the past year or two of conducting IR activities, I have come to appreciate the importance of incorporating external perspectives. While we sometimes receive harsh advice, including from investors, rather than accepting everything at face value, I see it as an opportunity to consider the Group's position and determine the most suitable course of action. I really appreciate everything we've discussed today. Thank you for your valuable time.

Capital Policy and Financial Strategy

Yamazen enhances financial and non-financial capital, focusing on appropriate growth investments and shareholder returns based on medium- to long-term corporate value enhancement, ultimately improving profitability.

1 Cash Allocation Outlook, FY2022 to FY2024

Medium-Term Management Plan			FY2022	FY2023	FY2024	Total Results
Basic operating cash flow Three-term Total Approx. ¥37 billion	Growth Investment	Business Investment ¥20 billion	¥0.79 billion	¥1.02 billion	–	¥1.81 billion
		DX/System Investment ¥10 billion	¥3.13 billion	¥2.05 billion	–	¥5.18 billion
		Logistics Investment ¥10 billion	¥1.87 billion	¥1.62 billion	–	¥3.49 billion
Cash Reserves/ Borrowed Funds ¥16.5 billion	Shareholder Returns	Dividends ¥13.5 billion	¥3.56 billion	¥4.55 billion	¥9.35 billion	¥17.36 billion
	Optimal Capital	Retained Earnings –	–	–	–	–

Cash allocation aiming for balance between growth investment and shareholder returns

The current outlook for the medium-term management plan period is presented here. A total of 40 billion yen is planned for growth investment, broken down as follows: 20 billion yen for business investment, 10 billion yen for DX/system investment, and 10 billion yen for logistics, etc. The primary focus of business investment is anticipated to be M&A. These plans are not projects that the Company can quietly formulate and execute on its own, so the current progress significantly diverges from projections. However, specialized departments, each business division, and corporate staff always collaborate to advance multiple projects, with total project amounts exceeding 20 billion yen, even including those that have not reached fruition. We will continue to emphasize strategic alignment and economic rationality without undue haste. DX/system investment promotes investments for transformation into a data-driven company and new business creation, including ERP updates and building a data analysis infrastructure. Our logistics investment is addressing issues such as the 2024 logistics issue and environmental load reduction, aiming to optimize logistics functions across divisions and improve service capabilities.

2 Shareholder Return Policy

Dividend Payout Ratio: 40%

DOE: 3.5%

The larger amount +

Flexible implementation of treasury share acquisition

3 Balance Sheet Control

Equity level: Long-term credit rating of A

Liquidity on hand: Approximately 60 days

Policy investment stocks: Under 10% of equity as soon as possible

Optimization of Business Investment Rate

Invested Capital (Operational Side) / Invested Capital (Procurement Side)

Pursuing investments and returns while maintaining financial discipline

We consider it essential to maintain a certain level of creditworthiness for smooth transactions when conducting repeated B2B transactions with numerous business partners. We are not inclined toward overly conservative financial management but aim for a long-term credit rating of A to indicate creditworthiness. At this level, we expect that suppliers will incur minimal credit costs, which may positively impact cost reduction. If capital reaches an excess level, we are open to adjusting it through cash dividends or treasury share acquisitions while evaluating liquidity on hand, growth investments, and debt use. We will also work to reduce policy-held shares, aiming to bring the holding balance below 10% of equity as soon as possible. Based on these principles and initiatives, we will pursue capital allocation tailored to each business's life stage (startup – growth – maturity – decline) and optimize the business investment rate (invested capital [operational side] / invested capital [procurement side]).

4 Business Portfolio and Capital Allocation

Business	Place of Value Creation	Products Handled	Feasibility	Revenue Stability	Gross Profit Margin Index	Operating Profit Share	Invested Capital: Non-Financial Capital: Suppliers	Buyers	Personnel	Financial Capital: Working capital	Digital	Inventory	Logistics	Return on Capital
Engineering	Overseas	Production equipment	Share expansion	Variable	★★★ to ★★★★	25%	Mainly domestic manufacturer network	(Manufacturing company)	Under 40% (of which 60% are outside Japan)	★★★★★	★★★	★★★	★★	★★★
Engineering	Japan	Production equipment	Share expansion	Variable	★★ to ★★★	25%	Mainly domestic manufacturer network	(Manufacturing company)	Under 40% (of which 60% are outside Japan)	★★★★★	★★★	★★	★★	★★★
Wholesale	Overseas	Production equipment	Share expansion	Stable	★★	60%	Mainly domestic manufacturer network	(Manufacturing company)	Over 60% (of which 20% are outside Japan) About 1,500	★★★★★	★★★	★★	★★	★★★★★
Wholesale	Japan	Building materials	Share maintenance	Stable	★	60%	Mainly domestic manufacturer network	Domestic sales network	Over 60% (of which 20% are outside Japan) About 1,500	★★★	★★★★★	★★★★★	★★★★	★★ to ★★★★★
Wholesale	Japan	Building materials	Share maintenance	Stable	★	60%	Mainly domestic manufacturer network	Domestic sales network	Over 60% (of which 20% are outside Japan) About 1,500	★	★	★	★★★★	★★★★★
Wholesale	Japan	Home products	Share maintenance	Stable	★★	60%	Mainly domestic manufacturer network	Domestic sales network	Over 60% (of which 20% are outside Japan) About 1,500	★★★	★★	★★★★	★★★★	★★★★
Fabless Manufacturers	Japan	Home products	Share and demand expansion	Stable	★★★	15%	Mainly overseas manufacturer network	Supporters/ fans	3% to 4% Around 100	★★★	★★	★★★★	★★★★	★★★★

Positioning human capital as the most important asset and aiming for optimal capital allocation

(1) Non-financial capital

The key to capital allocation in Yamazen lies in optimal placement and investment in human capital. To ensure sustainable development of the Wholesale Business, we must deepen the relationships we have with our many supplier manufacturers and clients, and cultivating and appropriately placing personnel who can achieve this is crucial. For the sustainable development of the Engineering Business overseas, it is also critical to train or acquire personnel who possess technical expertise and can engage and excel in cross-cultural environments, as this significantly impacts the establishment of a competitive advantage.

(2) Financial capital

Many of Yamazen's businesses are asset turnover-type businesses, so while expanding our market share, we have pursued improvements in the working capital turnover rate to minimize funding restrictions. As a result, working capital (WC) has been optimized, with some businesses operating with negative WC. Recently, we have actively promoted digital and logistics investments in the Wholesale Business, thereby reallocating human capital—transforming non-financial capital into financial capital—and advancing the acquisition of valuable human capital. Through these efforts, we aim to enhance business sustainability and expand profit by increasing high-quality sales, even if it means sacrificing temporary capital profitability in the Wholesale Business. Our goal is to ensure medium- to long-term capital profitability.

Yamazen's Business

ROE exceeding the cost of shareholders' equity

We formulated three sales strategies necessary for building stronger relationships with business partners, and incorporated them into the business models of each of our businesses. With this, we will work on strengthening our revenue base and creating new sources of revenue.

Reduced cost of shareholders' equity

We aim to reduce business risks by enhancing engagement with stakeholders and addressing material issues.

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Increased growth rate

We have identified material issues by backcasting from our Corporate Vision for 2030 and are formulating Company-wide strategies. We can enhance growth potential by implementing Company-wide strategies and by aiming to expand cash flow.

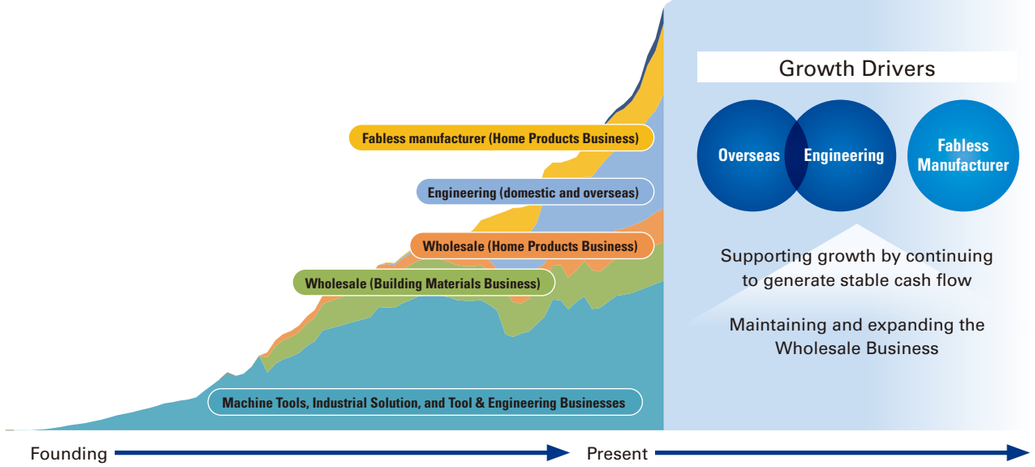
×

Optimize shareholders' equity

We aim to enhance mid- to long-term value by linking shareholder returns to profit and capital.

Yamazen has grown by adding flow-type businesses, such as the Engineering Business and Fabless Manufacturing Business, to our stock-type revenue base, which generates stable cash flow through continuous transactions in the Wholesale Business. To achieve an ROE that exceeds the cost of shareholders' equity, we will further strengthen our revenue base by maintaining and enhancing the Wholesale Business, positioning Engineering and Fabless Manufacturing Businesses as growth drivers, and actively expanding them.

Yamazen's Business Growth Trajectory



Growth Drivers

Supporting growth by continuing to generate stable cash flow

Maintaining and expanding the Wholesale Business

Note: "Fabless manufacturer" refers to net sales of private brand home products and "Wholesale (home products)" refers to net sales of non-private brand products.

Cross-Division Sales Strategies

Yamazen analyzes risks and opportunities related to potential changes in the business environment and, based on the four Company-wide strategies set forth in our Corporate Vision for 2030, has established three cross-divisional sales strategies that are being implemented in each business.

Risk Awareness Regarding Changes in the Business Environment

01 Business succession issues in the manufacturing industry

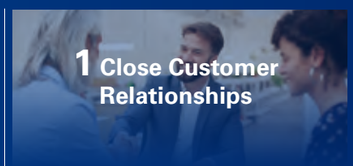
02 Industry restructuring of manufacturers and distributors

03 The rise of e-commerce

04 The 2024 logistics issue

05 Changes in the global industrial structure (de-risking, etc.)

Three Cross-Divisional Sales Strategies



1 Close Customer Relationships

We will work to understand the issues faced by customers worldwide from their perspective, and implement measures to resolve these issues and realize a win-win relationship.

Strategize by segment:
We will clarify target segments, enhance specialization, and carry out strategic proposal activities.

Organize sales:
We will formalize strong individual sales know-how and build a robust sales organization.

Strengthen the sales support system:
We will enhance systems such as marketing and inside sales.

Enhance digital channels:
We will strengthen information provision sties and e-commerce sites as customer contact points.

Promote localization of overseas subsidiaries ("glocal"):
We will strengthen local operations through the development of local staff.

2 Transformation

In addition to selling products, we will also provide total solutions for issues related to product manufacturing, engineering and green businesses.

Acquire engineering skills:
We will gain engineering and construction capabilities that contribute to production lines and entire construction sites.

Focus on green business:
We will expand our focus on green business to solve social issues while enhancing corporate value.

Build new business models:
We will establish new revenue structures, such as subscription-based businesses.

Strengthen product development:
We will enhance the development system for new products and services that offer high added value.

Strengthen logistics systems:
We will bolster logistics systems capable of supporting significant future growth.

3 Digital Integration

We will strengthen customer contact points utilizing digital technology, provide new solutions, connect the knowledge obtained to human resources, and create new added value.

Integrate real and web platforms for production equipment:
We will build next-generation B2B platforms.

Expand our own e-commerce through home appliance websites:
We will gradually expand Yamazen Bizcom.

Enhance product development and sales capabilities through data utilization:
We will build a data-driven management foundation.

Domestic Production Equipment Business

Wholesale Business
- Machine Tools Business
- Industrial Solution Business
- Tool & Engineering Business

Engineering Business (TFS Div. H.Q.)

Shinji Sakamoto

Executive Officer
Vice President of General Sales H.Q.
(In Charge of Domestic Business)

We solve customer challenges through the dual pillars of the Wholesale Business and the Engineering Business

The Domestic Production Equipment Business delivers products and services to a wide range of manufacturers through the Wholesale Business, which sells machine tools, material handling equipment, mechatronics, environmental equipment, cutting tools, machine tool accessories, and measuring equipment, as well as through the Engineering Business, which provides comprehensive proposals for factory automation and even building facilities. The initiatives undertaken by each business division and regional H.Q.s are based on Yamazen's Company-wide strategies linked to material issues, aiming to enhance both social and economic value through business activities. By combining the customer base we have cultivated over many years in the Wholesale Business with the technical expertise developed in the Engineering Business, we will address various customer challenges and contribute to Japan's manufacturing industry.

Strengths

- Unique, highly specialized value-added sales
- Close relationships with leading manufacturers in a wide range of product fields
- Carries no inventory and has a short CCC, although profit margins are not very high (Machine Tools Wholesale Business)
- High profitability from adding engineering capabilities (Engineering Business)

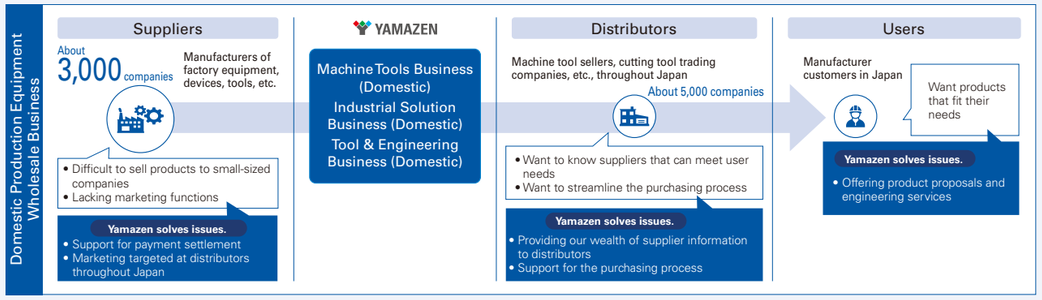
Opportunities

- Market expansion for electrification-related parts such as batteries, motors and inverters due to a shift to electric vehicles
- Strong need for automation and labor-saving solutions at manufacturing and logistics sites due to a labor shortage
- Global trend toward carbon neutrality
- Growth in new product technologies, such as 3D printers and IoT

Risks

- Lower value of information provided by trading companies as digitalization closes the gap between manufacturers and users
- Change in power balance due to restructuring of manufacturers (improved bargaining power for sellers)
- Decrease in metal processing for internal combustion engine manufacturing due to a shift to electric vehicles
- Intensified competition due to the rise of price-competitive Asian manufacturers, particularly those from China

Domestic Production Equipment Wholesale Business Flow



Key Initiatives

① Strengthening our engineering capabilities as a value-added service in wholesale	② Strengthening expertise in industry and product categories	③ Support for green business	④ Strengthening product development	⑤ Building a data-driven sales system
Background: The smartification of manufacturing and the diversification of customer needs		Background: Rising demand for environmental solutions	Background: Changes in the value chain	Background: Enhancing the productivity of the value chain

Wholesale Business Machine Tools Business

Business Overview

We provide production and processing systems using machine tools that meet the changing needs of production sites, in collaboration with leading domestic and international manufacturers. We enhance productivity, pursue cost reductions, and combine peripheral equipment, services and information to support manufacturing sites that require a high degree of specialized expertise in Japan.

Major Products Handled

Machine tools (machining centers, CNC lathes, CNC grinding machines, CNC milling machines, electric discharge machines, conventional machine tools, 3D printers, etc.); metal forming machines; plate processing machines (presses, shirring machines, bending machines, laser cutting machines); injection molding machines; die-cast molding machines; CAD/CAM; machine tool accessories (industrial robots, measuring equipment, automation peripheral equipment, machine tool accessories); and more

Initiatives in the Machine Tools Business

We will increase the value of the Yamazen ecosystem* to be more useful to customers.

In recent years, the demand for equipment related to machine tools in domestic manufacturing has stagnated, leading to a continued challenging business environment. Additionally, the market environment is rapidly changing due to factors such as the decline in metal processing related to internal combustion engine manufacturing resulting from the shift to EVs. Other factors include the rise of price-competitive Asian manufacturers, including those from China, the global trend toward carbon neutrality, and the development of new technologies such as 3D printers and IoT.

To appropriately respond to these changes, we are not only pursuing short-term profits but also aiming to transform our Wholesale Business into a new model that captures rapidly changing user needs and creates mid- to long-term added value. To this end, we have established a specialized engineering organization.

Additionally, we have built and strengthened a knowledge-sharing foundation for sales expertise and have begun trial operations of data-driven sales to enable optimal proposals using digital information. In addition to facilitating the supply chain, which is a basic function of the Wholesale Business, we will aim for the mutual development of all players by supporting the improvement of users' equipment operating rates and expansion into new work areas, leading to greater efficiency and value enhancement for the entire Yamazen ecosystem.

*Refers to the business ecosystem of groups that share the same interests as Yamazen's Machine Tools Division H.Q. This is an integrated group of users, manufacturers, business partners, system integrators and others.

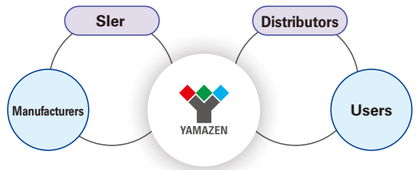
Eiji Iwase

Corporate Officer
President of Machine Tools Division H.Q.

Establishment of the Engineering Office

Close Customer Relationships | Transformation

From this fiscal year, we have established the Engineering Office to apply the engineering know-how accumulated over decades in our overseas division to our domestic Wholesale Business. We have appointed professional talent with expertise in manufacturing and processing technologies to leverage their specialization in synergy with our existing sales teams. Together with distributors nationwide, we propose optimal processing methods, labor-saving, and automation solutions to manufacturing users, maximizing productivity, improving users' investment potential, and creating new opportunities in the machinery sales business. Additionally, by providing engineering support that machinery manufacturers cannot fully cover, Yamazen can supplement the manufacturers' resources capabilities. We will gradually expand the range of target manufacturers and aim for further business expansion.



Backed by the Engineering Office with extensive product knowledge and engineering capabilities

Strengthening sales of metal 3D printers

Close Customer Relationships | Transformation

To strengthen the sales structure for metal 3D printers, which are expected to see significant market growth, we will collaborate with domestic and international metal 3D printer manufacturers and roll out initiatives nationwide to create sales opportunities. We will propose new processing methods to traditional machining customers, reducing lead times in planning, development, prototyping, and production. With this in place, we will contribute to our customers' improvement in international competitiveness. In addition, by utilizing 3D printers, we will develop new markets and acquire new customers. The contract 3D printing services we began on a trial basis have been well received, and we will further improve the quality level to grow this into a major business.

→ See the Company-wide Green Initiatives Strategy on page 52.

Wholesale Business

Industrial Solution Business

Business Overview

We provide total support for various stages of business. This includes support for planning and operation of production sites and the creation of working environments, including proposals for production efficiency improvements involving automation and labor-saving solutions to solve labor shortage problems, and solutions for improving environments at production sites. We also provide cutting-edge technologies, solutions for business continuity planning (BCP) and offer proposals as a producer of integrated systems for production sites.

Major Products Handled

Material handling equipment; packing/wrapping systems; automated warehousing equipment; picking/sorter systems; robot systems; CAD systems; hydraulic/pneumatic equipment; various sensors; labor-saving and automation equipment; compressors; pumps; blast equipment; painting equipment; welding equipment; power generating equipment; compact construction machines; prefab housing-related materials; multilevel parking lots; steel frame processing machines; cleaning equipment; effluent treatment equipment; dust extracting equipment; incinerators; oil mist collectors; cutting fluid cleaning systems; deodorization equipment; acoustic absorption/sound-proofing systems; aids for environmental improvement; aluminum frames; clean rooms; HVAC equipment; air-conditioning control equipment; and more.

Initiatives of the Industrial Solution Business

We aim to solve social issues and improve profitability through the creation of higher added value.

Yamazen sees solving the challenges in the production equipment market, such as labor shortages, decarbonization, and digital transformation (DX), as well as leveraging rapidly evolving AI, as both a call for transforming conventional methods and a major business opportunity. Our division has strong cooperative relationships with leading manufacturers in the largest markets for production equipment such as mechatronics, material handling, environment, and infrastructure. Our sales network covers a diverse range of markets including automotive, semiconductors, electronic components, food, distribution, and construction. Based on our long-established, three-pronged structure, which we consider a valuable sales asset, our specialized sales teams will propose high-value-added solutions such as automation, decarbonization, digital transformation (DX) support, and AI-based original products, expanding our mutual businesses. We will balance solving social issues with improving profitability from our position supporting manufacturing. Looking toward the future, we will strengthen our internal collaboration with the TFS Div. H.Q., which handles the domestic Engineering Business, and with the Overseas Engineering Business to further expand our Industrial Solution Business.

Katsuhiko Takamatsu

Corporate Officer
President of Industrial Solution Division H.Q.

Spreading and collecting information: Solution proposals utilizing specialized exhibitions

Close Customer Relationships | Transformation

To address common challenges faced by various users such as labor shortages and decarbonization, we actively host exhibitions and events centered on automation and labor-saving solutions, as well as sales meetings themed around decarbonization aiming at securing orders for environmental improvement equipment, nationwide. We are working to build and expand communication channels with users. Through these activities, we capture individual user needs and establish a system capable of making high-value-added proposals, providing total solutions that will lead to sustainable growth.

See the Company-wide Green Initiatives Strategy on page 52.

Developing original products aligned with customer value

Close Customer Relationships | Transformation

We are working on developing original products that match user needs by effectively utilizing mature technologies that have been overshadowed by time, along with the latest technologies such as AI, ensuring a balance between product value and cost. Using original products as a hook, we aim to deepen user communication by leveraging our nationwide sales and technical support staff to propose peripheral equipment related to these products in addition to proposing improvements to entire facilities, ultimately making high-value-added equipment orders a driving force for profitability.

Wholesale Business

Tool & Engineering Business

Business Overview

To meet a variety of needs, we handle a wide array of products necessary at production sites, from hand tools to measuring equipment. In addition to the network infrastructure and logistics capabilities we have built over many years, we provide products and information to customers with speed, backed by our technical sales expertise.

Major Products Handled

Cutting tools; tooling; auxiliary tools; machine tool accessories; measuring equipment; grinding tools/diamond tools; hand/plumbing/electric tools; hydraulic/air pressure tools; welding machines; cutting machines; band sawing machines; compact machine tools; press-related tools; tool grinding machines; construction/cargo handling equipment; chemical products; office automation/office equipment; home appliances; and more

Initiatives of the Tool & Engineering Business

We are strengthening our distribution infrastructure and supporting the next generation of manufacturing through a combination of direct sales activities and the use of the web.

The labor shortage in the manufacturing and logistics industries is becoming more severe. In addition, we are entering an era where addressing environmental issues can no longer be postponed. In response to these societal changes, our division is working to strengthen its distribution infrastructure. In the Kansai region, considering the 2024 logistics issue, we relocated our logistics center to a terminal of a transportation company. Additionally, we have placed depots with inventory near distributors and users at five locations nationwide (Okayama, Kanazawa, Sendai, Sapporo, and Shizuoka) to deliver products quickly while reducing CO_2 emissions. We launched a new website, "teraido," which automates everything from product search to ordering and shipping, striving to enhance supply chain productivity. At real-world exhibitions like Doterai Ichi, customers can see, touch, and experience our products. We address individual challenges faced by users, and our highly skilled technical sales team proposes solutions for automation, energy saving, and labor reduction, contributing to productivity improvement. Additionally, we are strengthening our efforts toward carbon neutrality, advancing proposals for environmentally friendly products and developing original products that reduce environmental impact.

Masahiko Aoki

Corporate Officer
President of Tool & Engineering Division H.Q.

New website "teraido" launched

Close Customer Relationships | Digital Integration

In October 2024, we launched our own e-commerce site, "teraido." The site features approximately 2.5 million items supporting manufacturing, with enhanced product search functions, access to information on new products, case studies, best-selling items, seasonal products, and industry news. Registered distributors can not only gather information but also seamlessly place orders, request quotes, and handle returns, helping to improve operational efficiency. By combining real-world sales activities with web utilization, we aim to support distributors and build stronger relationships of trust.

https://www.teraido.jp/

Nationwide six-person technical team in action, leveraging expertise

Close Customer Relationships | Transformation

Since July 2020, we have been hiring technical sales staff, assigning six people to Osaka, Tokyo, Northern Kanto, Nagoya, and Kyushu. These professionals are improving performance by making proposals to distributors and users, including machining improvements, tooling layouts, and jig selection, based on their expertise. At exhibitions held across Japan, we offer high-value-added machining proposals through Machining Consultation Corners and collaboration projects with suppliers, contributing to improved productivity and cost reductions for users. Moving forward, we will also challenge ourselves to develop original products from the user's perspective, strengthening our expertise in industries and product categories to enhance our ability to meet diverse customer needs.

Domestic Production Equipment Business Engineering Business

Total Factory Solutions (TFS) Division H.Q.

Proposing total solutions for production sites

The TFS Div. H.Q., as the flagship organization of CROSSING, works in collaboration with domestic business units, Group companies, and overseas branches, providing comprehensive solutions for production sites, including automation. In addition, we have launched the external network Yamazen Factory Automation/Systems Integrator Association, where we propose systems that are suited to various customer needs, and work to resolve our customers' problems. In addition to the Engineering Business based on the Domestic Production Equipment Wholesale Business, we have identified the semiconductor industry, the three product industries (food, pharmaceuticals, and cosmetics), the logistics industry, and the construction equipment industry as new focus areas. We have formed dedicated teams to rapidly develop these markets.

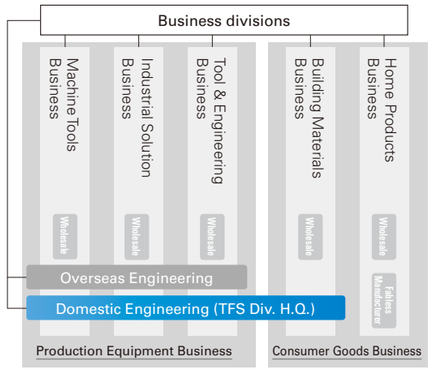
The role of the TFS Div. H.Q. is to position its functions as integral to Yamazen's overall functions. By actively investing in human resources and strengthening both sales and technical capabilities, we aim to further enhance our engineering capabilities and contribute to the Company's performance.

Katsuhito Nakayama

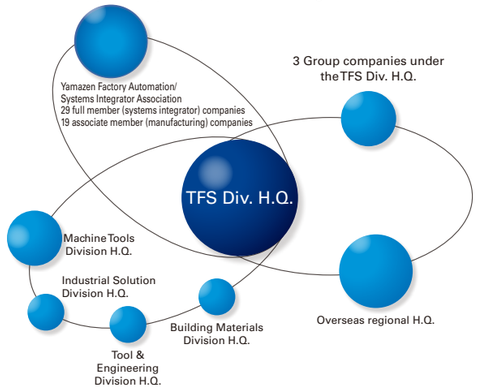
Officer
President of Total Solutions Division H.Q.

Positioning of the TFS Div. H.Q.

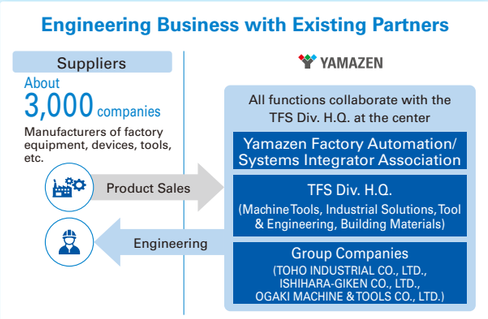
The TFS Div. H.Q. is a cross-functional organization that spans the Machine Tools, Industrial Solution, Tool & Engineering, and Building Materials Businesses.

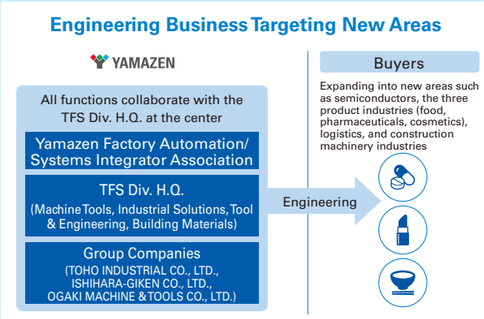


The TFS Div. H.Q. handles the role of promoting "crossing" from its position at the center of three groups: the external network of the Yamazen Factory Automation/Systems Integrator Association, domestic Group companies, and overseas regional headquarters.



Domestic Engineering Business Flow





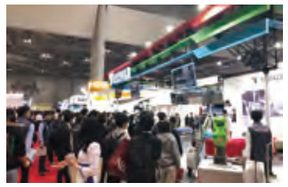
Key Initiatives

① Developing and cultivating new markets (Semiconductor industry, etc.)	② Acquiring new customers (Food, pharmaceuticals, cosmetics, logistics, construction machinery industries, etc.)	③ Developing new products and strengthening branding (palletizing, AGVs, etc.)	④ Strengthening engineering capabilities through enhanced collaboration with Group companies and external firms	⑤ Initiatives in green business such as renewable energy
Background: Active investment in growth industries	Background: Increasing demand for automation due to labor shortages	Background: Diversification of customer needs	Background: Increasing customer needs	Background: Realization of a decarbonized society

Strengthening customer acquisition and branding through continued digital integration sales strategies

Close Customer Relationships
Digital Integration

To expand our business, we are integrating our strength in analog sales with web-based digital sales. The process from approach → awareness → interest → lead → negotiation → order is centrally managed using CRM/SFA, and sales activities are prioritized based on quantified data. Acquiring target customer lists is critical before leads become tangible. In new customer acquisition, we focus on analog sales strategies such as exhibiting at trade shows and telemarketing. In FY2023, we exhibited at FOOMA JAPAN 2023 and iREX 2024. The concept for our exhibitions was "solving on-site issues." At FOOMA JAPAN 2023, we showcased the automation of packaging processes in the deli industry, while at iREX 2024, we highlighted the automation of auxiliary tasks through collaborative robots and AGV technology, successfully attracting many visitors and achieving our attendance goals.



In digital sales, we actively publish the necessary solutions for customers' challenges on the web, creating a system to receive inquiries from customers with whom we previously had no contact. Additionally, we continue to distribute case studies and usage videos monthly to target customer lists obtained through analog sales, and we hold web seminars to generate new leads. We aim to strengthen our branding through digital means so that customers think of Yamazen first for automation consultation, contributing to efficiency improvements across various industries.

Toward a pillar of Yamazen's next-generation business

Close Customer Relationships
Transformation

With the establishment of the Research & Development Department in April 2024, we are strengthening our sales expansion into the semiconductor industry. We aim to establish a unique Yamazen semiconductor business by leveraging our engineering capabilities, global reach, and network cultivated in the production equipment business. With the growing demand for generative AI, digital transformation, EVs, and autonomous driving, the semiconductor market is expected to expand further. Yamazen will propose suitable equipment and materials for these needs, both domestically and overseas. In May, we exhibited at SEMICON in Malaysia, proposing Japanese-made equipment and materials. In the semiconductor industry, which plays a crucial role in next-generation development, Yamazen aims to be a company that supports manufacturing worldwide.

Technical team supporting the shift from selling "things"

Close Customer Relationships
Transformation
Digital Integration

In our TFS Div. H.Q., we have formed a Engineering Support Department of 26 members, serving as a bridge between sales and manufacturing. The department provides production line consulting, consolidates equipment element technologies, and supports product development and robot integration through robotics and technology, meeting customer automation needs.

In August, we opened a new office with a robot test lab in Shin-Osaka, focusing on collaborative robots like TECHMAN. We are strengthening our service system and working to foster a community with customers and suppliers.

Case 1 Doterai Ichi

A brick-and-mortar platform for the revitalization of regional economies

Doterai Ichi is an exhibition and sales event for which Yamazen acts as the central administrative body. It is sponsored by local distributors and held in cooperation with manufacturers. Under this framework (a collaboration between Yamazen, distributors and manufacturers), Doterai Ichi's history spans close to half a century, establishing it as a brick-and-mortar platform for revitalizing regional economies. It has been well received as an event where visitors can purchase everything from machine tools to household appliances at special prices. In FY2023, 504 distributors and 3,710 manufacturers participated in the event.

History of Doterai Ichi

The first Doterai Ichi was held at the Nishinihon Yamazen Logistics Center located in Higashiosaka-shi in April 1975. At that time, the exhibition and sales event was a rare opportunity to see, handle and experience products, and became a major topic of discussion in the industry. The following year, the 76 Osaka Doterai Ichi was held at the same venue, with "Osaka" incorporated into the event name, and orders totaled 1 billion yen. In October of that same year, the Autumn Osaka Doterai Ichi event was held at the Osaka Trade Fair Center (known then as Asashiobashi), and orders totaled 2.3 billion yen. This Osaka event helped spread awareness of Doterai Ichi throughout Japan.

View of 76 Osaka Doterai Ichi (held in 1976)

View of Osaka Doterai Ichi (held in 2024)

Feedback

Doterai Ichi: Message from a Manufacturer

Doterai Ichi: A place for competitive sales, learning, and networking

Takashi Ohsono

Managing Director
General Manager of Sales Headquarters
NANSIN Co., Ltd.

Since around 2011, we have been exhibiting at Doterai Ichi across Japan to expand the market for our resin transportation carts. Doterai Ichi is one of the few direct sales events that severs as an excellent PR opportunity, so we participate with the same enthusiasm at all events, working with Yamazen to boost excitement.

Doterai Ichi is not just for showcasing new products; it is a competitive sales venue where users can actually experience the usability of products that may be difficult to convey in catalogs. For sales representative who rarely sell carts individually, Doterai Ichi provides a unique selling method, distinct from daily sales, becoming a place of learning as well.

Today, customers can experience our main product, casters, especially new ones, at Doterai Ichi. This has created a good flow where we visit distributors and users to secure orders.

The distance between us and our distributors has also shortened, sometimes leading to partnerships, allowing us to build good relationships in various regions. Furthermore, Doterai Ichi has increased horizontal collaboration with other manufacturers. Manufacturers are also important customers for us, and Doterai Ichi serves as a networking venue, where we receive consultations on improving production sites.

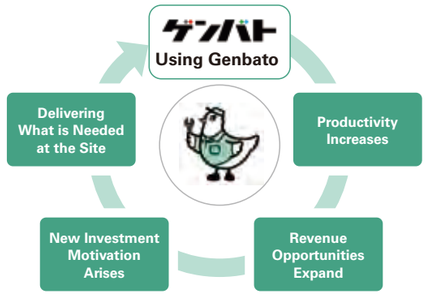
I believe Doterai Ichi is contributing to the revitalization of industries in each region. Moving forward, we at Nansin, together with distributors and Yamazen, aim to capture markets in each region through Doterai Ichi.

Case 2 Genbato

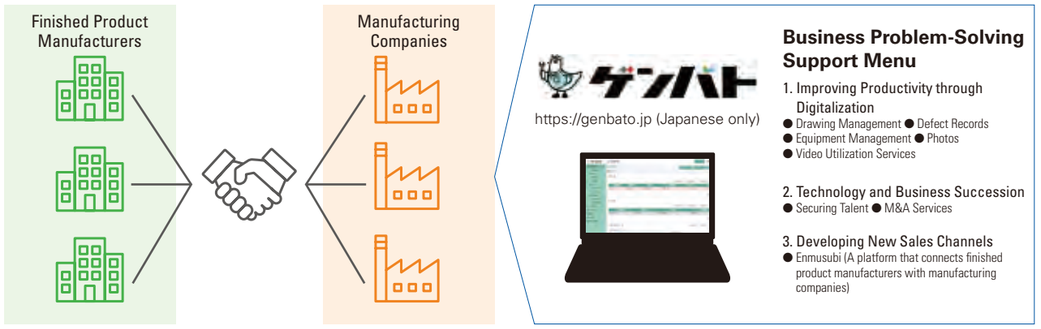
A SaaS platform supporting manufacturing companies

Genbato: Together with the *genba* (the manufacturing site). This name reflects our vision. Launched in February 2024, this SaaS platform for manufacturing companies began from ideas generated by employees who interact directly with manufacturing users. Many small and medium-sized manufacturers that support Japanese manufacturing understand that improving productivity through digitalization is a material issue for growth, but due to reasons such as "not knowing where to start," "lack of IT personnel," and "cost concerns," many have been slow to adopt digitalization. Yamazen, which has long contributed to manufacturing by delivering products to production sites, now provides the right digital support services at affordable prices, contributing to further growth. The vision for Genbato is to be a starting point where businesses increase work, invest in equipment, and grow again—creating a positive eco-cycle.

The Right Digital Solutions for Manufacturing Sites



How Genbato Works



A Word from the Developer
From idea generation to launch, together with enthusiastic colleagues

Yosuke Akimura

General Sales H.Q.
Corporate Marketing Dept.
Genbato Promotion Office Leader

In 2021, when the COVID-19 pandemic restricted our ability to carry out sales activities as usual, a group of members came together to explore the possibility of doing more than just selling machines and tools to manufacturing sites—specifically, a business that could contribute to the growth of our customers' businesses. This led to the start of an unofficial project. Together with my colleagues, we developed the business idea and plan, and in 2022, the New Business Preparation Office was launched. As the project progressed, we realized that purchasing machinery is just one aspect of the business, which helped us understand our customers more deeply. I joined as a full-time member, maintaining the same high level of passion as before. Our first system development project came with many challenges, but we successfully released it on schedule. The team was renamed to the Genbato Promotion Office, and we now travel across Japan to deliver the service to customers and further enhance its value to ensure their satisfaction.

User Testimonials

A service that addresses our pain points, improving business management

Nishimura Advanced Ceramics Co., Ltd.

Yoshihiro Nishimura (Left)
Representative Director

Ken Aoki (Right)
Production Management Manager

Since our founding in 1918, we have always operated with the mindset that what exists now will be gone in 10 years time. With this in mind, we have always adapted to the changing times. We learned about Genbato at a trade show hosted by our supplier, SAKANOSHITA CO., LTD., and thought, "This is useful!" We immediately implemented it. We are currently using the defect records service. Until now, we had been managing defect records on paper, which made it difficult to review them. The Genbato platform keeps the defect records on hand, making them searchable by keywords, so we expect to effectively utilize past issues as know-how. Next, we plan to use the equipment management and drawing management services. From a manager's perspective, being able to access the information you need when you need it is extremely helpful for management. The creation of a service that addresses our pain points is greatly appreciated by us as one of many small to medium-sized manufacturing businesses. Moving forward, we plan to make Genbato central to our operations and use it to improve our management.

Overseas Production Equipment Business Engineering Business

Business Overview

We support reciprocal business between Japan and the rest of the world. This includes assistance in overseas relocation of Japanese and multinational companies; international procurement of products, parts and materials; trilateral transactions; total planning of production equipment and systems for factories; and consulting regarding international transactions. With many years of experience and expertise in overseas markets, we aid in the development of industries and local communities.

Major Products Handled

Machining centers; CNC lathes; CNC milling machines; EDMs; 3D printers; injection molding machines; die-cast molding machines; machine tool accessories; NC tooling; auxiliary tools; cutting tools; measuring instruments; measuring equipment; work tools; material handling equipment; machine component equipment; aids for environmental improvement; ROBOT; automation equipment; SMT lines; and more

Kinya Nakada
Officer
Vice President of General Sales H.Q.
(In Charge of Overseas Business)

Strengths

- Overseas business experience and know-how accumulated over more than 60 years
- A one-stop support system from sales to engineering and support (world-class track record)
- Numerous overseas bases with showroom functions (16 subsidiaries in 14 countries outside Japan and 68 business locations)
- Superior technical proposal and sales capabilities that can handle the applications required by users

Opportunities

- Changes in the flow of global manufacturing due to de-risking
- Rising needs for automation and labor-saving solutions due to chronic labor shortages
- Changes in needs from the selling of products to the selling of services, and the need for advanced engineering capabilities
- Capturing M&A needs arising from changes in the business environment such as business portfolio reorganization

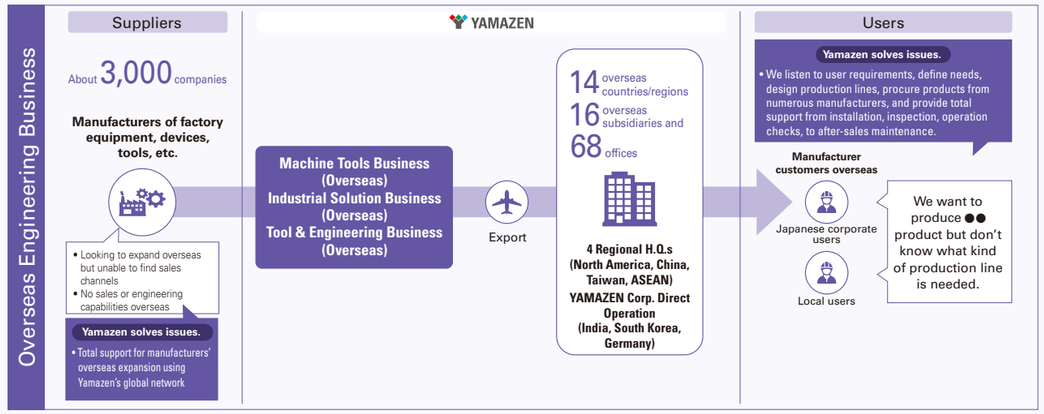
Risks

- Country risk of product supply disruption due to inflation, political instability, conflict or other reasons
- Growth of local overseas dealers that make use of their geographical advantage and financial strength
- Decrease in metal processing due to changes in the automobile market caused by the shift to electric vehicles
- Decline in the value and competitive advantage of the "made in Japan" brand due to improving quality of overseas manufacturers

Where there is manufacturing in the world, Yamazen is there

The overseas business environment faced by Yamazen continues to experience drastic changes. We will sensitively detect changes in the market and establish an overwhelming network that covers global manufacturing. While enhancing our engineering capabilities to maintain our competitive advantage in existing businesses, we will rapidly expand into new areas and growth industries. We will deliver everything from sales to engineering and support to companies around the world with the "Made with Yamazen" approach.

Overseas Engineering Business Flow



Key Initiatives

① Promoting diversity management, leveraging global and diverse talent	② Geographic expansion of business domains	③ Expanding business fields and areas, adapting to diversified business models	④ Strengthening expertise and engineering capabilities to enhance competitive advantage	⑤ Expanding cross-border strategies utilizing the global network
Background: Responding to business diversification; labor shortages	Background: Restructuring of the global manufacturing supply chain	Background: Changes in market trends and customer needs	Background: Intensified market competition and increased demand for added value	Background: Relocation and diversification of production bases for global companies

Engineering achievement: Delivery of a fully automated production line for automotive parts

Close Customer Relationships
Transformation

With the recognition of Yamazen's overseas track record, we received an order to build a fully automated crankshaft processing line, one of the most difficult engine parts to process. Leveraging our expertise and engineering capabilities, we combined multiple equipment and tool manufacturers to build and deliver the optimal production line under the leaderships of Yamazen engineers. The required precision from the automotive manufacturer was very high, but we successfully built a 101-meter-long automated line with 24 processing steps and 38 machines, capable of processing 10,000 units per month, right on time. Going forward, we will continue to gather our extensive experience and know-how to solve various customer challenges with high value-added proposals leveraging our high engineering capabilities, enhancing customer satisfaction.

Yamazen Engineer Job Responsibilities

Process design → Equipment specification creation → Line layout → Detailed discussion with manufacturers & finalizing equipment specs → Progress management → Pre-installation supervision → Transportation → Installation & adjustment → Processing accuracy adjustment → Mass production confirmation

Manufacturing Process Flow

Lathe processing → Machining → Dedicated machine processing → Grinding → Cleaning → 100% inspection

Cross-border strategy utilizing an extensive network and multinational talent

Close Customer Relationships
Transformation

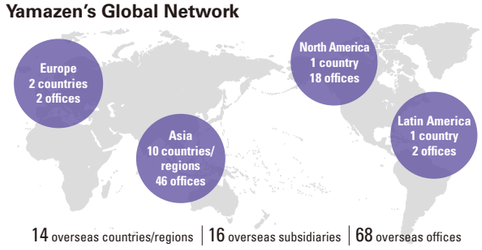
Global manufacturing supply chains have undergone significant changes in recent times. Consequently, there has been a shift to many companies worldwide relocating their production bases. We are utilizing our broad network and multinational talent, engaging in cross-border sales activities, technical support, and equipment implementation assistance. We call this the cross-border strategy, and we are executing it through close information sharing between our branches and Headquarters.

Past Cross-Border Achievements

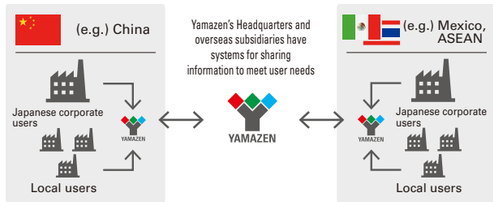
- U.S. aerospace parts manufacturing company investing in Vietnam
- German industrial optical products company investing in Taiwan
- Taiwanese semiconductor manufacturing company investing in Japan
- Chinese automotive parts manufacturing company investing in Mexico
- Singaporean electronic parts processing company investing in China, etc.

Moving forward, we will continue to leverage and enhance the advantages of the Overseas Engineering Business with the aim of further expanding its scale.

Yamazen's Global Network



Cross Border Strategy



Building Materials Business

Wholesale Business

Engineering Business (TFS Div. H.Q.)

Business Overview

In this business, we propose products and systems aimed at creating housing and societies that are environmentally friendly and take people into account. We focus on addressing issues such as the environment, decarbonization, health and barrier-free living. In addition to the procurement and stable supply of primary and secondary processing products such as wood processing products and industrial products, we also propose and sell housing equipment and materials, and are involved in the remodeling business.

Major Products Handled

Kitchen appliances; cooking appliances; bathroom appliances; washbasin appliances; water boiling equipment; sanitary appliances; air-conditioning equipment; solar power generation equipment; storage batteries; plumbing equipment and materials; interior architectural materials; exterior architectural materials; interior materials; window frames; exterior materials; ancillary construction materials; construction materials; construction equipment; structural building frames; BCP-related equipment; and more

Kazuhiko Torigoe

Executive Officer
President of Building Materials Division H.Q.

We contribute to enriched lifestyles and the realization of a sustainable society.

In the current market environment of the Building Materials Business, although the number of new housing starts is decreasing, demand for the Non-Residential Business and Renovation Business is increasing substantially. Needs are also rising among companies of all sizes for the introduction of environmentally friendly products and services. We are promoting our Green Ball Project at companies to support visualization of their activities to prevent global warming. In addition, we are focusing on ramping up our ZePlus business in the housing sector, which offers the next step beyond ZEH (net zero energy house) in anticipation of mandatory compliance with energy-saving standards set to take effect in 2025, and energy-saving proposals in the non-residential sector based on upgrading air-conditioning equipment, which is a Yamazen specialty. We aim to be a leading company, capable of offering optimal proposals that combine sales of products and services.

Strengths

- Nationwide proposal sales system through the appropriate placement of sales bases and engineers in compliance with the Construction Business Act
- Top-class distribution functions in Japan for housing equipment, air-conditioning equipment and smart energy equipment
- Construction network through the Yamazen Health and Safety Council (with a total of 242 registered companies*), an organization led by the Company
- Organizational sales capabilities through builders covering a wide area, a business promotion team that specializes in mass retailers, and field sales

*As of October 1, 2024

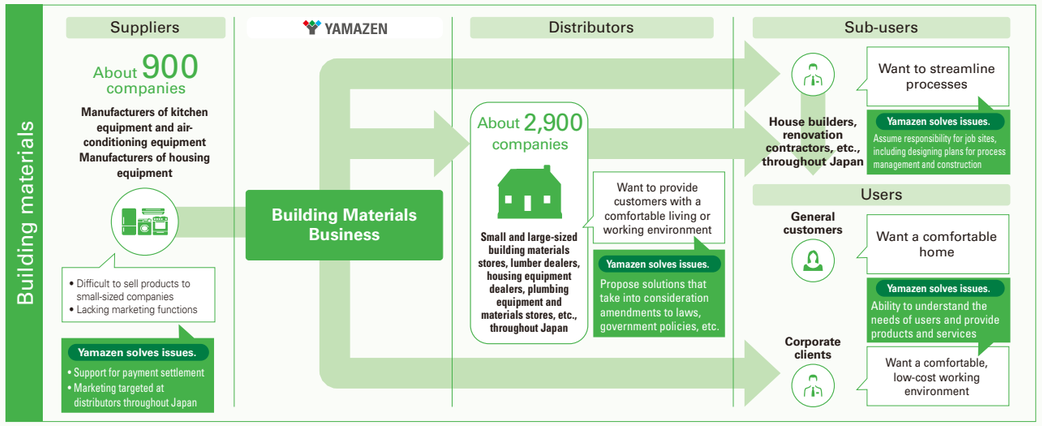
Opportunities

- Concrete initiatives aimed at helping companies become carbon neutral
- Increased demand for replacing existing equipment with energy-saving equipment due to soaring electricity costs
- Acceleration of review of residential performance due to start of mandatory compliance with energy-saving standards for new homes
- Changes in the competitive environment due to review of various trading partners resulting from supply shortages

Risks

- Decrease in new home construction due to the declining birthrate, aging population and rising mortgage rates
- Difficulties in product supply and soaring material prices due to infectious diseases, geopolitical risks and the depreciation of the yen
- Postponement of active capital investment due to uncertainties such as high raw material prices and a labor shortage
- Restrained purchasing related to housing, renovations and durable consumer goods due to soaring consumer prices and declining wages

Building Materials Business Flow



Key Initiatives

① Establishing the Non-Residential Business	② Securing market share in the residential sector	③ Strengthening original services and product development	④ Construction capabilities and logistics networks	⑤ Strengthening digital transformation analysis and building new systems
Background: Expanding demand in the non-residential sector	Background: Increasing demand for ZEH and other environmentally conscious solutions	Background: Increasing need for environmental solutions and diversification of living environments	Background: Labor shortages in the construction sector and consolidation of distributors	Background: Labor and talent shortages

Supporting companies' decarbonization efforts to establish the Non-Residential Business

Close Customer Relationships | Transformation

As part of our efforts to establish the Non-Residential Business, the Smart Energy Promotion Department, a specialized organization with advanced knowledge of the carbon-neutral market, led seminars at 17 locations across Japan, providing information to sales targets on corporate carbon-neutralization efforts. While advancing collaboration with the production equipment sector, we shared subsidy information and focused on key environmental items like solar power generation, helping users create energy-saving scenarios.

Enhancing our response to increased renovation demand with a specialized team

Close Customer Relationships | Digital Integration

The Retail Works Office, established to respond to the growing demand for renovations, has achieved significant growth by leveraging sales expertise from construction basics to closing deals, as well as planning packaged renovations for home centers and electronics retailers. The Mass Retailer Customer Service Center visualized individual abilities and supported the Retail Works Office by optimizing personnel assignments and role distribution, resulting in efficient business operations. By further enhancing the skills of experienced field teams and strengthening teamwork, we aim to capture new demand through the use of subsidies and other initiatives.

New development in our original ZEH: ZePlus

Close Customer Relationships | Transformation

In promoting ZEH housing, we conducted a seminar with the cooperation of Recruit Sumai Company Ltd., which helped build the energy-saving performance labeling system announced by the Ministry of Land, Infrastructure, Transport and Tourism. Interest within the industry was extremely high, and we were able to offer new value. Additionally, as interest in high-performance housing grows, more companies have been obtaining third-party evaluation through BELS energy-saving performance certification. In FY2024, we will establish the ZePlus Promotion Office to manage this business, internalize the BELS certification process, and enhance both our service and profitability.

See the Company-wide Green Initiatives Strategy on page 52.

Strengthening our in-house construction network through nationwide expansion of the Yamazen Health and Safety Council

Transformation | Digital Integration

To improve on-site safety and construction quality, we dissolved the cooperative company organizations previously active in East Japan and in the Kansai region, with the goal of expanding into new areas and crossing business domains. We established the Yamazen Health and Safety Council as a nationwide organization, strengthening our competitive edge as a trading company with nationwide construction capabilities. Additionally, by launching the search site "Aneikai.com", it is now easier than ever to search for members' construction details and service areas. This is expected to increase opportunities for member interaction and create new business opportunities, further strengthening our construction network.

Home Products Business

Wholesale Business

Fabless Manufacturer Business

Business Overview

We combine the trading company functions of retail distribution and logistics with the manufacturer functions of planning and developing private brand products. We handle a wide lineup of useful products that are familiar in daily life, ranging from electrical appliances, interior/exterior products and leisure items to disaster preparedness goods.

Major Products Handled

Home appliances (fans, heating equipment, cooking equipment, audio-visual equipment, household appliances, etc.); furniture; products for outdoor and leisure; kitchen utensils/daily goods; exterior items; gardening/agriculture equipment; health-related equipment; sanitary/healthcare goods; industrial tools; goods for automobiles and motorcycles; disaster preparedness goods; and more.

Naonori Nakayama

Director
Executive Officer
President of Home Products Division H.Q.

Creating new value by capturing diversifying customer needs

The market environment in the Home Products Business is expected to experience diversification in customer values, changes in sales channels, and intensifying competition in the e-commerce sector. In such a business environment, the most important issues for differentiation are developing products that capture customer needs and trends, further growing our own e-commerce site Yamazen Bizcom, and strengthening our logistics system. As we move toward the next stage of growth, we will continue to focus on developing an efficient logistics system, enhancing the Yamazen brand, and fostering the next generation of leaders through effective talent management.

Strengths

- A leading lineup in the home products category (fans, electric blankets, etc.)
- Ability to make diverse placement proposals through the handling of both private brand products and national brand products
- A proactive sales structure where sales representatives have the discretion to negotiate and propose solutions tailored to the needs of various sales channels, such as electronics retailers, GMS, discount stores, home centers, mail-order, and e-commerce (both self-operated and marketplace).
- Quick market entry and a wide range of product offerings, driven by skilled MDs with sales experience who understand the needs of retailers and consumers, and a nimble product development system.

Opportunities

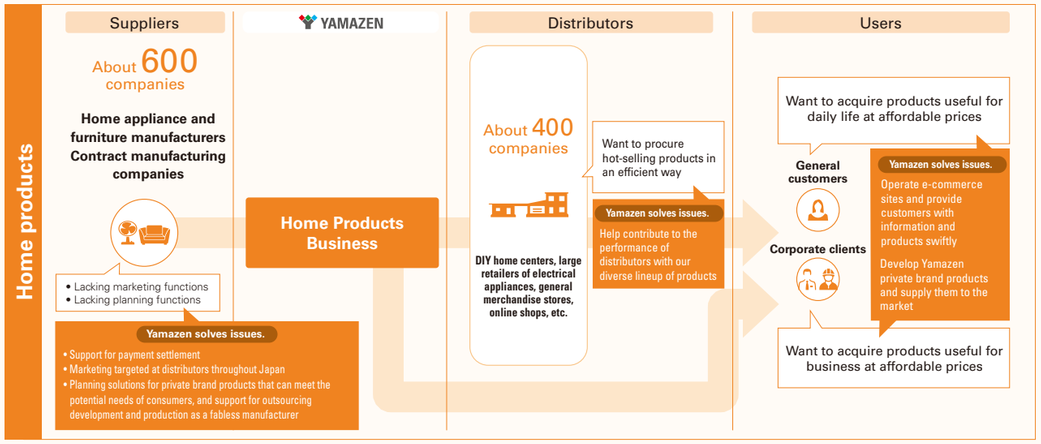
- Expansion of the D2C market as a result of product selection and information provision through social media and apps
- Expansion of opportunities for product development due to the diversification of consumer needs
- Expansion of corporate e-commerce purchasing demand in response to labor shortages and business streamlining (B2B)
- Expansion of e-commerce purchase demand in the elderly demographic (B2C)

Risks

- Decline in consumer demand due to a shrinking population in Japan and increased interest in saving money and the sharing economy socio-economic system
- Pressure on earnings due to sudden exchange rate fluctuations (depreciation of the yen), increasing resource prices and soaring logistics costs
- Changes in existing consumer purchasing channels due to technological innovation
- Reputational risk due to human rights and environmental issues within supply chains

Home Products Business Flow

Combining both fabless manufacturing and wholesale operations, this business contributes to the performance of corporate customers and the lives of consumers with a robust lineup of original private brand products and national brand products that meet user needs. In recent years, we have focused on increasing recognition of our private brand products and expanding B2B sales channels.



Key Initiatives

① Expand our own e-commerce site Yamazen Bizcom and develop new customers	② Establish an optimal logistics system	③ Develop and nurture private brand products and acquire new fans	④ Promote internal projects with participation from young and mid-career employees
Background: Growing demand for e-commerce purchasing among corporations to improve business efficiency	Background: Profit margin pressure due to rising logistics costs	Background: Diversification of customer needs	Background: Developing and strengthening the next generation of leaders and improving engagement

Further strengthening of private brand development: Holding a new product launch event for the battery-powered appliance series ELEIN*

Close Customer Relationships

Digital Integration

We held our first media event for the new product launch of the ELEIN household appliance series, powered by lithium-ion batteries. The event attracted a large number of media, with interviews continuing after the presentation, creating a lively atmosphere. The series of battery-powered appliances, which can be combined with solar panels to make effective use of solar energy, attracted attention from TV, newspapers, magazines, and the web as products that meet the needs of consumers in a time of rising electricity costs and frequent natural disasters such as earthquakes. Moving forward, we will continue to leverage our accumulated product development know-how to introduce products that meet consumer needs at the right time, providing new value to our customers. To reach more consumers with new product information, we will actively convey our information through media events, social media, and other channels, aiming to enhance the Yamazen brand.

See the Company-wide Green Initiatives Strategy on page 52.

*ELEIN: A household appliance series that operates on a shared battery. The first lineup includes compact coolers, fans, solar panels, portable power supplies, and refrigerated/warming cabinets.

Product details: QR Code

Acquiring new customers! Active participation in exhibitions

Close Customer Relationships

We exhibited our electric height-adjustable desk as a proposal for new work styles at ORGATEC TOKYO 2024, which showcases advanced office environments. Many key players visited the Yamazen booth, and despite being a first-time exhibitor, we received a great deal of attention. We will continue to actively participate in exhibitions to establish new customer contacts. Leveraging our diverse product lineup, we aim to build mid- to long-term relationships with customers and maximize lifetime value (LTV)*.

*Lifetime value (LTV) indicates the profit that can be earned from a customer over the course of their lifetime.

Taking the B2B e-commerce site Yamazen Bizcom to the next growth stage

Close Customer Relationships

Digital Integration

Our official online site Yamazen Bizcom has received praise for its user-friendly services such as its "quotation function," "proposing the best products for your needs," and "post-payment via invoice." As of the end of March 2024, the site has celebrated its second anniversary with over 80,000 registered members. Moving forward, we will continue to attract new customers, including corporations, sole proprietors, municipalities, and factories. We will enhance recognition and boost sales by implementing campaigns and continuously updating and improving the site.

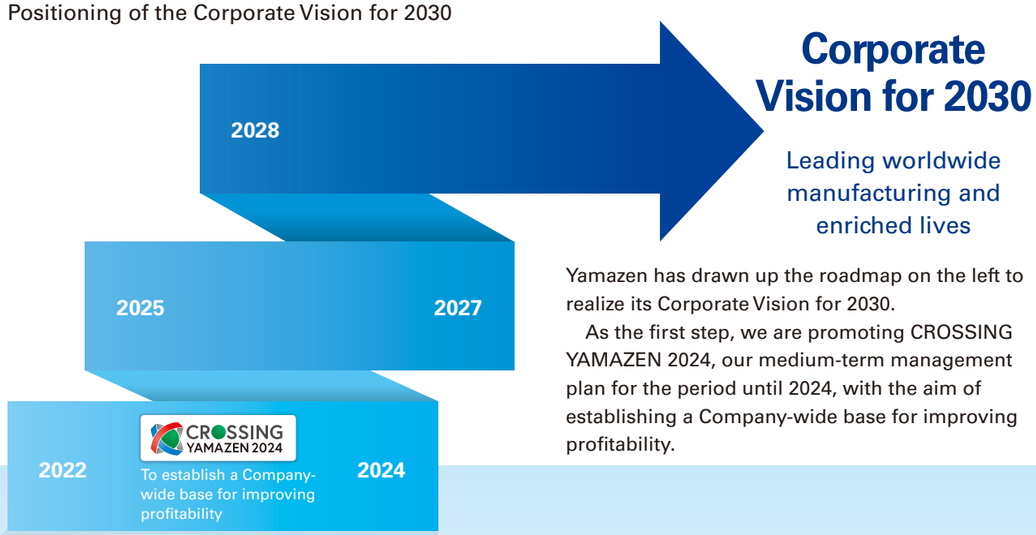
Corporate Vision for 2030 and Material Issues

To understand our customers' needs, we envisioned what the world would be like for them in 2030 to help us identify five material issues we should address. By tacking these material issues, we aim to increase the value we provide to customers and realize our Corporate Vision for 2030 of "Leading worldwide manufacturing and enriched lives."

Corporate Vision for 2030

Leading worldwide manufacturing and enriched lives

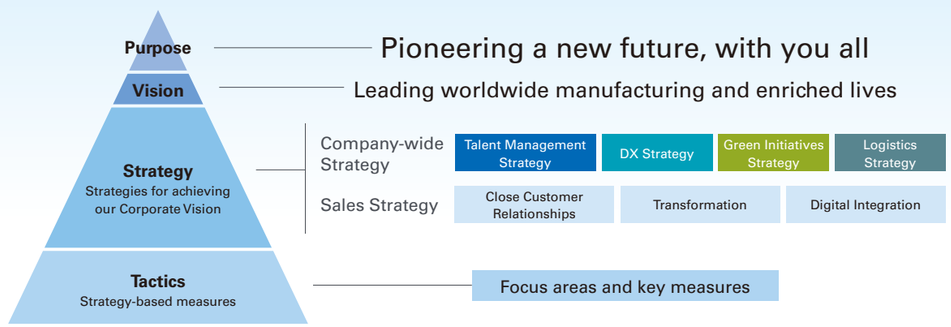
Positioning of the Corporate Vision for 2030



Yamazen has drawn up the roadmap on the left to realize its Corporate Vision for 2030.

As the first step, we are promoting CROSSING YAMAZEN 2024, our medium-term management plan for the period until 2024, with the aim of establishing a Company-wide base for improving profitability.

Overview of Strategies and Policies to Achieve Our Corporate Vision for 2030



Material Issues* for Realizing Our Corporate Vision for 2030

*Synchronizing the sustainability of society with Yamazen's sustainability.

Yamazen and the 2030 World Outlook

01	02	03	04	05
Growing demand for decarbonization	Advances in digitalization and smart technologies	Changes in consumer behavior	Changes in the domestic and world economies	More demanding governance requirements
Identify material issues	Identify material issues	Identify material issues	Identify material issues	Identify material issues

Material Issues Derived from Our 2030 World Outlook

Realization of a rewarding workplace

- Maintain a work environment that encourages the development of independent and virtuous employees and cultivates Yamazen-style well-being
- Develop, educate and enhance the abilities of human resources
- Promote diversity and inclusion

Digitalization to maximize customer value

- Expand digital services and promote data utilization to improve customer value
- Utilize data safely and securely

Expanding green business

- Support the reduction of greenhouse gas emissions throughout the supply chain
- Reduce the Company's greenhouse gas emissions
- Recycle resources and reduce waste

Realization of sustainable procurement and supply

- Ensure a supply chain free of human rights, labor and environmental issues
- Establish a stable supply system with consideration for economic security and other geopolitical risks
- Respond to business continuity risks in the supply chain in terms of disasters, accidents, pandemics, issues related to products and information technology, etc.
- Implement quality control of products and services and disclose related information

Establishment of a transparent governance system

- Improve disclosure of financial and non-financial information and strengthen market dialogue
- Strengthen corporate governance system
- Formulate risk management policies and strategies with regard to laws, regulations and other standards

Based on the material issues, we formulated four Company-wide strategies.

Talent Management Strategy

DX Strategy

Green Initiatives Strategy

Logistics Strategy

Material Issue Identification Process

When identifying these material issues, we listened to the expectations and opinions of institutional investors, business partners and other stakeholders on the topics they consider important for Yamazen from an ESG perspective, as well as their thoughts on how to resolve those issues through our business activities. We then held thorough, in-depth discussions inside the Company.

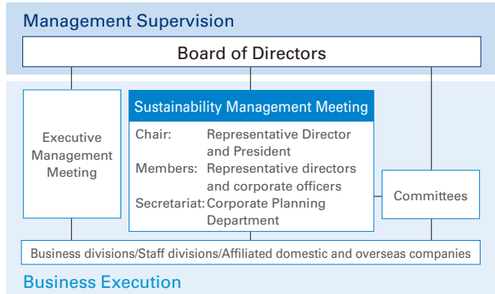
Step 1	Step 2	Step 3	Step 4	Step 5
Select possible material issues	**Analyze relevance to our business and prioritize each element**	**Conduct interviews with external experts and members of management**	**Map the material issues**	**Identify material issues**
Utilizing international ESG disclosure standards set by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and others, we extracted a wide range of possible material issues in areas such as our impact on the economy, environment, and society.	We conducted surveys with employees domestically and internationally on the relevance of each potential material issue to our business. After extensive discussions, we prioritized each element and then singled out proposed material issues.	We conducted interviews with external experts, including institutional investors, business partners, representatives from banks and securities companies, and outside directors.	Based on the interviews from external experts and members of management, we prioritized high-priority items along the two axes of impact on our business and expectations from stakeholders.	We consolidated the 10 high-priority items listed above into five highly related categories, thus identifying our material issues. For each material issue, we established goals, initiatives, and departments in charge, and created a system for promoting them.

Mapping of Material Issues

Focusing on the items in the red-bordered section of the map, we identified five material issues: expanding green business; digitalization to maximize customer value; realization of sustainable procurement and supply; realization of a rewarding workplace; and establishment of a transparent governance system.

Organization for Promoting the Resolution of Material Issues

Yamazen has established the Sustainability Management Meeting to further strengthen management-level initiatives for material issues related to sustainability through its business activities. The Sustainability Management Meeting is chaired by the representative director and president, and includes representative directors and corporate officers. It evaluates risks and opportunities related to the Company's material issues; formulates action plans; deliberates on matters related to verification, approval, and information disclosure spanning the initiatives of each business division; and regularly reports to the Board of Directors.



Reduced Cost of Shareholders' Equity and Increased Growth Rate

Company-wide Strategies Based on the Material Issues

To address the material issues derived from the outlook for 2030 and to align the sustainability of society with Yamazen's sustainability, we are implementing four Company-wide strategies: the Talent Management Strategy, DX Strategy, Green Initiatives Strategy, and Logistics Strategy. These strategies are positioned to drive growth rate improvement within Yamazen's medium- to long-term value enhancement approach while also contributing to reducing the cost of shareholders' equity as part of our efforts to promote sustainability and strengthen governance.

Policy for Enhancing Corporate Value over the Medium to Long Term

A Focus on Cultivating Independent and Virtuous Employees with a Pioneering Spirit and the Ability to Think While Taking Action

Talent Management Strategy

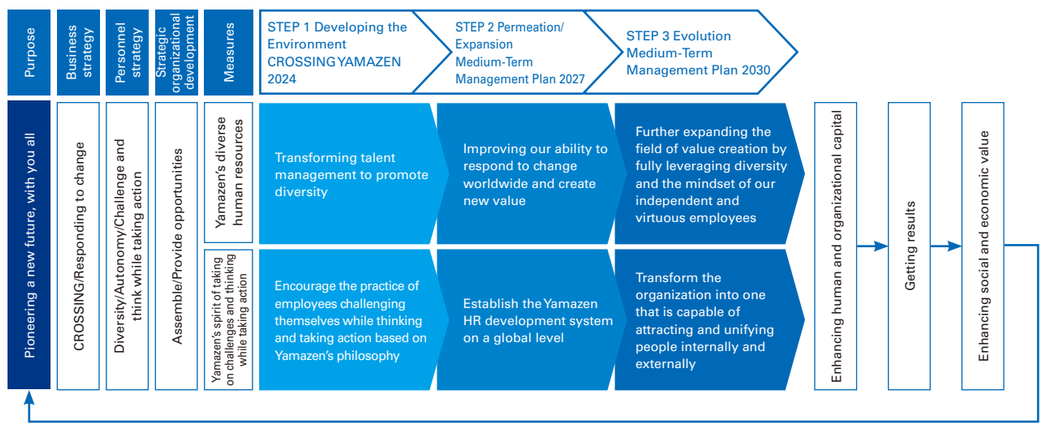
As part of Yamazen's Company-wide strategy, we are promoting the Talent Management Strategy to address the material issue of realizing a rewarding workplace. To adapt to societal, employee, and business changes, we are committed to cultivating diverse individuals who embody a pioneering spirit and the ability to think while taking action, and maximizing their growth motivation. By focusing on people who contribute to building a company capable of sustainable growth and development, we practice "Management of fostering personnel" and strengthen human capital.

Basic Policy

Diverse human resources
×
Challenging themselves, and thinking while taking action

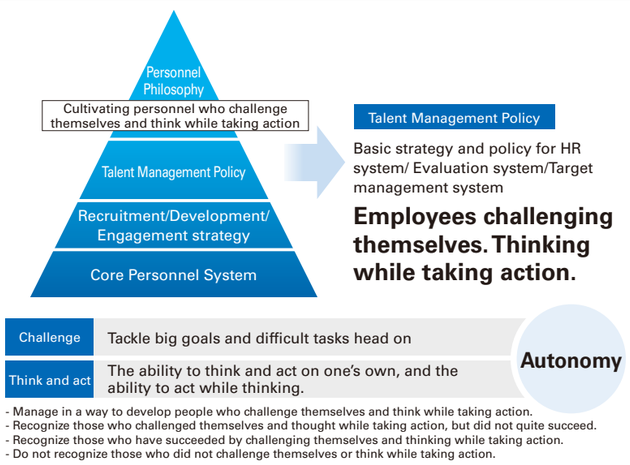
For Yamazen to achieve sustainable growth and development amid major changes in society, we must continue generating innovations that make an impression on customers. This will require us to make best use of (assemble) our comprehensive strengths, and to provide opportunities for challenging ourselves and thinking while taking action based on our diverse knowledge and experience. Building on our Personnel Philosophy of "Cultivating personnel who challenge themselves and think while taking action," and with our talent management policy of "Employees challenging themselves. Thinking while taking action," we will further strengthen and expand talent management to enhance our core competencies in human and organizational capital, ultimately improving corporate value.

Overview of Yamazen's Talent Management Strategy

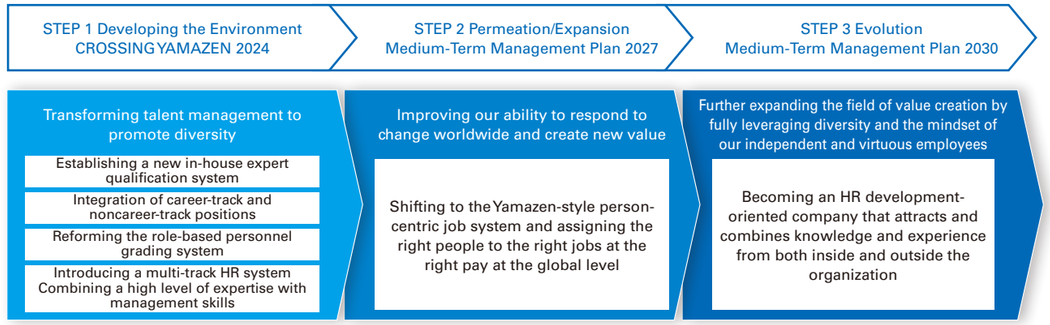


Personnel philosophy and talent management policy supporting "management of fostering personnel"

The seeds of change can always be found in our contact points with the public. To be useful to our customers, we must take the initiative in cultivating these various seeds to generate new added value, which will in turn make an impression. That is why we believe it is crucial to develop human resources who can autonomously put the principle of "challenging themselves and thinking while taking action"—a concept that we have stressed since our founding—into practice in the workplace. With our Personnel Philosophy of "Cultivating personnel who challenge themselves and think while taking action" at the core of our efforts, we will develop enterprising and daring human resources who can think for themselves to accomplish ambitious goals and overcome difficult tasks. We will also foster a corporate culture that supports this objective.



Yamazen's diverse human resources



Creating a foundation for utilizing diverse knowledge and experience: abolishing seniority

To accurately meet the diverse needs that arise from a changing business environment, we must assemble our diverse knowledge and experience to create new value. To realize a comfortable work environment where all employees can work together and play an active role, we have announced the abolition of seniority.

We will change to job-based talent management that starts with people and promote diversity and inclusion in a style befitting Yamazen, assigning the right people to the right jobs at the right pay.

Abolition of seniority

1 Fundamental reform of senior employee compensation

By completely abolishing factors such as age, length of service and years of experience in determining compensation and promotions, and compensating people based on their roles, achievements and potential, we will provide situations and opportunities for employees to take on larger roles faster and create greater added value. In other words, a system for realizing the growth of both individuals and the Company.

2 Promotion system for selecting young employees

Participation of women in the workplace

3 Integration of career-track and noncareer-track positions

As part of our work style reforms, we have abolished employee classifications and now assign roles according to potential and ability so that all employees have the opportunity to challenge themselves and think while taking action in order to achieve results in their respective workplaces. We will promote the active participation of all employees and link workstyle reforms to innovations in ways that generate earnings.

Measures for Integration	Results
Promotions due to integration	Total 196 (out of 502 employees)
Average salary increase for former regular employees due to integration	¥38,078

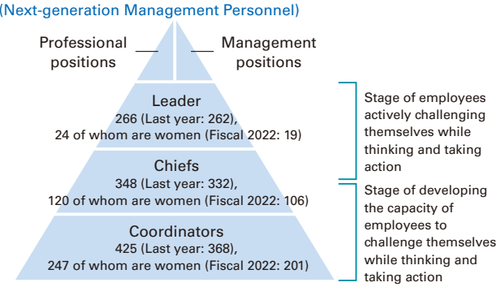
Cultivation and active participation of professional human resources

4 Introducing a multi-track HR system and combining a high level of expertise with management skills
5 Establishing a new in-house expert qualification system

Using the multi-track career and position options for developing people in management roles and skilled professionals, we can assign the right people to the right jobs at the right pay through job-based talent management that focuses on people. It also creates diverse value as employees with diverse knowledge and experience challenge themselves and think while taking action.

Multi-track HR System	Results (Total)
From management course to professional course	34
From professional course to management course	25
Number of employees in the professional course	111 (Fiscal 2022: 84)

Deep Pool of Core Human Resources (Next-generation Management Personnel)



Challenging themselves, and thinking while taking action

STEP 1 Developing the Environment CROSSING YAMAZEN 2024 → STEP 2 Permeation/Expansion Medium-Term Management Plan 2027 → STEP 3 Evolution Medium-Term Management Plan 2030

STEP 1: Encourage the practice of employees challenging themselves while thinking and taking action based on Yamazen's philosophy

- Introduction of the Yamazen-style System of Target Management "Policy of Employees Challenging Themselves While Thinking and Taking Action/Reporting Form"
- Introduction of evaluation standards at the management level for understanding Yamazen's philosophy of thinking and taking action
- Introduction of evaluation standards for competency in understanding the characteristics of Yamazen's philosophy of thinking and taking action

STEP 2: Establish the Yamazen HR development system on a global level

- Foster a culture of thinking and taking action at the global level to enhance the professional ability to respond to change

STEP 3: Transform the organization into one that is capable of attracting and unifying people internally and externally

- Create a culture capable of autonomously evolving and growing by transforming implicit knowledge regarding ways to respond to change into organizational knowledge on a global level

Introduction of a Yamazen-style system of target management: "Policy on Employees Challenging Themselves While Thinking and Taking Action/Reporting Form"

Only when every employee at our workplaces freely challenges themselves on the questions of how they want to approach customers and tackle their work, and then thinks while taking action, will they generate innovations that make an impression. All employees who are in direct contact with our customers have a deep, first-hand understanding of the diverse needs of those customers, and therefore know the best way to make them happy. That is why, rather than using top-down target management, we have created a system that allows employees to set their own work targets based on Yamazen's Purpose and Corporate Vision. This system directly links progress and results to their evaluations.

Target Management Survey Percentage of Positive Responses	Results
Did receiving evaluation feedback lead to greater motivation for your work?	56% (Fiscal 2022: 50%)
Were you able to set your own targets?	77% (Fiscal 2022: 76%)

Yamazen's philosophy of thinking and taking action in performance evaluation and introduction of competency

At its core, Yamazen's DNA has been passed down from generation to generation. This DNA is reflected in Yamazen's philosophy of thinking and taking action, which employees apply in their daily work. This philosophy also manifests as characteristics of thoughtful action. To efficiently leverage this philosophy and support talent development, we interviewed high-performing employees in each business division, extracted common traits of thoughtful action, compiled them as competencies, and introduced competency-based evaluations. By clearly defining required capabilities for the Company as competencies, employees are encouraged to proactively work on skill development, enhancing the quality of management and promoting growth. Employees are encouraged to consciously model these competencies in their work, enabling quicker achievement, personal growth, and recognition for their contributions to the Company, creating a positive feedback loop. We also incorporate competencies into our recruitment process. Yamazen's DNA will continue to be passed on in perpetuity.

[Yamazen's Philosophy of Thinking and Taking Action] Autonomy and Independence, Mutual Trust, Challenge and Thinking while Taking Action, Self-Growth, Integrity, Ethical Awareness

Evaluation of Thinking while Taking Action

Competency / Thoughtful Action Item	Description
Self-Reflection	Reflecting on specific actions, deriving personal lessons, and adjusting future actions to enhance self-development
Challenge	Experimenting by first trying out ideas and taking initial steps
Planning Thoughtful Actions	Persistently planning and adapting to achieve goals while maintaining a strong sense of purpose
Adaptability	Engaging with customers and stakeholders to gather, organize, and analyze information, accurately understanding customer needs and adapting to changes
Customer Delight	Proposing bold ideas or suggestion that surprise and delight customers
Optimal Decision-Making	Consulting with superiors on decisions beyond one's judgment to make purpose-aligned choices from a multifaceted perspective
Collaborative Action	Actively sharing one's ideas with customers or supervisors, involving others to achieve goals
Ownership of Thoughtful Actions	Acting with an entrepreneurial mindset and sense of responsibility, contributing through one's role
Swift Thoughtful Actions	Taking the initiative and responding quickly, ahead of others
Resilience	Approaching tasks optimistically, looking up no matter the circumstances
Problem-Solving Thoughtful Actions	Communicating with field teams to identify and carefully address both potential and apparent issues with a balanced approach
Teamwork	Collaborating across organizational and hierarchical boundaries to create new value together and adapt to change

Highlights 01

Diversity Initiatives

Leader Training Program for Next-Generation Women Leaders

Transforming to People-Centered Management—Toward a More Vibrant Yamazen for Women.

This training, which 32 participants joined on a voluntary basis, is part of a three-year program aiming to build a company where everyone can maximize their unique strengths (diversity). Through skill-building and mindset training, we focus on expanding the areas in which women employees can thrive. The program includes career building, logical thinking, finance, business models, and leadership, as well as roundtable discussions with management to deepen interactions. We also provided diversity management training for the supervisors of participants, equipping them with knowledge on organizational management that leveraged diversity and mindsets and skills for developing women managers, to create an environment where trained women can truly excel with the understanding of their teams and supervisors.

Chie Katayama
Home Products Division H.Q.
Sales & Merchandising Division.
Merchandise Dept.
Leader

I was honestly uncertain about my career, but through this training, I've come to see myself as a future leader. The tasks like "considering business models" and "what I'd like to do as a leader" were very engaging and gave me new goals. Career development for women has unique challenges, and I have room for growth in my knowledge and skill. Since I do not have a close role model, I strongly wish to become one myself and create an environment where future colleagues can follow.

Ayaka Mukae
Internal Audit Department Leader

The training brings together women employees with diverse experiences and viewpoints from various departments. The lectures and assignments are challenging, but I was able to learn and be inspired by the other members participating in the training. The opportunity to build connections across departments through the training was valuable. To become the leader I aspire to be, I intend to apply what I learned in the training, such as decision-making and negotiation skills, to my work and my growth ahead.

Highlights 02

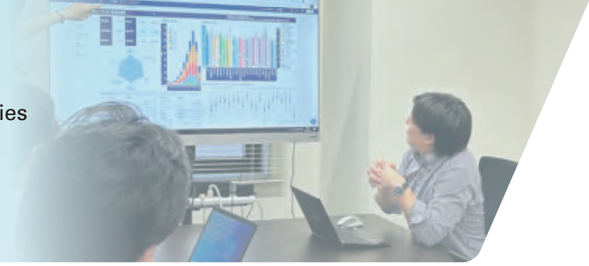
Efforts to Institutionalize Competencies

Global Expansion of our Philosophy: "Employees challenging themselves. Thinking while taking action."

We held meetings to embed Yamazen's Purpose and Corporate Vision among local staff at the ASEAN Regional Headquarters (covering subsidiaries in Thailand, India, Vietnam, the Philippines, Singapore, Malaysia and Indonesia) and the China Regional Headquarters (covering subsidiaries in Shanghai and Shenzhen). We conducted discussions, presentations, and various other initiatives to help employees connect with our Purpose and Corporate Vision. At the China Regional Headquarters, we are advancing a locally led talent management transformation project, having local staff engage in in-depth discussions so that they feel a personal connection with the Yamazen Group's Management Philosophy, Purpose, and Corporate Vision. It also involves formulating and implementing new organizational and human resources strategies. They are contributing to continuous promotion of our growth strategies. This is not simply an initiative for promoting diversity. We will continue the global rollout of our unique approach to talent management with the aim of unifying our values and realizing our Purpose of "Pioneering a new future, with you all."

Project in progress at the China Regional Headquarters

Our Purpose translated into Hindi and Thai



Creating New Added Value with Advanced Technologies

DX Strategy

As part of Yamazen's Company-wide strategy, we are promoting the DX Strategy to address the material issue of digitalization to maximize customer value. By turning Yamazen's strengths in individual sales activities and product development know-how into knowledge that can be readily utilized, we will add to the intellectual capital of our organization, leading to improved productivity and the creation of new added value.

Basic Policy

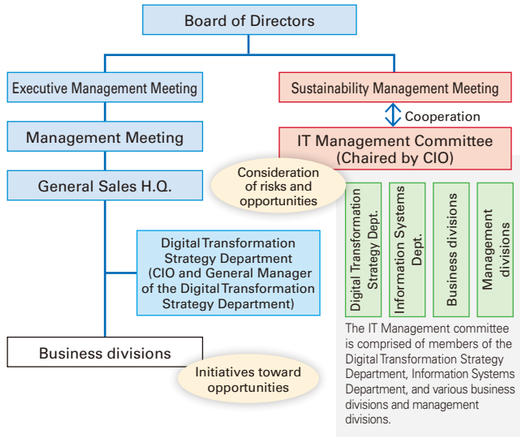
Aiming to Maximize Customer Value through Advanced Technology

Yamazen views DX as innovation, and has made DX promotion a core measure. We will strengthen customer contact points utilizing digital technology, provide new products and services, connect the knowledge obtained to human resources, and create new added value. By fully utilizing digital technology, we will also revamp our business models in response to changes in the business environment with the aim of maximizing customer value.

DX Strategy promotion organization

Yamazen has established the Digital Transformation Strategy Department within the General Sales H.Q. as a functional organization that integrates business and IT systems. Digital Transformation Strategy Department initiatives are shared with the Management Meeting, Executive Management Meeting, and Board of Directors as appropriate to ensure the success of DX measures throughout the Group.

For DX promotion, we collaborate with the Sustainability Management Meeting to establish the IT Management committee, comprising members from the Digital Transformation Strategy Department, Information Systems Department, various management departments, and business divisions. To implement challenging DX initiatives, we evaluate opportunities and assess risks, especially regarding security, to advance DX with IT governance in mind.



Developing organizations and human resources to promote DX

We believe the keys to implementing our DX strategies, effectively utilizing data, and gaining a competitive advantage for Yamazen will be to steadily promote digitalization (governance) and to develop human resources and management who can generate ideas (digital natives). Our specific goal is to create a situation where we can democratize and standardize digital technology for all employees, create ways to address changes in society and bring together our ideas.

1. Establishment of DX Strategy Methodology

1. Compliance with the Digital Governance Code (DX Certification)

For the steady development of measures to improve corporate value, we have redefined our business strategy and investment management process from the point of view of digital governance, and have undergone an objective evaluation (DX certification). We will make further refinements by expanding and promoting measures throughout the Company.

Digital Transformation Certification

2. Promotion of PoC and Agile Development

We believe that agility is key to responding to change, and have established an agile approach (methodology) that will allow us to take on new challenges through trial and error. Specifically, we have begun to transform operations at the citizen developer level (independent promotion of digitalization) through the use of low-code/no-code tools.

2. System for Promoting DX Strategy, and Securing and Training Digital Human Resources

1. Creation of a Dedicated Organization

On April 1, 2021, we established the Digital Transformation Strategy Department within the General Sales H.Q. as a functional organization that integrates business and IT systems.

2. Raising the Base Level of D&A Skills

Beginning with the Digital Transformation Strategy Department, we have established internal standards and started to develop DX human resources, including business leaders who will take charge of actual DX promotion, as well as analyst leaders (citizen data scientists) who will agilely respond to signs of change and take the initiative in promoting action on site.

3. Collaboration with External Organizations

With regard to the (collaborative) robot business, which is an alternative to a human labor system and an area where demand from society is increasing, we have constructed an ecosystem "Yamazen FA/Sler Association" in collaboration with robot manufacturers and companies with expertise in control programs and AI. We are also developing automation and labor-saving solutions for our sales network (customers).

Yamazen's Core DX Strategy

1 Transformation into a Data-Driven Company for Decision-Making Based on Data

Centralization of Information

- Improve business processes and the way that data is input through the introduction of an integrated core business system
- Build a new, data-driven management infrastructure

Standardization and Consolidation of Business Processes

- Introduce integrated core business and logistics systems, reduce back-office operations and shift to high-value-added operations by promoting the use of BPR throughout the Group

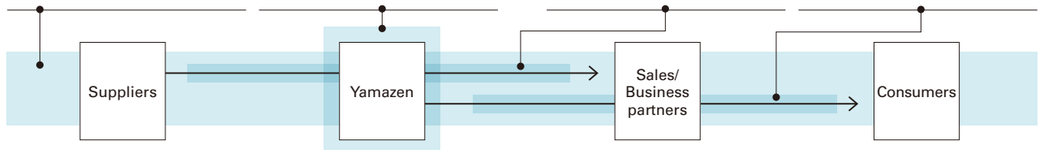
2 Creation of New Business through Data-Based Marketing

Deepen Existing Businesses

- Use data to realize close customer relationship strategy
- Enhance sales and product development capabilities by leveraging new data-driven management platforms (including AI)

New business creation

- Sequential launch of B2B and D2C websites is necessary to further enhance customer engagement
- Create new business utilizing data from on-site improvement activity and facility IoT



Progress of DX Strategy initiatives

Implemented Measures		Overview
Establishment of DX Strategy Methodology	Compliance with the Digital Governance Code	We applied for a renewal of our DX certification obtained in 2021 under the DX Certification Program and received an updated certificate.
	Introduction of Agile Development Platform	We introduced low-code tools to enhance productivity and agility in application development. Moving forward, we aim to build an internal framework with a view toward DevOps.
System for Promoting DX Strategy Securing and Training Digital Human Resources	Defining and Developing Digital Human Resources	Across the Group, we defined digital human resources aligned with the Digital Skill Standard-Promotion (DSS-P) and collaborated with business divisions to select and develop digital human resource candidates.
	Establishing Data Analysis Competency	Using the Yamazen Data Platform (YDP) as a base, we trained analyst leaders (citizen data scientists) and implemented an education program enabling autonomous data utilization in each business division.
	Introduction of Cloud Storage	We introduced cloud storage as a secure collaboration tool for external sharing, aiming to improve the management level of information assets and reduce operational costs associated with daily file management.
Transformation into a Data-Driven Company for Decision-Making Based on Data	Core System Renewal	The core system (SAP) for domestic production equipment has been replaced and is now being deployed in consumer goods (Building Materials Business and Home Products Business). We are also advancing core system replacement projects for major overseas subsidiaries (North America, China, and Thailand).
Creation of New Business through Data-Based Marketing	Launch of New Genbato Service	We launched Genbato, a new service based on the concept of just-right digital solutions for manufacturing sites.

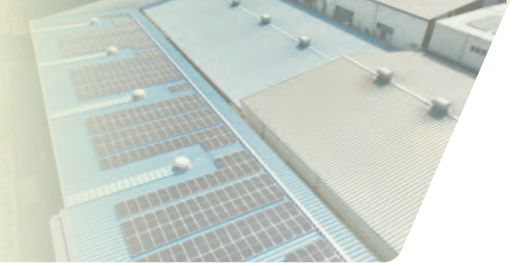
Metrics and targets

(★ marks reflect ratings on a 5-point scale, with 5 stars equaling 100 points.)

We have set KPIs based on each of our DX strategies, centered on reducing workhours and costs for existing businesses and expanding new businesses.

DX Strategy		Main KPIs and Targets			FY2023
1. Decision-making based on data	Process integration	Cost reductions from standardization and consolidation of business processes	Reduction of indirect costs (Compared with FY2017) .....Approx. ¥1.2 billion	(By FY2030)	☆☆☆☆☆ (Ongoing development*)
2. Creation of new business through marketing based on data	Deepening existing businesses	Expand sales	E-business-related transaction amount .....130% increase Expand the number of SKUs .....130% increase	(End of FY2024)	★★☆☆☆ ★★★★☆
		Improve profit margin	Operating profit margin 3.5%	(End of FY2024)	★★☆☆☆
	New business creation	Number of new services Number of new customers developed	Number of new service PoCs .....10 Number of subscribers .....5,000 companies Number of service uses .....4,000 uses	(End of FY2026)	☆☆☆☆☆ (Service expansion ongoing)
Management resources to achieve the above strategies		Investment amount	Investment in new digital technology .....¥10.0 billion	(By FY2024)	★★★☆☆
		Human resources	Data analyst human resources ..... 10 employees	(End of FY2024)	★★☆☆☆

* Cost reduction through standardization and consolidation of operations will continue to be developed alongside the replacement of the core system for production equipment after addressing the consumer goods system replacement, which started last year.



Achieving Carbon Neutrality and Promoting Environmental Activities

Green Initiatives Strategy

As part of our Company-wide strategy, we have established the Green Initiatives Strategy to promote the material issue of expanding green business. This strategy focuses on reducing greenhouse gas emissions, promoting resources circulation, and reducing waste to contribute to reducing cost of shareholders' equity, as well as pursuing initiatives to improve growth rates in Yamazen's business activities.

Basic Policy

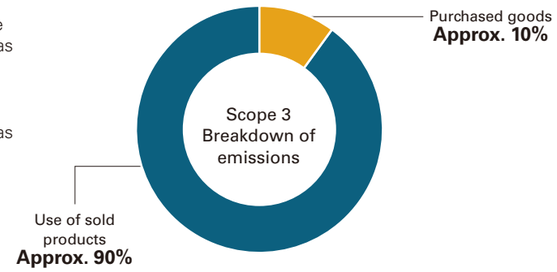
Promoting the Balance of Environmental Initiatives and Business

The Yamazen Group regards addressing environmental issues as one of its management priorities. As such, it takes the environment into consideration in all of its business activities, and strives for the protection and continuous improvement of the environment. With the goal of achieving carbon neutrality by FY2050, the Group is working to balance environmental activities and business operations from four viewpoints: governance; risks and opportunities; strategies and tactics; and metrics and targets.

Details on pages 56-57

Impact across the supply chain

Due to the nature of Yamazen's business, we do not own production facilities, meaning our Scope 1 and 2 emissions are extremely low relative to the scale of our business. However, as we offer original products, most of our Scope 3 emissions fall within upstream Category 1: purchased goods (raw materials) and downstream Category 11: emissions from the use of sold products. We consider it essential to reduce these emissions as we work toward carbon neutrality.



Environmental business

To balance carbon neutrality with environmental business, we are expanding various green business initiatives and business shifts in each business division, including production equipment and consumer goods.

Machine Tools Business	Industrial Solution Business	Building Materials Business	Home Products Business	Logistics Planning
3D Printers	**Decarbonization Exhibitions**	**ZePlus**	**ELEIN**	**Modal Shift**
In response to the shift toward EVs, we are supporting new molding technologies to replace traditional internal combustion and drive component metal processing.	We hold exhibitions at various locations nationwide showcasing production equipment and peripheral devices that support carbon neutrality.	We are rolling out ZEH standard net-zero energy homes as a voluntary initiative across the nation.	We are gradually adding 16 portable solar panel and charger battery-operated appliance products to our lineup.	Transitioning to long-distance container transportation using rail freight and RORO ships, reducing reliance on long-haul trucks.
Details on page 29	Details on page 30	Details on page 39	Details on page 41	Details on page 58

Company-wide Initiatives

In addition to the above, as part of our Company-wide environmental strategy, we are working to reduce CO_2 emissions across three stages in line with the GHG Protocol.

1. **Upstream** To reduce Category 1 emissions from purchased goods, our largest emission source, we will propose the corporate PPA business of the DayZpower brand for renewable electricity to suppliers and manufacturers upstream.
2. **In-House** To reduce Scope 2 emissions, we are gradually switching our owned locations to renewable electricity through D-Green RE100.
3. **Downstream** To reduce Category 11 emissions (use of sold products), we are implementing the Green Ball Project to promote low-environmental-impact products to downstream retailers and users, aiming for emissions reductions across the entire supply chain.

Environmental Business Engagement with the Supply Chain Based on the GHG Protocol

Upstream

Scope 3

Supplier Manufacturers — ① Raw materials

② Capital goods ③ Energy-related ④ Transportation and distribution ⑤ Waste

DayZpower

DayZpower Video

Promotion of Corporate PPA Business

As a joint emissions reduction project through the supply chain, we launched the DayZpower brand in partnership with Osaka Gas Group's Daigas Energy Co., Ltd. in October 2022. The corporate PPA business supplies renewable energy, primarily to supplier manufacturers. This supports emissions reductions at the manufacturing process for partner manufacturers, while also reducing Yamazen's Category 1 emissions from product purchases.

Plant Name	Site Name	Annual Electricity Sales	Operating (Planned)
DayZ No. 1	Crecia (Kaisei)	500,000 kWh	Started Mar. 2023
DayZ No. 2	Okudaya (Sakai)	110,000 kWh	Started Jun. 2023
DayZ No. 3	Toyo Koken (Yamanashi)	130,000 kWh	Started Apr. 2024
DayZ No. 4	Crecia (Koyo)	370,000 kWh	Planned Sep. 2024
DayZ No. 5	Crecia (Tokyo)	380,000 kWh	Planned Oct. 2024
DayZ No. 6	Crecia (Kyoto)	4,230,000 kWh	Planned Jan. 2025
Total Annual Electricity Sales		**5,720,000 kWh**	

In-House

Scope 3

⑥ Business travel ⑦ Commuting ⑧ Leased assets ⑨ Franchises ⑮ Investment

Scope 1
Direct greenhouse gas emissions by the Company
Fuel combustion
Industrial processes

Scope 2
Direct emissions from energy supplied by other companies
Electricity use
Steam use

D-Green

Switching to Renewable Energy in Yamazen Facilities

Starting with the Osaka Corporate H.Q. and Logis Osaka in fiscal 2022, we are gradually switching our properties to renewable energy. In fiscal 2023, we switched the Sendai Branch, and in fiscal 2024, the Nagoya Branch, to 100% renewable energy D-Green RE100.

Sendai Branch

Nagoya Branch

Implemented Locations	CO_2 Reduction	Renewable Energy Introduction
Osaka Corporate H.Q.	Approx. 428 t-CO_2	Jul. 1, 2022
Logis Osaka	Approx. 167 t-CO_2	Nov. 4, 2022
Sendai Branch	Approx. 40 t-CO_2	Aug. 19, 2023
Nagoya Branch	Approx. 81 t-CO_2	Apr. 8, 2024

Downstream

Scope 3

⑨ Transportation and distribution ⑩ Product processing

⑪ Product use — Distributors and Users

⑫ Product disposal ⑬ Leased assets

Green Ball Project

Green Ball Project website

Promoting the Spread of Environmentally Friendly Products

Yamazen is quantifying the small savings from small energy-saving devices that are difficult to measure, promoting them as environmentally friendly products to reduce Category 11 emissions from product use. In fiscal 2023, 639 participating companies and 54 supporting manufacturers contributed to a reduction of 37,709 t-CO_2. Since its inception in 2008, the total reduction has reached 570,867 t-CO_2.

Upstream / In-House / Downstream

Reducing CO_2 Emissions Across the Supply Chain with the Green Ball Project App (GBPApp)

GBPApp video

To accurately track and manage reductions in category-specific emissions worldwide under the GHG Protocol, we customized Zeroboard Inc.'s SaaS-based CO_2 emissions calculation app, "zeroboard", into the Green Ball Project App (GBPApp). We have signed a total of 110 accounts across domestic and international sites. Additionally, we provided a customized version of the app free of charge to 278 participating companies in the Green Ball Project, enabling visualization of both total emissions based on the GHG Protocol and reduction amounts based on the GBP Protocol, leading to CO_2 reduction across the supply chain.

Enhancing Service Capabilities and Providing New Value with Interoperability and IoT

Logistics Strategy

As part of Yamazen's Company-wide strategy, we are promoting the Logistics Strategy to address the material issue of realizing sustainable procurement and supply. As a specialized trading company responsible for streamlining the supply chain, improving and expanding logistical functions is a priority management issue. Amid urgent challenges such as driver shortages and environmental impact reduction, we have initiated efforts to enhance logistics efficiency and service capabilities, with a focus on establishing the next-generation logistics system, including joint delivery.

Basic Policy

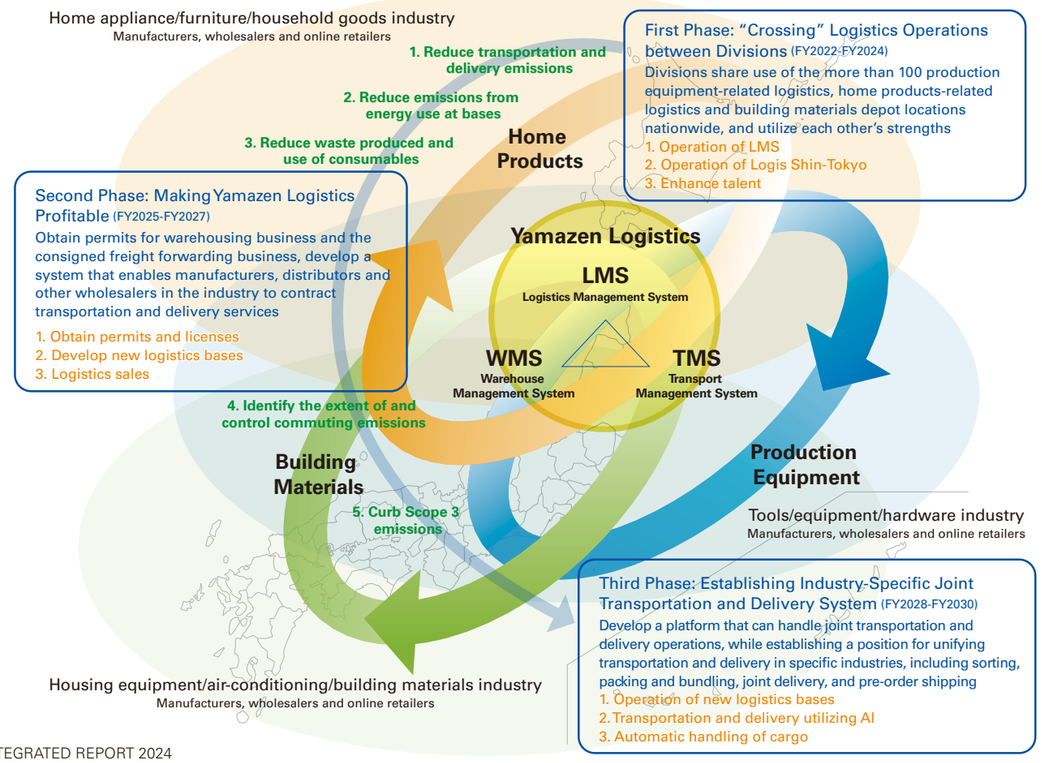
Improved Efficiency of Logistics Business and Contribution to Sustainability

The role of logistics as well as related efficiency demands are increasing dramatically, driven by rapid changes in consumption behavior, such as e-commerce and delivery services, rising fuel and labor costs, and advances in IT, notably AI. Even in the logistics business, there is a marked trend toward automation and labor-saving in areas such as material handling and delivery instructions using IoT, from warehouse work to transportation and delivery. In addition, the rethinking of long-distance transportation methods due to restrictions on the working hours of drivers, the push to reduce CO_2 emissions related to warehouse work and transportation and delivery, as well as BCP measures for disasters, are fueling a strong need to build a sustainable logistics network. Based on these medium- to long-term trends, the Group has formulated a three-phase, nine-year logistics strategy by backcasting from the Corporate Vision for 2030, and is actively investing management resources in promoting this strategy.

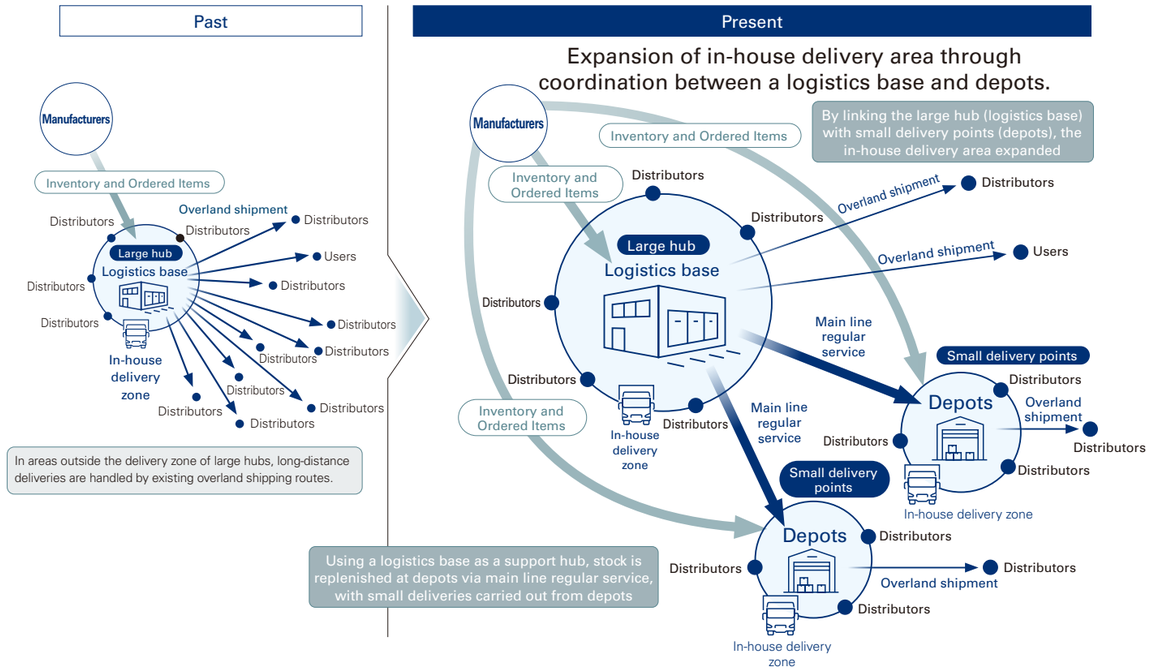
Vision and overall strategy framework

Yamazen's Vision for its logistics strategy is to become a transportation and delivery platform provider for specific industries, unifying various sectors where we hold strengths across the board. Aiming for realization by 2030, we have outlined our logistics strategy across three phases. The first-phase initiative, "Crossing" Logistics operations, and the second-phase goal, Making Yamazen Logistics profitable, both serve as preparatory steps. They utilize logistics hubs and transportation networks to the fullest as we work toward establishing a comprehensive scheme.

Aiming to Become a Transportation and Delivery Platform Provider for Specific Industries



First Phase: "Crossing" Logistics operations between divisions (2022–2024)



First Phase is progressing smoothly. Through shared cross-divisional use of all 122 production equipment-related logistics, home products-related logistics, and building materials depot locations nationwide, we are advancing efforts to leverage the strengths of each business division. The sharing of depots began in Okayama and has since expanded to Kanazawa, Sendai, and Sapporo. We have achieved shorter delivery distances and improved service levels, enabling us to cover "areas" rather than just "points." We will continue to promote further "Crossing" of divisions, while also focusing on logistics digital transformation (DX) and reducing environmental impact.

Highlights 01 Reducing Logistics Costs (Results) and Enhancing Service Levels by Introducing LMS and WMS

Yamazen has been advancing the implementation of its logistics management system (LMS) and warehouse management system (WMS), with seven sties having completed installation as of March 2024. At Logis Tokyo (Kitamoto City), picking productivity increased by approximately 2.3 times compared to before relocation, while shipping errors were reduced by about one-third. Combined with the effect of material handling equipment installation, in-warehouse staffing was reduced by approximately 25%. At Logis Ashikaga (Ashikaga City), appropriate packaging calculations reduced the number of packages by about 30%, leading to reduced shipping costs. Standardization of tasks enabled faster skill acquisition for new workers. Service improvements were also achieved, such as attaching packing details to allow contents to be identified before unpacking. We plan to implement these systems across all warehouses, aiming to enhance productivity and control costs.

Highlights 02 Progress on the Establishment and Relocation of Logis Osaka

Logis Osaka (Higashi-Osaka City), the western Japan logistics hub for the Tool & Engineering Business and Industrial Solution Business, is preparing for full operation in January 2025. Installation of various material handling systems aimed at automation and labor-saving, along with preparations for WMS operations, is progressing as planned, with partial operation scheduled for November 2024. This will allow for both stable operation and skill development, ensuring a safe transition to the new warehouse without compromising service levels for partners. The completion of Logis Osaka will shorten delivery distances to partners and enable a more flexible transportation system.

Highlights 03 Selected as an Excellent Case Study in the 2024 All-Japan Logistics Improvement Case Study Convention

The logistics improvement initiatives of Yamazen and its Group logistics company, Yamazen Logistics, were selected as excellent case studies in the 2024 All-Japan Logistics Improvement Case Study Convention, hosted by the Japan Institute of Logistics Systems and the Japan Logistics Research Society.

1. [Yamazen] DX initiatives, labor-saving solutions in response to location changes, and improved picking productivity through WMS and automated equipment implementation.
2. [Yamazen] Shortening transportation distances and improving delivery efficiency through decentralized locations.
3. [Yamazen Logistics] Environmental responsiveness, reducing environmental impact, modal shift, and CO_2 reduction.

Through various initiatives such as those above, the Yamazen Group is committed to improving transportation and delivery services and addressing challenges like the "2024 logistics issue" and CO_2 reduction in transportation and delivery.

Reducing Cost of Shareholders' Equity

Initiatives That Contribute to Sustainability

Basic Policy

Basic Policy on Sustainability

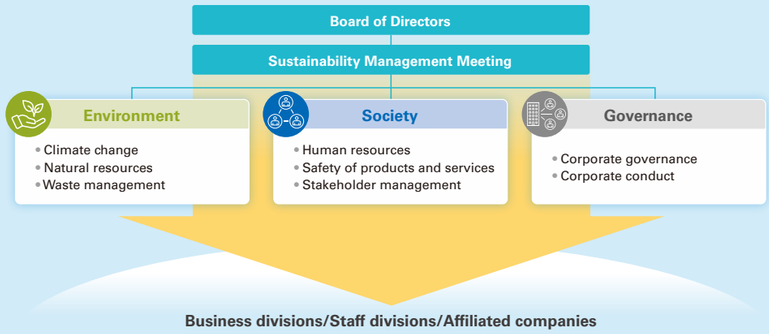
As a member of society and a company conducting business in various regions globally, the Yamazen Group aims to be a trusted and respected entity. Through proactive efforts to achieve the SDGs based on international frameworks, we contribute to the realization of a sustainable society. We recognize the impact of our business activities on the environment and society and aim to address social issues through activities aligned with our Management Philosophy, pursuing a sustainable society and sustainable growth for the Yamazen Group.

https://www.yamazen.co.jp/english/sustainability/

ESG Initiative Structure

The Sustainability Management Meeting addresses Company-specific material issues and recognizes social issues from an ESG perspective for multi-stakeholders, including investors. Through our business activities, we promote responses to risks and opportunities, with each business division, staff division, and affiliate company implementing appropriate initiatives.

Details on page 44: Organization for Promoting the Resolution of Material Issues



Climate Change Response

Yamazen endorses the TCFD and disclose our climate change response initiatives.

https://www.yamazen.co.jp/english/sustainability/environment/climate-change.html

Governance

The chief operating officer responsible for climate change issues is the CEO, with the Sustainability Management Meeting as the managing body. The body was established in April 2023 and confirms policies, action plans and progress at least once per year. In addition, practical measures are carried out by the Environment Committee, which is made up of members from various departments, and meets four times per year to discuss policies and identify issues. The roles and composition of each body are shown in the diagram on the right.

Reduction Goals

FY2020 is used as the base year for the Company's emissions in accordance with the Greenhouse Gas Protocol. The targets include some items that are still being aggregated, but we aim to reduce total emissions by 50% by FY2030, and to be effectively carbon neutral by FY2050. Scope 1 emissions largely consist of gasoline consumption related to sales vehicles. We are gradually replacing hybrid vehicles with EVs. Much of our Scope 2 emissions are accounted for by electricity consumption in offices and logistics bases, and we aim to significantly reduce CO_2 emissions in the medium to long term by progressively switching to electricity from renewable sources and installing energy-efficient air-conditioning and lighting. Scope 3 emissions are currently being aggregated, with certain exceptions, but we aim to reduce these emissions while also considering offsets such as credits.

For more on our reduction initiatives, see pages 52 to 53: Green Initiatives Strategy.

For more on environment-related data, see page 72: Non-Financial Highlights.

Scenario Analysis

Climate change risks

Type of Risk		Main Climate-Related Risks	Potential Impact on Business	Timeframe	Response
Transition Risk	New regulations and policies	Carbon tax (feed-in tariff)	• Increased energy procurement and logistics costs • Increased costs due to introduction of carbon pricing (feed-in tariff)	Medium term Long term	• Aiming to reduce total GHG emissions by 50% by fiscal 2030 and achieve carbon neutrality by fiscal 2050 through the introduction of renewable energy and energy-efficient equipment upgrades • Reduction in travel distance through optimization of delivery routes and reduce number of delivery vehicles through modal shift (rail, RoRo ships, etc.)
		Laws related to global warming	• Increased costs associated with introduction of new policies aimed at reducing greenhouse gas emissions and strengthening of laws and regulations	Medium term Long term	
	Technologies	Replace existing products and services with low-emission versions	• Reduced sales of machining equipment due to fewer automobile parts • Increased costs when switching sales and delivery vehicles (replacement) to EVs • Increased development cost of environmentally friendly products	Medium term	• Collaboration with suppliers and new product development • Gradual replacement of current vehicles with EVs
		Transition to low-emissions technology	• Decrease in sales due to delayed adoption of low-carbon, energy-efficient equipment, and inadequate response	Medium term Long term	• Enhanced awareness of technological trends and acquisition of knowledge of installed equipment
	Markets	Changing customer behavior	• Decreased sales from loss of customers due to delay in addressing decarbonization • Decreased sales of certain products due to customer avoidance of products derived from fossil fuels	Long term	• Steady implementation of decarbonization and energy-saving initiatives • Expansion of environmentally friendly products
	Reputation	• Increase in stakeholder concerns or negative feedback from stakeholders • Decline in consumer trust	• Decline in corporate value and loss of business opportunities due to insufficient information disclosure • Social criticism and loss of trust among long-term investors due to delays in decarbonization efforts • Criticism of products with large environmental impact	Medium term Long term	• Steady implementation of decarbonization and energy-saving initiatives • Appropriate disclosure of our initiatives in accordance with the TCFD recommendations • Expansion of environmentally friendly products
Physical Risk	Acute physical risks	Increased severity of weather events (storm and flood damage)	• Sales decline and cost increase due to disruptions and stoppages in social, information, and transportation infrastructure • Damage to or loss of Company assets, including employees, buildings, facilities and equipment • Interruption of domestic and international supply chains (product delivery)	Short term Medium term Long term	• Ensuring business continuity based on a business continuity plan (BCP) • Diversification of risks by establishing multiple sales bases, suppliers and distribution bases • Risk transfer through insurance coverage • BCP assessments and strengthening of response measures with supplier manufacturers
	Chronic physical Risks	Changing temperatures (atmospheric, freshwater and ocean)	• Increased energy consumption for air conditioning due to rising temperatures • Increased costs for measures to address work environments • Increase in energy costs • Decline in winter product sales, disposal of products and logistics materials	Medium term Long term	• Introduction of renewable energy facilities such as high-efficiency air conditioners for Company facilities • Introduction of renewable energy equipment • Development and enhanced sales of environmentally friendly products • Reduction of product disposal rate and use of circular materials

Short term: 1–3 years; Medium term: 3–10 years; Long term: 10–30 years

Climate change opportunities

Opportunity Type		Main Climate-related Opportunity Factors	Potential Impact on Business	Timeframe	Response
Opportunities	Resource efficiency	Use of more efficient production and distribution processes	• Cost reduction through increased transport efficiency • Improved earnings through operational improvement of air-conditioning systems and high-efficiency lighting equipment	Short term Medium term Long term	• Achievement of optimal transport by calculating cost and distance between demand areas and logistics bases • Reduction of number of delivery vehicles through modal shifts (rail, RoRo ships, etc.) • Strengthening of development and sales of energy-saving products and technologies
	Energy sources	• Use of supportive policy incentives • Use of lower-emission sources of energy	• Use of policy incentives such as energy-saving subsidies • Reduced energy costs due to introduction of renewable energy	Short term Medium term	• Consulting about policy incentives such as energy-saving subsidies and selling energy-saving products • Promotion of corporate PPA business (DayZpower)
	Products and services	Development or expansion of low-emission goods and services	• Increased revenue through expansion of sales opportunities for goods with low environmental impact • Increased sales of low-power consumption appliances and other environmentally friendly products due to rising demand for energy-saving household appliances • Increased sales of summer products (air-conditioning, electric fans, etc.)	Short term Medium term	• Holding exhibitions such as the Doterai Ichi and Decarbonization Exhibitions • Expansion of products covered in the Carbon Neutral Purchasing Guidebook • Strengthening of product offerings and solutions in response to decarbonizing industries • Strengthening of development capabilities and sales of private brand products for addressing environmental issues • New product development in collaboration with domestic and international suppliers • Development and sale of home appliances with low power consumption
		Development of climate adaptation, resilience and insurance risk solutions	• Increased revenues due to sales expansion of disaster response and recovery-related products	Short term Medium term	• Public relations activities with sales partners and users and participation in trade shows • Providing disaster prevention-related products and services, such as the one-stop BCP-related service BCPERS
	Markets	Access to new markets	• Increased revenues through use of new technologies and expansion of product demand related to transition to a decarbonized economy • Increased sales of heat stress prevention products and products for helping to improve the environment such materials for air-conditioning	Short term Medium term	• Supply of heat stress prevention products and products for helping to improve the environment according to demand • Strengthening of product offerings and solutions in response to decarbonizing industries • Expansion of the Green Ball Project and promotion of the corporate PPA business • Development of sales channels for new markets utilizing the manufacturing site problem-solving platform Genbato • Launch of an information sharing platform
	Resilience	Increased severity of weather events (storm and flood damage)	• Increased revenues due to sales expansion of disaster response and recovery-related products	Short term Medium term Long term	• Provision of disaster prevention-related products and services such as BCPERS and expansion of a product supply network that can quickly respond to recovery demand

Short term: 1–3 years; Medium term: 3–10 years; Long term: 10–30 years
Note: Emissions records are listed in Non-Financial Information on pages 72 to 73.

Initiatives that contribute to sustainability

Initiatives for Supply Chain Management

Yamazen has identified the "Realization of sustainable procurement and supply" as a material issue. To enhance the social compliance of the entire supply chain and enable sustainable growth and development together with our suppliers, we have established the Yamazen Group CSR Procurement Guidelines. The guidelines request that our suppliers adhere to the following: 1. Compliance with laws and respect for international standards; 2. Human rights and labor; 3. Safety and health; 4. The environment; 5. Fair trade and ethics; 6. Quality and safety; 7. Information security; and 8. Business continuity planning. We also request our suppliers to establish management systems for these items. Furthermore, we aim to build a socially responsible supply chain through mutual communication, including conducting surveys based on these guidelines for both domestic and international suppliers.
https://www.yamazen.co.jp/english/media-download/1812/2b92d7f3e22a691a/

Initiatives for Logistics Challenges

In June 2023, we began utilizing RoRo ships* for inter-facility transportation between our logistics warehouses in Kyushu and Kanto. We are optimizing our logistics network through the operation of a logistics management system (LMS), warehouse management system (WMS), and small, locally-focused warehouses shared across departments, while also advancing sustainable "green" logistics. Notably, we are working on reducing CO_2 emissions through modal shifts, and last year increased rail container transportation to 776 units, 1.4 times the previous year's volume. This resulted in a reduction of approximately 428 tons of CO_2 equivalent to about 4% of our logistics-related CO_2 emissions. As a new initiative for modal shift, we have implemented the use of RoRo ships to transport only the trailer (cargo) section between our Logis Kyushu hub (Fukuoka, Fukuoka Prefecture) and Logis Kanto (Isesaki, Gunma Prefecture) in the Home Products Business. Through these initiatives, we are advancing "green" logistics by reducing CO_2 emissions during transportation and also addressing the so-called 2024 logistics issue by shortening driver working hours. Additionally, this will be utilized as a BCP measure in the event of a disruption in land infrastructure. We will continue to address various social issues through our business activities.

* Roll-on roll-off ship: A vessel that transports only the trailer portion of a truck carrying cargo.

Initiatives for Occupational Health and Safety

As a designated construction company, Yamazen complies with the Construction Business Act and the Industrial Safety and Health Act. We established the Yamazen Health and Safety Council, primarily to provide labor safety education and guidance to our employees and construction partners, and we manage its administrative operations, including safety conventions. Currently, with 242 registered companies (142 in Eastern Japan and 100 in Western Japan), our activities go beyond safety education. We support member contractors in obtaining construction IDs to improve construction quality, engage in construction defect insurance where the association is the policyholder and members are the insured, and actively implement IT solutions. This includes support for the joint use of the Construction Career Up System (CCUS) and construction/project management software, aiming to reduce common labor burdens and risks through information sharing of construction photos, drawings, and schedules, and more.

Initiatives for Social Contribution

We established the Takeo Yamamoto Commemorative Scholarship Fund as a public trust to support students facing financial difficulties in continuing their education. Founded in 1992, it was created in memory of our founder Takeo Yamamoto's strong desire that as many people as possible could pursue their studies, born from his regret at not having had enough opportunity to study himself. Including international students from Asia, a total of 127 students have now received scholarships from the fund. Students supported by this scholarships are leaving their mark in various fields.

In FY2023, two new students were awarded scholarships, and one new scholarship recipient attended the award ceremony on November 15, 2023. Professor Atsushi Matsumoto of Osaka Metropolitan University and Chairperson of the Fund, along with our Representative Director and President Koji Kishida, offered words of encouragement to the recipients. The new scholarship recipients received their awards and pledged even further diligence to their studies. Starting this year, we have also held an information exchange session to facilitate interaction among scholarship students, with five current scholarship recipients joining the new students at the event. Going forward, we will continue to support as many students as possible in their studies and career advancement, contributing to society through human resource development.

Initiatives for Community Contribution through Sports

Since 2008, Yamazen has supported the SAN-EN NEOPHOENIX, a team whose philosophy resonates with our own. Rooted in the Higashi-Mikawa region of Aichi Prefecture and the Enshu region of Shizuoka Prefecture, the SAN-EN NEOPHOENIX brings energy and vitality to the community. We will continue to support them this season with the hope of their further success. The team philosophy of SAN-EN NEOPHOENIX, "Wholeheartedly and Whole Effort," reflects their determination to give their all and face every challenge fearlessly. Guided by their Management Philosophy of "Making the San-en area a vibrant city with smiles," one player is appointed as a support leader for each of the eight municipalities in Higashi-Mikawa, participating in community events and festivals and engaging with local elementary and middle school students through basketball activities.

The KUMAMOTO SAISHUNKAN BADMINTON TEAM, founded on the philosophy of being a "strong and beloved team," constantly strives for greatness, always playing with gratitude toward those who support them. We proudly support the KUMAMOTO SAISHUNKAN BADMINTON TEAM as an official sponsor. As an official partner, we support them in their journey from Kumamoto to the nation and the world, building a brighter future together.

Corporate Governance

Basic approach to corporate governance

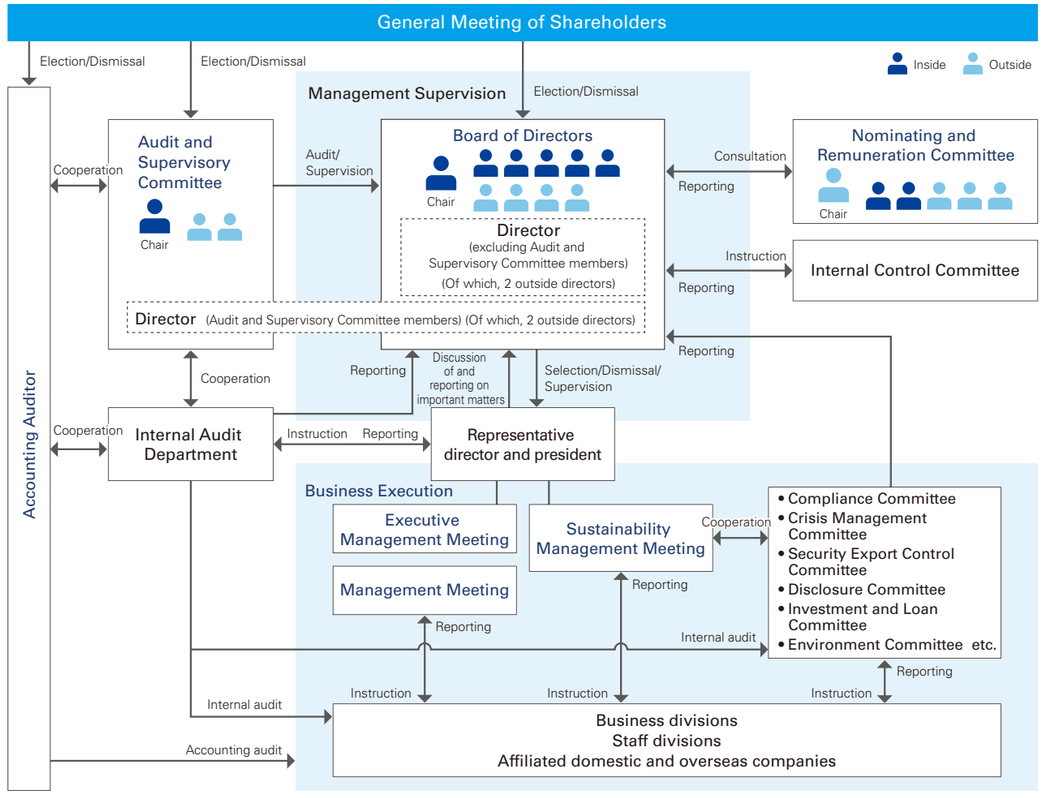
Yamazen's management places the highest importance on enhancing fairness and transparency in corporate management, as well as on maintaining and improving the corporate management structure to ensure that it is capable of appropriately responding to a changing business environment in a timely manner. Determined to become a corporate entity that is trusted, supported and looked upon favorably by a broad spectrum of society, Yamazen and its Group companies have established the Sustainability Management Meeting and various other committees, formulated the Yamazen Group Corporate Activity Charter, and built a corporate governance structure for ensuring risk management and legal compliance as well as further gaining the trust of stakeholders, including shareholders, and for achieving sustainable growth and enhancing corporate value.

▶ For further details, please refer to the Securities Report and the Corporate Governance Report.
Annual securities report: https://www.yamazen.co.jp/archives/001/yuuhou_78_20240626.pdf (Japanese only)
Corporate Governance Report: https://www2.jpx.co.jp/disc/80510/140120240515599155.pdf (Japanese only)

Overview of corporate governance structure

With the aim of strengthening the Board of Directors supervisory functions and speeding up the decision-making process, the Company has adopted a company with an Audit and Supervisory Committee structure. Under this structure, an Audit and Supervisory Committee consisting of three directors who are Audit and Supervisory Committee members (two of whom are outside directors) works to audit and supervise the execution of duties by the Board of Directors.

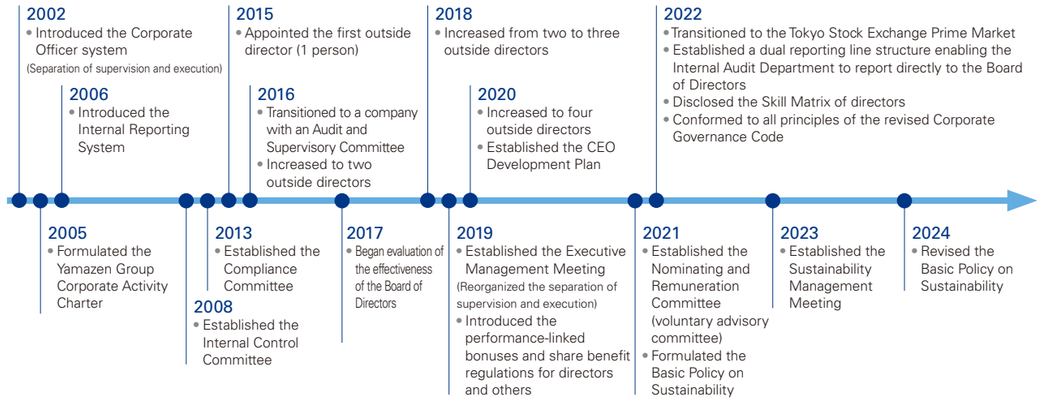
Governance Structure



▶ For details on each committee, please see the link below.
https://www.yamazen.co.jp/english/ir/governance.html

Evolution of our corporate governance

Yamazen positions corporate governance as a critical management issue, balancing enhanced management oversight by the Board of Directors with expanding executive authority and strengthening competitiveness, aiming to further enhance corporate value and promote a transparent governance structure.



Corporate governance function and roles fulfilled by outside directors

The Company has appointed four outside directors. This includes two directors who are Audit and Supervisory Committee members.

Criteria and policy regarding independence from the Company when appointing outside directors

During the selection process, a pool of candidates whose independence can be ensured is created, with reference to various standards concerning independence, such as regulations of the Tokyo Stock Exchange. After comprehensive consideration of each person's experience, expertise, character, insight and other attributes, individuals are selected based on their ability to communicate and behave appropriately in ways that enhance supervisory functions and oversight of the Company's management.

Coordination between supervisory and audit functions of outside directors and internal audits, audits by the Audit and Supervisory Committee and accounting audits, and role of internal control departments

At Audit and Supervisory Committee meetings, outside directors (who are Audit and Supervisory Committee members) receive explanations in advance regarding Board of Directors resolutions and other important matters to be reported. They also receive reports on the content of the Management Meeting and other important meetings attended by full-time Audit and Supervisory Committee members, and fulfill their supervisory and audit functions by exchanging information and opinions with accounting auditors and members of the Internal Audit Department.

In order to ensure appropriate communication and behavior, the Company has established the Corporate Planning Department as a contact point for outside directors to promote the appropriate and timely exchange of information based on a full understanding of resolutions by the Board of Directors and reports on important matters. Moreover, the Company provides detailed explanations in advance of Board of Directors resolutions and reported matters, and promotes collaboration with relevant departments, as necessary. Furthermore, the Audit and Supervisory Committee works, as necessary, with the Corporate Administration H.Q. to enhance the effectiveness of audit and supervisory functions.

Reasons for Appointment of Outside Directors

Outside Director	Outside Director (Audit and Supervisory Committee Member)
Hirohiko Sumida Hirohiko Sumida possesses keen insight and abundant experience gained through his service as a representative director and president at another company, in addition to his wide-ranging knowledge of IT. His pertinent advice on matters concerning the overall management of the Company will improve the effectiveness of the decision-making process and supervisory functions of the Board of Directors, and further enhance the corporate governance of the Group.	**Yoshinori Tsuda** Yoshinori Tsuda possesses expertise and a commitment to professional ethics formed as a certified public accountant, and a wealth of experience as an outside auditor at other companies. Based on this, he provides suitable advice on ensuring the appropriateness of financial statements and auditing in general.
Atsumi Eguchi Atsumi Eguchi has extensive knowledge and experience from working in the R&D and PR divisions at beverage and food manufacturers and has led strategic planning and CSR activities in the corporate communications division. By providing precise advice on overall management from the perspective of corporate communication and diversity in an independent capacity on our Board of Directors, she contributes to strengthening the decision-making and supervisory functions of the Board, as well as enhancing the Group's corporate governance.	**Naoko Nakatsukasa** Naoko Nakatsukasa possesses expertise and a commitment to professional ethics formed as an attorney-at-law and a wealth of experience as an outside director and outside auditor at other companies. Based on this, she provides valuable advice and appropriate audits and supervision of discussions at meetings of the Board of Directors.

Basic policy on remuneration for directors and other officers

The Company believes that further increasing corporate value is an important management issue. As such, the basic policy on remuneration for directors (excluding directors who are Audit and Supervisory Committee members; the same shall apply hereinafter) is to establish a remuneration system that promotes awareness of the need to contribute to increasing corporate value and improving business performance from both a short-term perspective and over the medium to long term.

Remuneration for directors consists of an appropriate combination of a set amount of fixed remuneration and performance-linked remuneration based on business results and other factors. In this way, the Company aims to secure competent personnel, generate an incentive to improve corporate value and build a remuneration system that promotes further increases in corporate value.

Performance-linked remuneration is not paid to outside directors.

Remuneration for directors is decided in accordance with the Policy on Determining Director's Remuneration and other related policies. The Board of Directors takes operating results, the scale of business and various other factors into account when determining remuneration.

Composition of remuneration for directors and other officers

Remuneration for directors consists of fixed remuneration and performance-linked remuneration. The proportions of each are set based on levels at competitors and other factors. In the event that the reference value for consolidated ordinary profit is achieved, fixed remuneration would be 60% to 70% and performance-linked remuneration would be 30% to 40% (with monetary remuneration accounting for approximately 80% and non-monetary remuneration accounting for approximately 20%).

[Fixed remuneration]

• Regular remuneration (monetary remuneration)

The above consists of basic remuneration, representative remuneration, director remuneration, and remuneration related to duties, with reference levels for each position set out in the Internal Regulations for Directors. Regular remuneration is paid at a set time each month.

[Performance-linked remuneration]

Performance-linked remuneration consists of bonuses (monetary remuneration), which are short-term incentives that vary based on business performance for each fiscal year and other factors, and share-based remuneration (non-monetary remuneration), which is a medium- to long-term incentive, such as shares of the Company to be paid after retirement as director.

The indicator for performance-linked remuneration is consolidated ordinary profit. It is used to evaluate the Group's earning power, and enables the measurement of the contribution of directors to overall management.

• Bonuses (monetary remuneration)

The amount of bonuses is determined on a number-of-months-payable basis according to consolidated ordinary profit as set out in the Internal Regulations for Directors. This type of remuneration is paid at a set time each year.

• Share-based remuneration (non-monetary remuneration)

Under this remuneration system, funds contributed by the Company are used to acquire shares of the Company through a trust, with shares of the Company and the monetary equivalent to shares of the Company converted at the market price, and granted through this trust to directors based on consolidated ordinary profit as set out in the Performance-linked Bonuses and Share Benefit Regulations for Directors and Other Officers.

As a rule, share-based remuneration is paid to directors upon retirement.

Total Amount of Remuneration (FY2023)

Directors and Other Officers	Total Amount of Remuneration (Millions of Yen)	Total Amount of Remuneration by Type (Millions of Yen)			Number of Recipient Directors (and Other Officers)
		Fixed Remuneration	Performance-linked Remuneration		
		Regular Remuneration (Monetary Remuneration)	Bonuses (Monetary Remuneration)	Share-based Remuneration (Non-monetary Remuneration)	
Directors (excluding Audit and Supervisory Committee members) Note: Excluding outside directors	328	255	58	14	6
Directors (Audit and Supervisory Committee members) Note: Excluding outside directors	25	25	—	—	1
Outside directors	28	28	—	—	4

Initiatives to enhance the effectiveness of the Board of Directors

Evaluation method

As a means of enhancing the effectiveness of the Board of Directors, the Company has implemented an annual questionnaire survey of the effectiveness of the Board of Directors since 2017, and conducts an analysis and evaluation of the results. In addition, priority issues are determined based on the results of the questionnaire survey, and countermeasures are formulated and implemented with the aim of improving the effectiveness of the Board of Directors. The Board of Directors plans to continue to implement self-assessments of members going forward in order to enhance its functions.

Evaluation results

A questionnaire survey on the effectiveness of the Board of Directors in FY2023 was conducted in March 2024 with the assistance of an external agency to enhance transparency. The main questions were as follows:

• Functions and roles of the Board of Directors; composition and scale of the Board of Directors; operation of the Board of Directors; collaboration with auditing bodies; communication with management team; and relationships with shareholders and investors

Based on analysis of the results of the questionnaire survey and related deliberations by the Board of Directors, the effectiveness of the Board of Directors was analyzed. It was deemed to be fulfilling its roles and meeting expectations appropriately, and to be ensuring its own effectiveness.

Additionally, based on the results of the questionnaire survey, we have identified the following priority issues for future action and are formulating and implementing countermeasures.

- Exchange of opinions concerning medium- to long-term management strategies that will contribute to sustainable growth and the enhancement of corporate value
- Consideration of training policies for officers
- Promoting dialogue with shareholders, institutional investors, and individual investors, and enhancing approaches to information disclosure

Status of measures to address issues recognized in the previous fiscal year

In response to issues recognized in previous questionnaire surveys on the effectiveness of the Board of Directors, we have implemented the following measures with the aim of improving effectiveness.

Issues Recognized	Measures
Approach to shareholders (including institutional and individual investors) and dissemination of information	Issued integrated reports, and held informational briefings and one-on-one meetings between the CFO and institutional investors as appropriate
Holding meetings to exchange opinions on medium- to long-term management strategies that contribute to sustainable growth and increased corporate value	Held three annual discussion sessions on mid- to long-term management strategies, including business portfolio, human resources investment, and growth investment
Securing sufficient time for prior review of Board of Directors meeting agendas	Thorough pre-distribution of Board of Directors agenda materials (aiming for three business days in advance)

Basic approach to internal control systems and status of implementation

The Company considers internal control and compliance as important management issues, especially given today's business environment, which is underscored by increasing globalization and complexity. To achieve greater fairness and transparency in corporate management, Yamazen has established an Internal Control Committee. In addition, based on the belief that active, voluntary and ongoing CSR activities are indispensable for any corporate entity that aspires to be trusted, supported, and looked upon favorably by a broad spectrum of society, the Company has established a Compliance Committee to develop specific and effective measures to fully promote understanding of various compliance-related policies.

▶ For details of the status of implementation of various measures, see the Corporate Governance Report.
Corporate website: https://www.yamazen.co.jp/english/ir/governance.html
Corporate Governance Report: https://www2.jpx.co.jp/disc/80510/140120240515599155.pdf (Japanese only)

Addressing business risks

The Group recognizes a variety of risks in addressing the material issues it has identified. Of these, the main risks that are considered to have a potentially material impact on investment decisions are shown below. The Group has established the necessary risk management systems, and conducts ongoing reviews of risks. Whether or not appropriate policies have been formulated and executed to counter these risks is evaluated by the Board of Directors. In this way, the Group works to preclude the occurrence of risks and to respond appropriately when risks emerge.

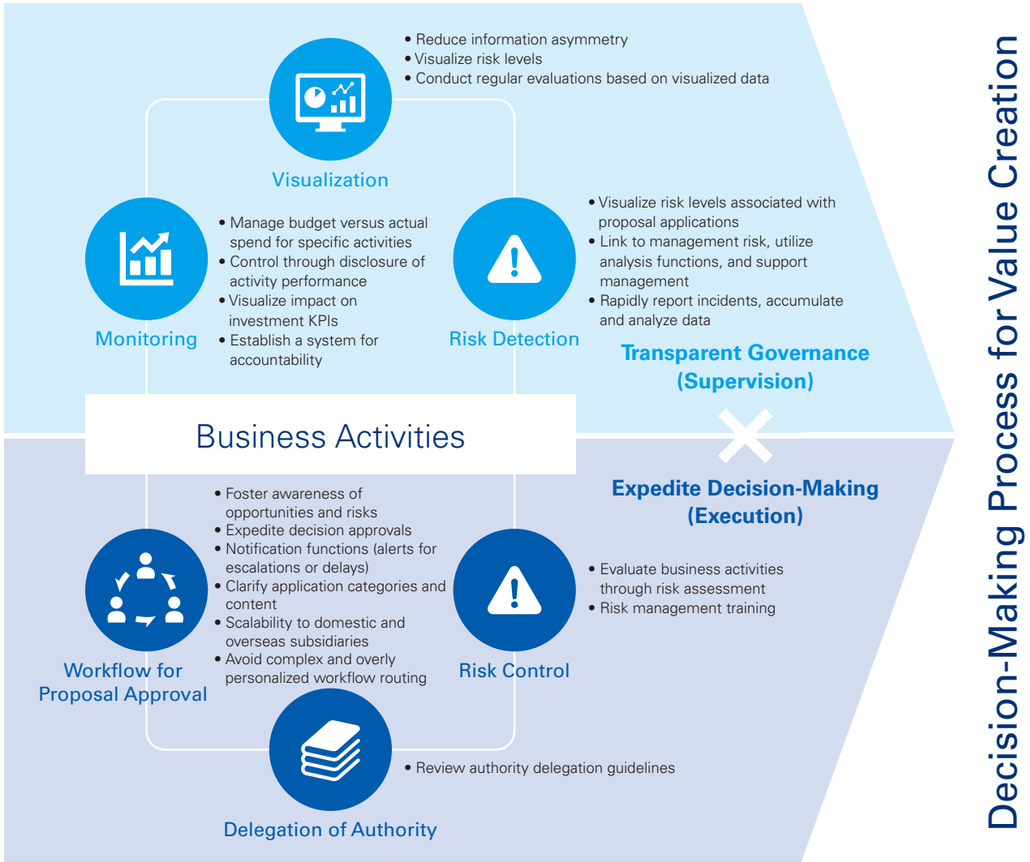
Main Risks and Countermeasures

Major Risk Category		
Risk Subcategory	Risk Details	Measures to Address Risk
(1) Risks associated with business environment, etc.		
a. Changes in business conditions	• Significant changes in demand caused by trends in corporate attitudes toward capital investments and personal consumption	• Diversify risks through business expansion across two distinct business domains • Pursue specialization to address diverse needs • Open up new markets by accelerating overseas expansion
b. Country risk	• Soaring procurement and distribution costs, as well as delays in supply of products, arising from the situation in Russia and Ukraine and other political/social situations	• Obtain information on country risk and devise risk mitigation measures
c. Foreign exchange rate volatility	• Major foreign exchange gains or losses caused by significant fluctuations in foreign exchange rates, and declines in sales caused by customers refraining from purchasing products handled by the Company	• Implement forward exchange contracts and other measures for import/export transactions denominated in foreign currencies
d. Risks related to management planning	• Progress delays in medium-term management plan initiatives and indicators due to various risks, including economic fluctuations, country risks, and exchange rate fluctuations	• Implement appropriate responses to each risk
(2) Risks associated with operation of the business		
a. Response to new business models	• Expected results are not realized from investment in the business	• Implement measures based on business investment framework
b. Securing and developing talent	• Difficulty in obtaining competent talent due to the declining birthrate, aging population and shrinking workforce	• Draw up and execute strategies based on talent management policy • Promote diversity, beginning with the participation of women in the workplace
c. Credit	• Lines of credit to business partners both in Japan and overseas as a result of various marketing activities • Default, etc., by business partners occurring as a result of unforeseen circumstances	• Implement credit management based on internal management regulations
d. Product liability	• Significant costs following the occurrence of major recalls or product liability issues, and impairment of corporate brand value	• Set out quality management regulations and establish the Quality Management and Product Liability Subcommittee • Take out product liability insurance • Establish the Crisis Management Committee as a framework for implementing measures in times of emergency
e. Information systems and information security risks	• Leakage, falsification or loss of personal or corporate information as a result of unauthorized access or other incidents • Loss of opportunities and social trust due to systems-related suspension of operations	• Formulate information system management regulations and information security regulations • Strengthen information security and put backup systems in place • Implement regular employee education
(3) Other risks		
a. Compliance	• Punishment by regulatory authorities, impairment of corporate brand value in the event of regulatory violations • Infringement of public regulations in Japan and overseas as a result of the enactment of new regulations and other developments	• Establish the Internal Control Committee, Compliance Committee, and Security Export Control Committee in the event of regulatory violations • Formulate and follow the Yamazen Group Corporate Activity Charter
b. Share price fluctuations	• Changes in share price based on fluctuations in market price of stocks held • Impairment of Group's pension asset value caused by stock market slump	• Review all shareholdings on a regular basis to confirm the reasonableness of maintaining or reducing holdings
c. Impairment losses on non-current assets	• Recognition of necessary impairment losses arising from trends in the economic environment and a decline in economic value	• Conduct thorough deliberation during investment decision-making and regular post-investment monitoring
d. Natural disasters, epidemics, etc.	• Damage arising from large-scale natural disasters or pandemics • Delays in product delivery due to supply chain disruptions	• Promote countermeasures such as business continuity planning (BCP) • Support the introduction of BCP throughout the supply chain (for small and medium-sized enterprises) • Implement initiatives to address change through the Crisis Management Committee and other organizations
e. Climate change risk	• Physical risks related to natural disasters • Sales opportunity losses due to strengthening of laws and regulations or supply chain regulations • Decline in social trust due to insufficient engagement with social issues	• Promote global adoption of energy saving equipment • Enter the renewable energy business by establishing the Green Recovery Business (GRB) Dept.

Initiatives for strengthening governance

Aiming to expedite decision-making and establish a transparent governance structure

We aim to establish a transparent governance system by promoting delegation of authority, expediting organizational decision-making, visualizing all business activities, and enhancing monitoring functions. Staff from the General Sales H.Q. and Corporate Administration H.Q. are assigned to operate this project. By advancing "aiming to expedite decision-making" and "establish a transparent governance structure," we can foster talent development, enhance earning capacity, and further increase corporate value.



Thorough security trade management (risk management)

The Yamazen Group has established a Security Export Control Committee, chaired by the Representative Director, to address evolving country and geopolitical risks and ensure compliance with related regulations, facilitating important decisions regarding security trade. To address both the globalization of the supply chain and economic security, we have established specialized security trade departments at our Headquarters and overseas subsidiaries, creating a unified governance system managed through a common platform. To keep up with the increasingly complex regulations in different countries, we conduct ongoing training sessions and remote meetings, ensuring our employees stay up-to-date on knowledge and operational expertise, while also promoting a self-regulated management system led by our on-site teams.

Management Team

Directors (As of June 25, 2024)

Yuji Nagao
Director and Chairman

Apr. 1977	Joined the Company
Apr. 2011	Appointed Corporate Officer; Vice President of Housing Equipment & Materials Division H.Q.
Apr. 2012	Vice President of Building Materials Division H.Q.; General Manager in charge of Higashi Nippon Region
Apr. 2013	Appointed Executive Officer; President of Building Materials Division H.Q.; General Manager in charge of Nishi Nippon Region
Jun. 2014	Appointed Director
Apr. 2015	Appointed Managing Director
Apr. 2016	Appointed Director and Executive Officer; President of Production Equipment
Apr. 2017	Appointed Representative Director, President & CEO
Apr. 2023	Appointed Director and Chairman (to present)

Koji Kishida
Representative Director, President & CEO

Apr. 1983	Joined the Company
Apr. 2016	Appointed Corporate Officer; Vice President of Machine Tools Division H.Q. (in charge of overseas business)
Apr. 2018	Appointed Executive Officer President of Production Equipment Business H.Q.
Jun. 2018	Appointed Director
Apr. 2020	Vice President of General Sales H.Q. (in charge of overseas business)
Apr. 2021	President of Total Factory Solutions Division H.Q.
Apr. 2022	Appointed Executive Officer
Apr. 2023	Appointed Representative Director, President & CEO (to present)
Apr. 2024	President of General Sales H.Q. (to present)

Kimihisa Sasaki
Representative Director and Executive Vice President

Apr. 1980	Joined the Company
Apr. 2013	Appointed Corporate Officer; Vice President of Osaka Regional H.Q.
Apr. 2015	Appointed Executive Officer
Apr. 2016	Appointed Corporate Officer
Apr. 2017	Appointed Executive Officer; President of Osaka Regional H.Q.
Jun. 2017	Appointed Director
Apr. 2018	President of Osaka Regional H.Q.
Jun. 2019	Resigned as Director; Appointed Executive Officer
Apr. 2020	Appointed Executive Officer; President of General Sales H.Q.
Jun. 2020	Appointed Director
Apr. 2021	Appointed Representative Director (to present)
Apr. 2024	Appointed Executive Vice President (to present) (In Charge of Domestic Market) & President of Tokyo Regional H.Q. (to present)

Masamichi Yamazoe
Director and Executive Officer, CFO

Apr. 1982	Joined the Company
Apr. 2015	Appointed Corporate Officer; General Manager of Legal & Credit Department of Administration H.Q.
Apr. 2017	Vice President of Administration H.Q.; General Manager of International Administration Department
Nov. 2017	President of Administration H.Q.
Apr. 2018	Appointed Executive Officer
Jun. 2018	Appointed Director (to present)
Apr. 2020	Appointed Executive Officer; President of Corporate Planning H.Q
Oct. 2021	President of Corporate Administration H.Q. (to present)
Apr. 2024	Appointed Executive Officer (to present)

Naonori Nakayama
Director and Executive Officer

Apr. 1987	Joined the Company
Apr. 2015	Appointed Corporate Officer; General Manager of Sales Division, Home Products Division H.Q.
Apr. 2016	Vice President of Home Products Division H.Q.; General Manager of Sales Division
Apr. 2018	President of Home Products Division H.Q. (to present)
Apr. 2021	Appointed Executive Officer
Apr. 2022	Appointed Executive Officer (to present)
Jun. 2022	Appointed Director (to present)

Hirohiko Sumida
Outside Director

Feb. 1991	Joined Mitsubishi Corporation
Jan. 2003	General Manager of Strategic IT Planning and Solution Business Unit, Living Essentials Group
Apr. 2008	CIO of Living Essentials Group
Feb. 2011	Joined Toyo Kohan Co., Ltd.
Apr. 2011	Executive Officer; Chief and General Manager of President's Office
Apr. 2012	Executive Officer; Chief of Strategic Planning Division; General Manager of Business Development Department
Jun. 2012	Director
Apr. 2013	Director and Executive Officer; Chief of Strategic Planning Division
Jun. 2014	Representative Director and President
Jun. 2014	Executive Officer of Toyo Seikan Group Holdings, Ltd.
Jun. 2018	Director, Toyo Kohan Co., Ltd. (resigned in March 2022)
Jun. 2018	Executive Vice President and Director, Toyo Seikan Group Holdings, Ltd. (resigned in June 2022)
Jun. 2022	Appointed Outside Director of the Company (to present)

Atsumi Eguchi
Outside Director

Apr. 1980	Joined Suntory Spirits Limited (renamed Suntory Holdings Limited)
Apr. 2010	Division COO, Public Relations Department, Suntory Holdings Limited
Apr. 2013	Senior General Manager of Business Development Department, Suntory Global Innovation Center Limited
Apr. 2016	Assistant to Executive Officer in charge of R&D, in charge of Public Relations, Suntory Holdings Limited (resigned Oct. 2017)
Nov. 2017	Director, Manager of Corporate Communication, Ezaki Glico Co., Ltd.
Mar. 2018	Officer (resigned Dec. 2022)
Jun. 2024	Appointed Outside Director of the Company (to present)

Satoshi Murai
Director
(Full-time Audit and Supervisory Committee Member)

Apr. 1981	Joined the Company
Apr. 2014	Appointed Corporate Officer; General Manager of Tokyo Administration Department
Apr. 2017	Vice President of Administration H.Q.; General Manager of Tokyo Administration Department
Oct. 2017	Vice President of Administration H.Q.; General Manager of Human Resources Department
Jun. 2019	Appointed Director (Full-time Audit and Supervisory Committee Member) (to present)

Yoshinori Tsuda
Outside Director
(Audit and Supervisory Committee Member)

Apr. 1995	Joined Chuo Audit Corporation (Renamed Misuzu Audit Corporation in September 2006)
Apr. 1998	Registered as Certified Public Accountant
Jul. 2007	Resigned from Misuzu Audit Corporation
Aug. 2007	Representative Director and Partner of ASUKA Consulting INC. (to present) Representative of Yoshinori TSUDA CPA Office (to present)
Jun. 2013	Outside Audit and Supervisory Committee Member of the Company
Jun. 2016	Appointed Outside Director (Audit and Supervisory Committee Member) (to present)

Naoko Nakatsukasa
Outside Director
(Audit and Supervisory Committee Member)

Apr. 1994	Graduated from the Supreme Court Legal Training and Research Institute Registered with Osaka Bar Association Joined Chuo Sogo Law Office, P.C. (currently Chuo Sogo Law Office, P.C.) (to present)
Apr. 2006	Registered as attorney in the state of New York
Apr. 2008	Part-time lecturer at the Graduate School of Law, Kyoto University
Jun. 2021	Appointed Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Skill Matrix

Position	Name	Skills (Knowledge, Experience, Capabilities, Etc.)						
		General Management	Sales and Marketing	Global	Finance and Accounting	Legal and Risk Management	Personnel and Human Resource Development	ESG and Sustainability
Director and Chairman	Yuji Nagao	✓	✓	✓			✓	✓
Representative Director, President & CEO	Koji Kishida	✓	✓	✓				✓
Representative Director	Kimihisa Sasaki	✓	✓				✓	
Director	Masamichi Yamazoe	✓		✓	✓	✓	✓	
Director	Naonori Nakayama	✓	✓	✓				

Note: The skill matrix does not represent all of the knowledge of each director.

Position	Name	Skills (Knowledge, Experience, Capabilities, Etc.)						
		General Management	Sales and Marketing	Global	Finance and Accounting	Legal and Risk Management	Personnel and Human Resource Development	ESG and Sustainability
Outside Director	Hirohiko Sumida	✓	✓	✓				
Outside Director	Atsumi Eguchi		✓					✓
Director Full-time Audit and Supervisory Committee Member	Satoshi Murai			✓	✓		✓	
Outside Director Audit and Supervisory Committee Member	Yoshinori Tsuda				✓	✓		
Outside Director Audit and Supervisory Committee Member	Naoko Nakatsukasa			✓		✓		

Messages from Outside Directors

Enhancing Our Business Strategies through Stronger Governance

Hirohiko Sumida
Outside Director

Supporting management decision-making and execution through appropriate advisory activities

I joined Mitsubishi Corporation in 1991, where I served as CIO for the Living Essentials Group, among other roles. I then joined Toyo Kohan Co., Ltd. in 2011 and served as its Representative Director and President from 2014 to 2018. Additionally, I served as an Executive Vice President and Director of Toyo Seikan Group Holdings, Ltd., leading the company's management and operations. I joined the Board of Directors at Yamazen in June 2022, and I am now in the third year of my term.

In fulfilling my role as an outside director, my primary focus is to enhance the effectiveness of management strategies and growth investments by encouraging deeper discussions of various issues related to capital policy and shareholder value, while keeping an eye on the Yamazen Group's Corporate Vision for 2030. Drawing on my experience as an executive, I am committed to offering candid opinions with a sense of responsibility and contributing to the sustainable growth and maximization of corporate value for the Yamazen Group.

I have high regard for the Yamazen Group's governance, both in terms of management transparency and fairness in execution. Over the past year, the Group has been fully committed to achieving the goals of its Medium-Term Management Plan, CROSSING YAMAZEN 2024, under a sound and transparent governance system as it lays the groundwork for the final year of the plan. In the production equipment segment, the Company has focused on expanding and deepening its presence in overseas markets, especially in India, and has leveraged its technology and expertise to advance initiatives in automation and labor-saving solutions. Additionally, it has invested in various funds to acquire new technologies and capabilities that can contribute to the advancement of global manufacturing and enriched lifestyles. In the consumer goods segment, continuous introduction of new products and appropriate pricing policies, reflecting rising raw material and logistics costs, have strengthened the Company's business foundation.

When formulating these strategies and initiatives, ample information is provided to and shared with outside directors by the executive side, which ensures active discussion on their effectiveness at the Board of Directors meetings. Diversity has been strongly embraced by the Board, as demonstrated by the appointment of two women as directors. One area that could be improved is providing earlier information disclosure on agenda items which would allow more time for thorough consideration and enhance the quality of discussions at Board of Directors meetings.

The fundamental mission of outside directors is to monitor and oversee management from a stakeholder perspective. However, I also feel that we have an important role in supporting management in making swift and appropriate decisions and performing their duties effectively through our advisory activities.

Continuing to earn stakeholder trust and meet expectations

Since its founding in 1947, the Yamazen Group has provided high-quality products and services to the economic and social sectors in Japan and around the world, achieving steady growth for over 75 years. However, amid an uncertain business environment with rising geopolitical risks and global inflation, it is essential to further enhance the uniqueness and competitive edge in management and business to achieve further growth. Challenges abound, such as cultivating human resources skilled in AI and digital transformation (DX), improving solution proposal capabilities, acquiring and strengthening engineering functions comparable to those of manufacturers, and expanding sales channels in the global consumer goods market. As a global company, it is also a crucial social mission to accelerate the efforts toward achieving the SDGs, such as reducing the environmental impact of our distribution process, and to contribute to the sustainability of the natural environment and the economy. I will continue to work closely with other outside directors and corporate officers, leading thorough discussions that take risks and opportunities into account to fulfill our responsibility toward appropriate decision-making and effective execution of initiatives.

Strengthening relationships with stakeholders is also a crucial management theme. The Group has actively conducted individual meetings with institutional investors and analysts, deepening dialogue with the capital markets. Through these efforts, I believe that it has been able to promote better understanding in the market of its business structure and value creation process, leading to appropriate evaluations. CEO messaging and impactful product advertisements through various media have significantly enhanced the Yamazen Group's recognition and goodwill. The Company recognizes that building strong relationships with a wide range of stakeholders—not only capital markets and general consumers but also corporate customers, shareholders and individual investors, the local community, and employees of the Group and partner companies—is essential for the Yamazen Group to sustain its growth as an indispensable presence in society.

Currently, the Yamazen Group is formulating a new medium-term management plan, set to launch in April 2025. The second half of the fiscal year ending March 31, 2025 will focus on formulating the fundamental policies, specific strategies, and initiatives of the new Medium-Term Management Plan, based on a future vision aligned with the employees' collective intentions, while also completing the current plan. As an outside director, I will contribute to the advancement of the governance framework while respecting stakeholder intentions and interests, pursuing the embodiment of the Management Philosophy: Management of Fostering Personnel, Management of Breaking Through, and Management of Trust.

Communicating Medium- to Long-term Vision Achievements to Foster Stakeholder Understanding

Atsumi Eguchi
Outside Director

My name is Atsumi Eguchi, and I was appointed as a director of the Yamazen Group in June 2024. I worked for 37 years at Suntory Spirits Limited (now Suntory Holdings Limited) and five years at Ezaki Glico Co., Ltd., where I was involved in R&D, public relations, and CSR activities, refining skills related to manufacturing and branding. I aim to leverage my accumulated experience and knowledge to further strengthen the governance of the Group.

To date, the Group has enhanced management transparency and fairness through various initiatives focused on advancing governance. As a company handling both production equipment and consumer goods, it has also focused on creating rich social value. However, it has to come to terms with the fact that its initiatives and achievements have not been fully communicated to society.

As an outside director, I will monitor and supervise management's decision-making and execution of duties while advising on how the Group can effectively communicate its unique value-creation story aimed at realizing its Corporate Vision, fostering stakeholder understanding and empathy. At the same time, I will contribute to the Group's sound and sustainable growth by providing advice from a woman's perspective and with an awareness of ESG.

11-Year Financial Highlights

(Millions of yen)

	FY2013 68th term	FY2014 69th term	FY2015 70th term	FY2016 71st term	FY2017 72nd term	FY2018 73rd term	FY2019 74th term	FY2020 75th term	FY2021 76th term	FY2022 77th term	FY2023 78th term
Medium-Term Management Plan	Amazing Act 2015				ONEXT YAMAZEN 2018		CROSSING YAMAZEN 2021			CROSSING YAMAZEN 2024	
Consolidated operating results											
Net sales	395,249	435,803	447,774	447,698	497,963	526,364	472,191	434,744	501,872	527,263	**506,866**
Gross profit	50,208	56,081	57,542	57,906	63,516	69,626	63,301	62,672	72,738	78,279	**74,397**
Operating profit	9,562	13,130	13,258	13,113	15,383	17,997	12,091	11,234	17,133	16,563	**9,887**
Ordinary profit	9,838	13,330	13,503	12,931	15,152	17,859	11,895	11,209	17,093	17,280	**10,435**
Profit attributable to owners of parent	5,515	5,851	9,192	8,518	10,205	12,184	8,088	7,572	12,023	12,527	**6,488**
Consolidated cash flows											
Basic operating cash flow*1	7,569	10,209	9,702	8,664	12,267	14,378	9,054	11,623	12,052	14,427	**10,626**
Cash flows from operating activities	9,677	12,575	10,465	8,248	8,001	9,306	13,399	13,566	7,054	7,765	**11,156**
Cash flows from investing activities	(373)	422	1,534	(213)	2,223	(965)	(1,866)	(3,911)	(2,766)	(3,297)	**(927)**
Cash flows from financing activities	(3,995)	(5,260)	(4,149)	(5,324)	(5,948)	(5,808)	(6,382)	(5,062)	967	(5,177)	**(4,765)**
Free cash flow	9,304	12,997	11,999	8,034	10,224	8,340	11,533	9,654	4,288	4,468	**10,229**
Consolidated financial position											
Total assets	179,088	200,301	208,404	219,598	246,923	245,595	230,320	245,937	282,654	288,888	**294,973**
Equity	55,785	64,962	67,274	75,435	84,368	92,770	95,056	107,155	112,741	122,928	**131,508**
Interest-bearing liabilities	2,516	267	5,784	5,671	5,521	5,119	4,974	4,768	14,681	14,162	**13,618**
Net interest-bearing liabilities*2	(34,593)	(46,531)	(47,541)	(50,687)	(55,154)	(58,670)	(63,411)	(69,709)	(66,472)	(66,966)	**(74,858)**
Per-share information											
Net assets per share (yen)*3	594.75	692.59	717.25	804.25	891.87	980.69	1,007.30	1,135.52	1,268.98	1,383.65	**1,480.16**
Earnings per share (yen)*3	58.80	62.38	98.01	90.82	107.79	128.80	85.60	80.25	133.74	141.00	**73.04**
Dividends per share (yen)	15.00	20.00	30.00	30.00	32.50	36.00	30.00	20.00	35.00	40.00	**50.00**
Consolidated dividend payout ratio (%)	25.5	32.1	30.6	33.0	30.2	28.0	35.0	24.9	26.2	28.4	**68.5**
Dividend on equity ratio (DOE) (%)	2.6	3.1	4.3	3.9	3.8	3.8	3.0	1.9	2.9	3.0	**3.5**
Financial indicators											
Return on assets (ROA) (%)	5.8	7.0	6.6	6.0	6.5	7.3	5.0	4.7	6.5	6.0	**3.6**
Return on equity (ROE) (%)	10.3	9.7	13.9	11.9	12.8	13.8	8.6	7.5	10.9	10.6	**5.1**
Equity ratio (%)	31.2	32.4	32.3	34.4	34.2	37.8	41.3	43.6	39.9	42.6	**44.6**
Net debt-to-equity ratio (DER) (times)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.6)	(0.7)	(0.7)	(0.6)	(0.5)	**(0.6)**
Working capital	7,805	5,932	4,732	4,825	9,115	14,507	9,791	7,819	13,377	20,411	**20,776**
Quick ratio (%)	112.8	114.2	118.8	121.0	115.7	124.5	132.2	135.9	128.9	130.3	**140.5**
Days sales outstanding (DSO) (days)	81.9	80.1	79.2	81.4	77.1	76.0	79.8	79.5	70.4	68.2	**71.0**
Days inventory outstanding (DIO) (days)	19.0	19.0	20.2	20.9	23.2	25.4	26.0	25.8	26.5	33.3	**35.8**
Days payable outstanding (DPO) (days)	103.7	104.3	106.1	109.9	105.7	103.5	107.3	110.0	99.8	99.8	**101.6**
Cash conversion cycle (CCC) (days)	(2.7)	(5.2)	(6.7)	(7.6)	(5.4)	(2.1)	(1.5)	(4.7)	(2.9)	1.8	**5.2**

*1. This indicator is calculated by deducting the change in working capital, etc., from cash flows from operating activities.
*2. This amount is calculated by deducting cash and cash equivalents from interest-bearing liabilities, including lease liabilities.
*3. This amount is calculated by deducting the number of treasury shares from the number of issued shares.

Non-Financial Highlights

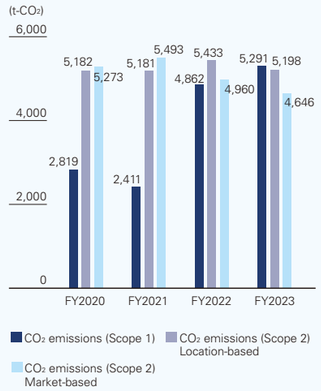
Item	Unit		FY2020	FY2021	FY2022	FY2023	
Power consumption	kWh		11,349,175	11,779,372	13,705,056	13,004,572	
CO_2 emissions (Scope 1)	t-CO_2		2,819	2,411	4,862	5,291	Graph 1
CO_2 emissions (Scope 2) Location-based	t-CO_2		5,182	5,181	5,433	5,198	Graph 1
CO_2 emissions (Scope 2) Market-based	t-CO_2		5,273	5,493	4,960	4,646	Graph 1
CO_2 emissions (Scope 3) Category 1 Purchased goods	t-CO_2		122,709	129,704	144,393	148,502	
CO_2 emissions (Scope 3) Category 4 Upstream transportation and distribution	t-CO_2		14,100	15,907	9,616	10,582	
CO_2 emissions (Scope 3) Category 5 Waste generated in operations	t-CO_2		14	63	56	55	
CO_2 emissions (Scope 3) Category 11 Use of sold products	t-CO_2		1,422,220	1,423,349	1,006,777	1,381,162	
Vehicle fuel consumption	ℓ		1,112,485	952,166	1,885,630	2,074,198	
Amount of waste produced	t		171	197	184	178	
Number of Green Ball Project participants/tons of emissions reduced	Projects		689	682	655	639	Graph 2
	t-CO_2		34,319	40,701	40,947	37,709	
Number of employees (consolidated)	People		3,149	3,157	3,215	3,276	Graph 3
Number of employees (non-consolidated)	People	Total	1,736	1,712	1,737	1,796	
		Male	1,182	1,171	1,171	1,214	
		Female	554	541	566	582	
Average years of service	Years	Total	13.5	13.8	14.0	13.7	
		Male	15.6	15.8	16.0	15.5	
		Female	9.0	9.6	9.9	10.1	
Percentage of women among core human resources (next-generation management)	%		3.23	3.57	4.13	7.39	Graph 4
Percentage of persons with disabilities	%		2.21	2.33	2.27	2.23	
Percentage of non-Japanese employees	%		33.3	33.9	34.4	33.8	Graph 3
Number of new graduates hired	People	Total	91	59	58	68	
		Male	51	39	40	45	Graph 5
		Female	40	20	18	23	
Number of career-path hires	People	Total	15	19	51	104	
		Male	12	18	32	76	Graph 5
		Female	3	1	19	28	
Percentage of paid leave taken	%		59.7	61.0	62.0	69.9	
Number of employees taking parental leave	People	Total	46	52	55	52	
		Male	3	6	12	11	Graph 6
		Female	43	46	43	41	
Percentage of employees returning from parental leave	%		100.0	92.0	96.7	94.4	
Cumulative number of students assisted by the Takeo Yamamoto Scholarship Fund	People		113	121	125	127	
Number of directors	People	Total	11	10	10	10	
		Outside	4	4	4	4	
		Female	2	2	2	2	
Number of employees receiving compliance training	People		2,631	2,401	3,545	2,331	
Remuneration for directors (excluding directors who are Audit and Supervisory Committee members and outside directors)	Millions of yen		313	320	389	328	
Remuneration for directors who are Audit and Supervisory Committee members (excluding outside directors)	Millions of yen		24	27	25	25	
Remuneration for outside directors	Millions of yen		23	26	28	28	

Note: 1. Regarding CO_2 emission calculations
- Calculation method: Calculated in accordance with the GHG Protocol (Scope 3 Categories 1 and 11 are calculated based on our private brand home appliance products).
- Calculation scope: Targeted bases include YAMAZEN CORPORATION and its Group companies, totaling 24 entities based on the management control standard. Countries and regions covered are Japan, China, South Korea, Taiwan, Thailand, Vietnam, the Philippines, Singapore, Malaysia, Indonesia, USA, Mexico, Germany and Czech Republic.

2. Note that figures for each year may differ from previously disclosed information due to adjustments made for accuracy.

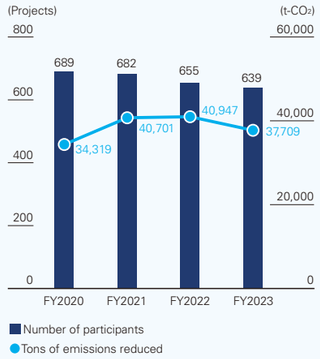
Graph 1

CO_2 emissions



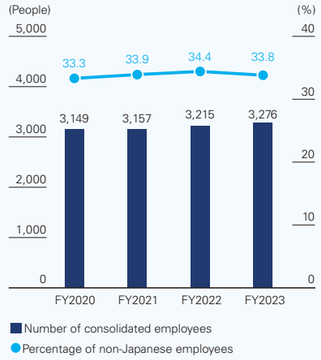
Graph 2

Number of Green Ball Project participants/ Tons of emissions reduced



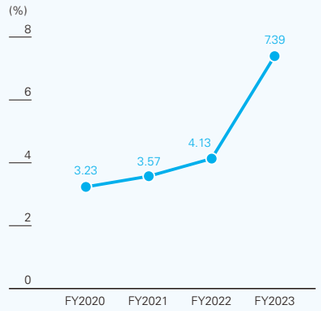
Graph 3

Number of consolidated employees/ Percentage of non-Japanese employees



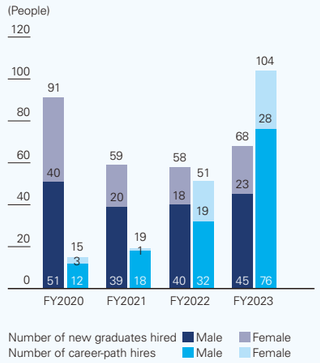
Graph 4

Percentage of women among core human resources (next-generation management)



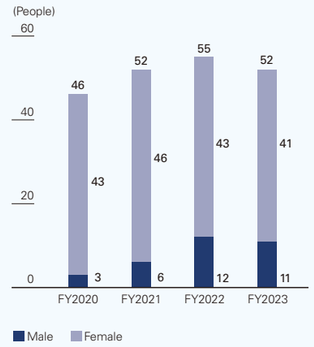
Graph 5

Number of new graduates hired/Number of career-path hires



Graph 6

Number of employees taking parental leave



Social recognition

Achieving a "B" score in CDP Climate Change 2023 Reporting

Our Environment Committee, with representatives from each business and related divisions, analyzes risks and opportunities within each business domain and promotes the integration of these responses into specific business activities. As a result, we were rated at a "B" management level in the CDP Climate Change 2023 Reporting, recognizing our efforts to acknowledge and address our environmental risks and impacts.

Certification as a Health & Productivity Management Outstanding Organization for 2024

We announced the Yamazen Health Management Declaration and were selected for the 2024 Health & Productivity Management Outstanding Organizations Recognitions Program sponsored by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

Yamazen Health Management Promotion System
https://www.yamazen.co.jp/english/sustainability/society/work-realization.html

Eighth consecutive year of recognition at the Japan Resilience Awards

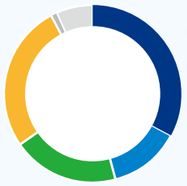
At the Japan Resilience Awards organized by the Association for Resilience Japan, our "Logistics Resilience Enhancement Project," aimed at strengthening supply chain resilience, was recognized and awarded. In manufacturing and logistics industries, maintaining and preventing disruptions in the supply chain are material issues. As a specialized trading company supporting manufacturing, we launched the Logistics Resilience Enhancement Project to strengthen the supply chain. Within this project, we are advancing BCP measures to address potential logistics stagnation due to labor hour regulations and other issues associated with the 2024 problem in logistics.

Investor Information/Company Overview/Editor's Afterword

Share Information (As of March 31, 2024)

Total number of shares authorized	200,000,000 shares
Total number of issued shares	95,305,435 shares
Number of shareholders	7,525 people

Distribution of Shares by Shareholder Type



Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,014	7.87%
Yamazen Business Partners Shareholders' Association	6,693	7.51%
Tokyo Yamazen Business Partners Shareholders' Association	5,284	5.93%
Hikari Tsushin K.K.	5,128	5.76%
Yamazen Employees' Investment Association	3,237	3.63%
Nagoya Yamazen Business Partners Shareholders' Association	2,154	2.42%
Custody Bank of Japan, Ltd. (Trust Account)	1,558	1.75%
Hiroshima Yamazen Business Partners Shareholders' Association	1,355	1.52%
Kyushu Yamazen Business Partners Shareholders' Association	1,287	1.44%
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,205	1.35%

Notes:
1. The Company owns 6,282,053 treasury shares, but these have been excluded from the list of major shareholders. The 6,282,053 treasury shares do not include 176,100 shares held by the Board Benefit Trust (BBT).
2. The percentage of shares held is calculated after excluding 6,282,053 treasury shares.
3. The number of shares shown omits units of less than 1,000 shares.

Other Shareholder Information

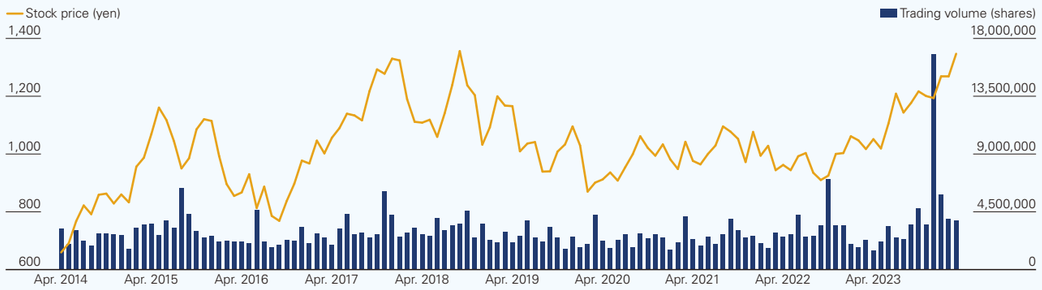
Fiscal year	From April 1 to March 31 of the following year
Record date for dividends of surplus	March 31 (September 30 for interim dividends)
Annual General Meeting of Shareholders	Late June
Number of shares per unit	100
Stock exchange	Tokyo Stock Exchange Prime Market
Notification method	Notification is provided in electronic form through publication on the corporate website. https://www.yamazen.co.jp/ However, in cases when it is not possible to use electronic notification, notification shall be made in the Nihon Keizai Shimbun.
Administrator of the register of shareholders	1-3-3 Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.

IR Activities

▶ For details of our IR activities, please see our "Report on the Progress of Dialogue with Shareholders and Investors." https://www.yamazen.co.jp/ir/dialogue.html (Japanese only)

Overview of Dialogue with Institutional Investors in FY2023	
Main persons handling dialogue with shareholders and institutional investors	CEO: Two financial results briefings (second-quarter and year-end financial results), CFO: Two informational briefings (first quarter and third quarter); One-on-one meetings (10 during the year), Representative of IR & PR Department: One-on-one meetings (47 during the year)
Main topics of dialogue and matters of interest to shareholders	Yamazen's business model, market environment, growth investment fields, awareness of the issue of PBR falling below 1.0, capital policy (shareholder return policy), etc.
At a Board of Directors meeting held in May 2024, a discussion was held based on shareholder and investor feedback and concerns obtained from IR activities during FY2023.	

Stock Price

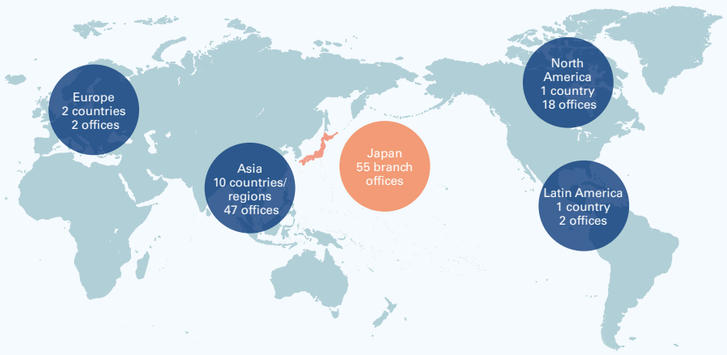


Company Overview

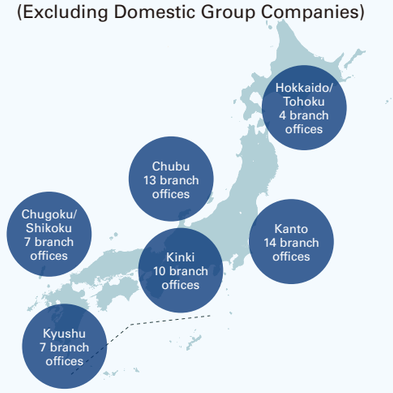
Name	YAMAZEN CORPORATION
Established	May 30, 1947
Share capital	¥7,909 million (As of March 31, 2024)
Fiscal year	From April 1 to March 31 of the following year
Stock exchange	Tokyo Stock Exchange Prime Market
Sales offices	Osaka, Tokyo, Kita Kanto/Tohoku (Saitama), Nagoya, Kyushu (Fukuoka), Hiroshima, and other locations **Domestic**: 55 locations **Overseas**: 16 local subsidiaries (69 locations)

Headquarters	**Osaka Corporate Headquarters**	2-3-16 Itachibori, Nishi-ku, Osaka 550-8660
	Tokyo Corporate Headquarters	Taiyo Seimei Shinagawa Building, 2-16-2 Konan, Minato-ku, Tokyo 108-8217
Main banks	Mizuho Bank, Ltd.; Resona Bank, Limited; Sumitomo Mitsui Banking Corporation; MUFG Bank, Ltd.; Mizuho Trust & Banking Co., Ltd.	
Number of employees	3,276 (consolidated; as of March 31, 2024)	

Global Network



Domestic Network
(Excluding Domestic Group Companies)



Domestic Group Companies (Including Non-consolidated Subsidiaries)

- YAMAZEN LOGISTICS CO., LTD.
- YAMAZEN CREATE CO., LTD.
- OGAKI MACHINE & TOOLS CO., LTD.
- TOHO INDUSTRIAL CO., LTD.
- ISHIHARA-GIKEN CO., LTD.
- TRAVEL TOPIA INC.
- NIHON BUTSURYU SHINBUN CO., LTD.

Note: As of September 30, 2024

Editor's Afterword

This marks the publication of Yamazen's third integrated report. In this issue, we address frequently asked questions from our dialogue with institutional investors, and we have used text and diagrams to explain concepts that are challenging to convey verbally. We have incorporated three main elements.

The first element is human capital. We introduce employees who carry forward the founder's DNA, and in the Message from the CEO, we reflect deeply on "The Purpose of the Yamazen Group." The second element is the advantage of our business model. We highlight the structure, cash generation mechanisms, and growth potential in each of our wholesale, engineering, and fabless manufacturing businesses. The third element outlines our approach to enhancing corporate value, with a clear explanation of our financial strategy and capital policy through specific initiatives. We hope these insights will lead to a greater understanding of our Company. Our new medium-term management plan will begin next fiscal year. We are currently formulating it with the aim of achieving positive recognition in the capital market.

Hayato Hirata, Manager of IR & PR Department