

YAMAZEN

Integrated Report 2023

April 1, 2022 to March 31, 2023

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Koji Kishida

Representative Director
President & CEO



Yamazen is a specialized trading company that deals in both production equipment that supports the manufacturing process, such as machine tools, industrial equipment and cutting tools, and consumer goods that enrich everyday living, such as housing equipment and home products. We transcend existing frameworks to create new value around the globe.



YAMAZEN, INC. (Chicago Office)

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.

Core Competence

The Yamazen Group's greatest asset is its people. To pioneer a new future, we will make the most of our people and develop independent and virtuous employees ("Yamazen employees"), and work to achieve sustainable growth and development while earning the trust of society. To that end, we have made "Management of Fostering Personnel" the first element of our Management Philosophy. Embodying the corporate philosophy of our founder Takeo Yamamoto, we will continue to develop Yamazen employees, who are the source of our competitive advantage, and will cherish and pass on our values.

Yamazen employees with a pioneering spirit and the ability to think while taking action



Our core competence is Yamazen employees with a pioneering spirit and the ability to think while taking action. These terms have the following meaning.

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

Ability to think while taking action: The ability to think and act on one's own.

Yamazen 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.





Our Corporate DNA



We have established an HR Development System that helps employees better embody our founding philosophy and create value by challenging themselves and thinking while taking action in their workplaces. We also continue to develop Yamazen employees through various HR management programs. Through such initiatives, our founder's corporate philosophy has been passed down to the more than 3,000 people currently in the Yamazen Group.



Yamazen employees embodying our corporate DNA

Raising Yamazen's Presence

Because each Yamazen employee constantly responds to change, thinks and acts on their own, and takes on challenges for innovation and creation on site, they are able to accurately grasp market and customer needs to create lasting value. This kind of value creation, originating from our human resources, is helping to raise Yamazen's presence in the market.

Message from the CEO



Koji Kishida

Representative Director
President & CEO

Based on Yamazen's Purpose of “Pioneering
an innovative value creation cycle centered

In April 2023, Yamazen inaugurated a new management team under Representative Director, President & CEO Koji Kishida. With the establishment of our Purpose and Corporate Vision for 2030, what strategies will underpin our pursuit of further growth in a rapidly changing global business environment? This section presents the various management themes that the Yamazen Group is focusing on, including Mr. Kishida's resolve upon assuming the office of president, the progress of the medium-term management plan, issues to be addressed and the medium- to long-term management vision.

Continuing to Create Value as a Specialized Trading Company from an On-site Perspective

Since joining Yamazen in 1983, I have gained experience in sales and management, mainly in the Machine Tools Business in Japan, the International Business Division and the Production Equipment Business. I became a corporate officer in 2016 and then an executive officer in 2018, working in businesses including overseas machine tools, overseas industrial tools and equipment, and as part of the General Sales H.Q. (in charge of overseas business). Furthermore, as a director since 2018, I have been focusing on ensuring appropriate decision-making and effective governance for the Yamazen Group. I am determined to use my domestic and overseas experience to achieve further growth of the Yamazen Group while dealing sincerely with all of our stakeholders.

From my earlier days as a regular employee to where I am right now, my conviction has remained the same—to value our workplaces. Since those early days, I have carried out my duties with the belief that “My body is always on site, and my heart is always with the employees.” In other words, I consider it essential for leaders themselves to take action so they can uncover the hints and valuable insights that can only be gained at workplaces in order to make appropriate management decisions. I also have many years of experience working overseas at Yamazen's subsidiary in the United States. Serving as president of an overseas subsidiary requires finding out how local employees approach their jobs, and whether strategies formulated in Japan will really be accepted and effective in those situations. Finding answers to these questions meant that I had to gain a deep understanding of workplaces together with employees.

The same holds true in Japan. Getting to know the situation on site and the issues our customers face is the starting point for making the Group's strategies and measures more realistic and effective.

Something else I emphasize is the need for Yamazen to continue to create value as a specialized trading company through constant innovations in management and business. A specialized trading company is positioned at the center of an important chain that connects suppliers, local distributors, and beyond them, end users. I therefore believe we can create the greatest value by calmly assessing changing situations and always thinking of the optimal value we can provide.

Structural changes in society are progressing so swiftly and surely that there is not enough time to fully assess and verify the reasons behind them. Yamazen's business environment is exactly the same. Rapid advances in information and communication technology have made all kinds of information instantly and easily available to all kinds of people and companies. As specialized trading companies aim to continue creating unique value amid this current of rapid change, ironically, we have entered an era in which harnessing the power of people is once again an important requirement. In other words, when there is no longer a difference in the amount or quality of information available to people, we must go back to the basics and value our workplaces as we continue to pursue creativity and originality. I want to clearly convey our position—for example, in the wholesale business in the domestic distribution market—and the appeal of such operations to the junior employees who will be responsible for Yamazen's future. To that end, as CEO I will take the lead in communicating our Purpose and Corporate Vision for 2030 to ensure they firmly take hold, as well as in promoting the steady progress of our medium-term management plan CROSSING YAMAZEN 2024.

Yamazen's Corporate DNA and the “One Yamazen” Mindset

Yamazen has achieved continuous growth because, from its founding in 1947 to today, all employees have understood the “pioneering spirit of commerce” espoused by our founder Takeo Yamamoto. We call this pioneering spirit of commerce the “Yamazen Spirit.” However, the path to stable growth has

by no means been smooth. At times, strict navigation has been necessary as the economy cooled due to factors such as the energy crisis of the 1970s, the bursting of Japan's economic bubble, the 2008 economic crisis and the outbreak of conflicts around the world. The Yamazen Spirit enabled us to overcome

g a new future, with you all,” we will build
on the concept of “crossing.”

these difficulties and establish our place as a major specialized trading company. I believe this is because our corporate DNA of having respect for taking on challenges has been ingrained in every employee since our founding.

I also believe that employee cohesiveness has been a driving force in Yamazen's development. Yamazen is an independent company that does not belong to a particular corporate group, and has a robust corporate culture of independence and self-respect. The One Yamazen mindset permeates the entire Group, including overseas, giving a

sense of unity to management. In addition, all employees share the idea that when faced with a crisis, we will overcome it through our solidarity—that is, as One Yamazen. Thanks to this cohesive strength, we have been able to withstand drastic changes in the business environment.

When I joined the Company in the early 1980s, Yamazen was a mid-sized trading company with sales of around ¥125 billion. Over the past 40 years, we have entered new business fields and ramped up global expansion, and have achieved consolidated net sales of more than ¥500 billion.

Establishment of Our Purpose and Corporate Vision for 2030

“Pioneering a New Future, with You All” through a Strong Commitment to Creating Value Together

Looking back over Yamazen's history, our relationships of trust with the manufacturers who supply our products and the distributors who sell them are a major asset. In the production equipment wholesale business, we supply the products we handle to regional distributors, who then deliver them to numerous end users. Each company involved in the distribution process fulfills its own roles, responsibilities and support functions to facilitate smooth production activities for the benefit of end users. This also builds win-win relationships in which everyone involved in this process, from suppliers to users, chooses not to settle for the status quo, but instead demands new products and services. This creates new value, and positive outcomes for everyone.

This value creation process cannot be carried out by Yamazen alone. It is important to maintain a close relationship with numerous stakeholders over many years with the grand ambition of improving productivity at manufacturing sites and, by extension, optimizing industrial society as a whole.

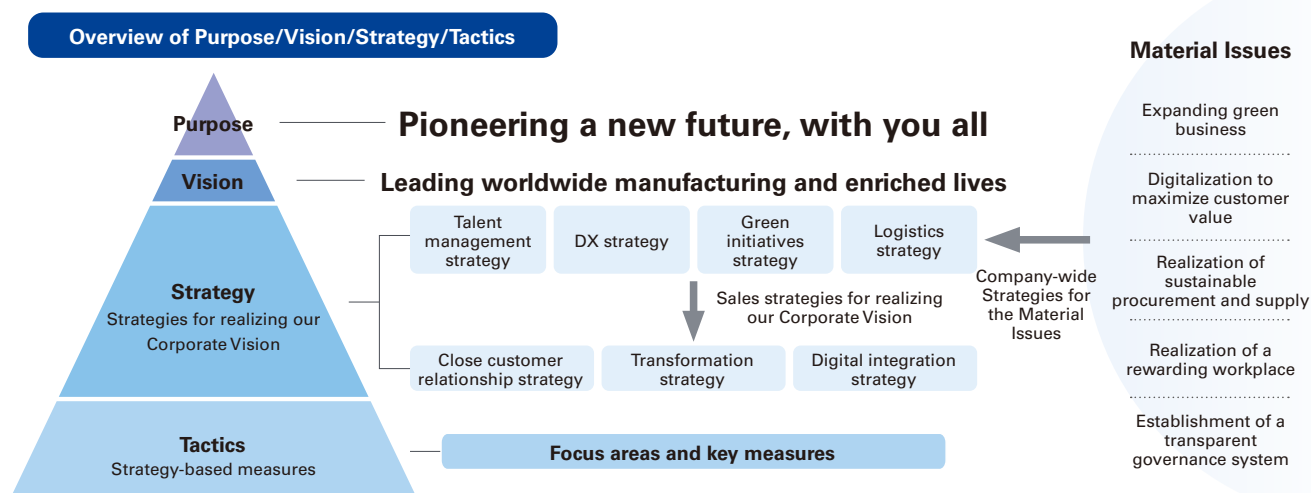
To advance industrial society together with our stakeholders based on this approach, we have established our Purpose and Corporate Vision for 2030, which make clear Yamazen's significance to society and the kind of company we aim to be. Together, they serve as the compass for Yamazen's value creation process.

Our Purpose is “Pioneering a new future, with you all.” “With you all” expresses our strong commitment to creating

new value together with our many partners, including suppliers, regional distributors and users, to contribute to a more prosperous future for society. Our founder, Takeo Yamamoto, expressed his vision for Yamazen in two parts: “prosperous coexistence” and “pioneering.” You could say that this Purpose we have established redefines our founder's philosophy. For Yamazen, a company that remains steadfastly oriented toward the future, I am convinced that there is no message more befitting than “Pioneering a new future, with you all.”

Our Corporate Vision for 2030 is “Leading worldwide manufacturing and enriched lives.” This vision sets forth the Group's medium- to long-term goal of creating new value through the integration of its two domains of production equipment that supports manufacturing and consumer goods that enrich everyday living.

Furthermore, we have assessed major trends such as decarbonization and digitalization, and identified material issues based on the outlook for the world in 2030. The five material issues are 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. To resolve these material issues, we are working on talent management, digital transformation (DX), green initiatives and logistics as Company-wide Strategies for the Material Issues.



Progress of Medium-Term Management Plan CROSSING YAMAZEN 2024

A Good Start in the First Year, with Year-on-Year Increases in Net Sales and Profit Attributable to Owners of Parent

Having established our Purpose and Corporate Vision for 2030, we organized the initial steps for realizing them into a three-year medium-term management plan called CROSSING YAMAZEN 2024, which we announced in May 2022. As its title suggests, the basic policy of the medium-term management plan is to create the new value that will be required by the economy and society of the next generation by “crossing” Yamazen’s diverse functions and assets. We have also formulated a close customer relationship strategy, a transformation strategy and a digital integration strategy as specific sales strategies to realize our Corporate Vision for 2030. We are now proactively investing management resources in promoting their success. These strategies encompass an extremely wide range of measures, including increasing customer contact points using digital technology, providing total solutions that go beyond product sales, strengthening automation and labor-saving, and DX initiatives aimed at maximizing customer value.

In FY2022, which was the first year of the medium-term management plan, consolidated net sales, consolidated ordinary profit, and profit attributable to owners of parent increased year on year, giving us a clear indication that we are making progress toward the final-year targets.

While the COVID-19 pandemic continues to subside, domestic and overseas capital investment and general consumption have not recovered as expected. The outlook for the Chinese economy is extremely unclear, primarily due to a slump in real estate investment. In addition, recovery in market conditions in the domestic automobile and semiconductor industries is still weak. Yamazen’s business environment is likely to remain challenging. However, once U.S.-China tensions ease and the conflict in Ukraine ceases and a healthy state of globalization is restored, we expect innovation will likely ramp up. We intend to ensure that we capture the resulting

opportunities. In the second half of FY2023, we are considering laying the foundation for various future-oriented initiatives so they can all come to fruition in the final year of the medium-term management plan.

As the foundation for carrying out the medium-term management plan, we are currently conducting a wide range of operations under three business models: a wholesale business that generates stable profits based on relationships of trust with business partners; a high-margin engineering business centered on production equipment; and an asset-light fables manufacturing business that enables speedy development.

First, Yamazen’s origins lie in the wholesale business, and we must continue to maintain and expand that business going forward. We intend to strengthen the wholesale business by deepening our ties with distributors and developing a more advanced logistics system based on the concept of “crossing” logistics operations, among other measures.

The second business model, the engineering business, is an area where we have been an industry pioneer both domestically and internationally. In the Overseas Production Equipment Business, we have established Yamazen bases in multiple countries and regions to deepen relationships with local users, and we are able to rollout our business across borders. This unique business model is an advantage our overseas competitors do not have.

The third business model is fables manufacturing in the Home Products Business. Unknown a few decades ago, the Yamazen brand has gained recognition in recent years as a result of steady product development and sales activities, and now has a solid market presence. Yamazen Bizcom, our official online shop for offices and stores that we launched in 2022 as a new initiative to expand sales channels, is also performing well.

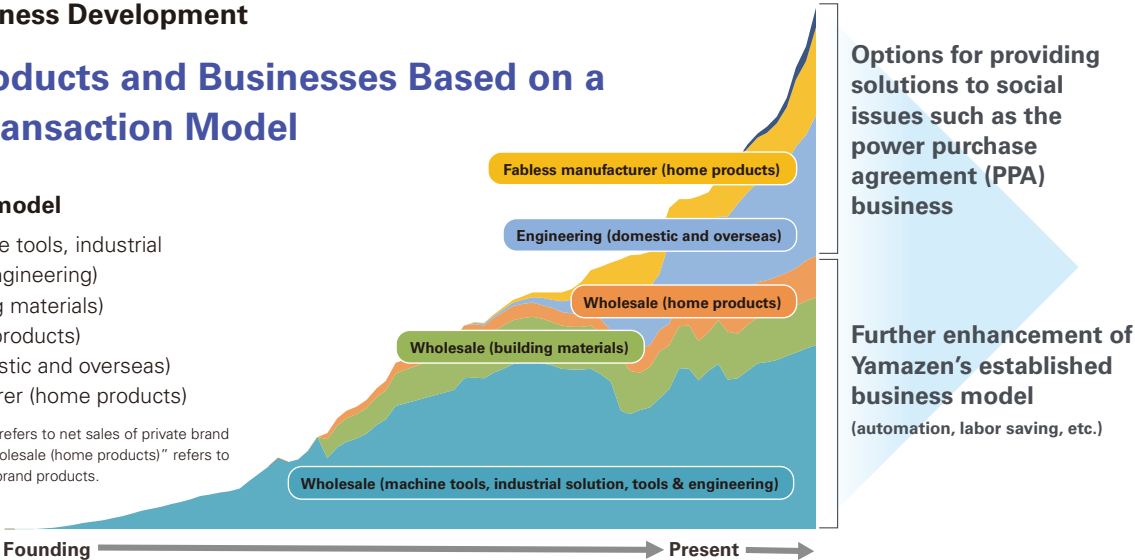
Yamazen’s Business Development

Increase Products and Businesses Based on a Recurring Transaction Model

Current business model

- Wholesale (machine tools, industrial solution, tools & engineering)
- Wholesale (building materials)
- Wholesale (home products)
- Engineering (domestic and overseas)
- Fables manufacturer (home products)

Note: “Fables manufacturer” refers to net sales of private brand home products and “Wholesale (home products)” refers to net sales of non-private brand products.



Overseas Expansion and Human Resource Development: Yamazen's Growth Drivers

As we continue to implement our strategies for the future, overseas expansion in particular will serve as the driver for growth. Yamazen has a long history of overseas expansion. We have established a solid foundation in the United States, where we have a 60-year history, followed by Taiwan, ASEAN and China, where we are in our 26th year. Our ASEAN Regional Headquarters has established bases in seven countries and has a substantial track record. In Taiwan, our business has expanded along with the growth of the electronics, electrical and semiconductor industries. North America, China, ASEAN and Taiwan are the core regions for the Yamazen Group's overseas expansion.

For the regions we will concentrate on going forward, we have positioned the markets of India, the Middle East and Eastern Europe as our main targets. In the European market, in addition to selling products, we intend to obtain extensive data and knowledge to be used for helping to realize a decarbonized society from this environmentally advanced region. We have high expectations for developing a new market in Turkey, our primary focus at present, and we will

expand our business, mainly for machine tools and other production equipment, to ramp up our global expansion. We are also considering rolling out our Home Products Business into countries with huge populations such as India and Indonesia, and into the Taiwanese market, where there is a large base of affluent consumers.

Implementing our close customer relationship strategy in global markets is another important theme for our initiatives. Yamazen has been involved in many joint projects with Japanese companies that are operating overseas. Recently, we have been expanding transactions with local overseas companies. Our experience and the trust we have earned over more than 60 years in the overseas production equipment market, and the stability provided by our presence in more than 60 locations are major strengths in the Overseas Production Equipment Business. To implement the close customer relationship strategy set forth in the medium-term management plan on a global level, we will continue to utilize the skills of local employees to offer close customer support.

Hybrid Sales, Logistics Optimization and Advanced Automation: The Yamazen Group's New Initiatives

There is a tendency these days toward using e-commerce for everything. However, just as no one buys a car or a house online, I do not foresee a decrease in the importance of face-to-face negotiations for sales of the high-priced products Yamazen handles, or for complex automation and systems projects. Nevertheless, we will use both face-to-face sales and online sales as appropriate depending on the type of product or service and the needs of distributors and users. In other words, we will conduct hybrid sales that incorporate these two methods for the kind of flexible sales activities that only Yamazen can offer.

In addition, our efforts to strengthen and improve the functionality of logistics bases have fallen somewhat behind that of other business initiatives. Logis Shin-Tokyo, our most

important base in eastern Japan, began full-scale operation in January 2023. Having reached this point, our preparations for logistics are proceeding at a rapid pace. During the medium-term management plan, we plan to further optimize our logistics infrastructure through the operation of a logistics management system (LMS) and warehouse management system (WMS) as well as by introducing automated equipment.

Moreover, it is also important to promote advanced automation that goes beyond current engineering services. There is a chronic labor shortage in Japan, and the automation business is a hot topic. As a trading company with engineering capabilities, Yamazen has provided optimal solutions to the various technical issues of users. However, with the progress of innovation in Japan and overseas, many companies have now appeared that can handle one-stop services from equipment selection and installation to peripheral device manufacturing, operation support and after-sales service. Therefore, to clearly differentiate ourselves, we need to be able to handle even more advanced automation. Automating a production line entails a variety of risks, making it dangerous territory as is not easy to enter without proven capabilities. To establish this difficult business model and contribute to its success, we must build a high-level support system. Further efforts in the advanced automation business are a challenge that Yamazen is uniquely equipped to take on, as a specialized trading company that has experienced repeated trial and error in introducing engineering services in Japan and overseas. With "Enterprising and Daring" as our motto, I want all employees to feel excited about our business endeavors, with a spirit of taking on both risks and new fields.



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| Lead Feature: Yamazen's Values | Framework for Creating Value | Long-Term Strategy for Sustainable Growth | Medium-Term Business Strategies | The Foundation Supporting Value Creation | Data |
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Upgrading Management and Business Promotion Framework

I will also focus on improving governance and other systems that will underpin an upgrade of our management and business promotion framework. Ensuring that our organization runs properly is vital for resolving issues and achieving goals. We will set specific targets, strategies and measures, and effectively deploy our organizational and human resource

capabilities to achieve them. As we move forward with these initiatives, M&As and capital participation in partner companies may emerge as options. If such opportunities arise, I will carefully assess both growth potential and risks, and if taking advantage of an opportunity will contribute to management, I will personally take the lead as CEO.

Management of Fostering Personnel: Successors to Yamazen's Corporate DNA

Developing human resources and utilizing them in the right places is a management theme that holds the key to growth for the Yamazen Group. Yamazen has long considered human resources to be its most important management resource, and has cultivated personnel who challenge themselves and think while taking action and people that we can be proud of. We have always been conscious of "Management of Fostering Personnel" to achieve sustainable growth for the Group. In my opinion, an ideal Yamazen employee is someone who can provide value to customers or suppliers in the field, who can securely maintain that value, and who can handle advanced management involving national staff in domestic and overseas markets. For us to exceed ¥600 billion in net sales and aim even higher toward ¥700 billion and ¥800 billion thereafter, we urgently need to strengthen this approach of "Management of Fostering Personnel." In addition, to tackle material issues such as expanding green business and digitalization to maximize

customer value, it will be necessary to acquire, develop and empower diverse human resources. We will decisively localize management activities by acquiring skilled talent from outside Yamazen, exchanging personnel with business partners, establishing various systems to empower women, and strengthening human resource management across countries and regions. In addition, we will cherish the Yamazen culture that has been cultivated since our founding as intellectual capital and an asset. It is also important that this unique culture remains intact and is passed on to the future as our corporate DNA. To the greatest extent possible, I will go to our workplaces, both in Japan and overseas, to communicate with as many employees as I can in promoting a series of reforms. Yamazen will continue to create a work environment that brings out the full potential of its employees, conducting reforms of its human resource development systems and providing opportunities for on-site training.

To Our Stakeholders

Creating New Economic and Social Value through Synergy with Our "Crossing" Concept

The Yamazen Group has consistently provided employees with practical experience in the field and has worked to enhance educational and training programs to raise their abilities. Now that we have entered a challenging age of uncertainty, we will hone our collective capabilities as an organization by concentrating and systematizing our strengths. In these uncertain times, we are aware that stable business operations based on a highly capable organization and the ability to provide services not just once, but continuously, are the main reasons for Yamazen's high evaluation from customers and society.

The course ahead is also unlikely to be smooth in Yamazen's business environment. In a global situation that changes day by day, now is the time that our foresight and human resources will be put to the test in responding promptly to the external environment. As such, we need to master the major currents of the times rather than being swept away by them. We will steadily advance various initiatives for our businesses and organization with the aim of bolstering the foundation of our existing businesses,

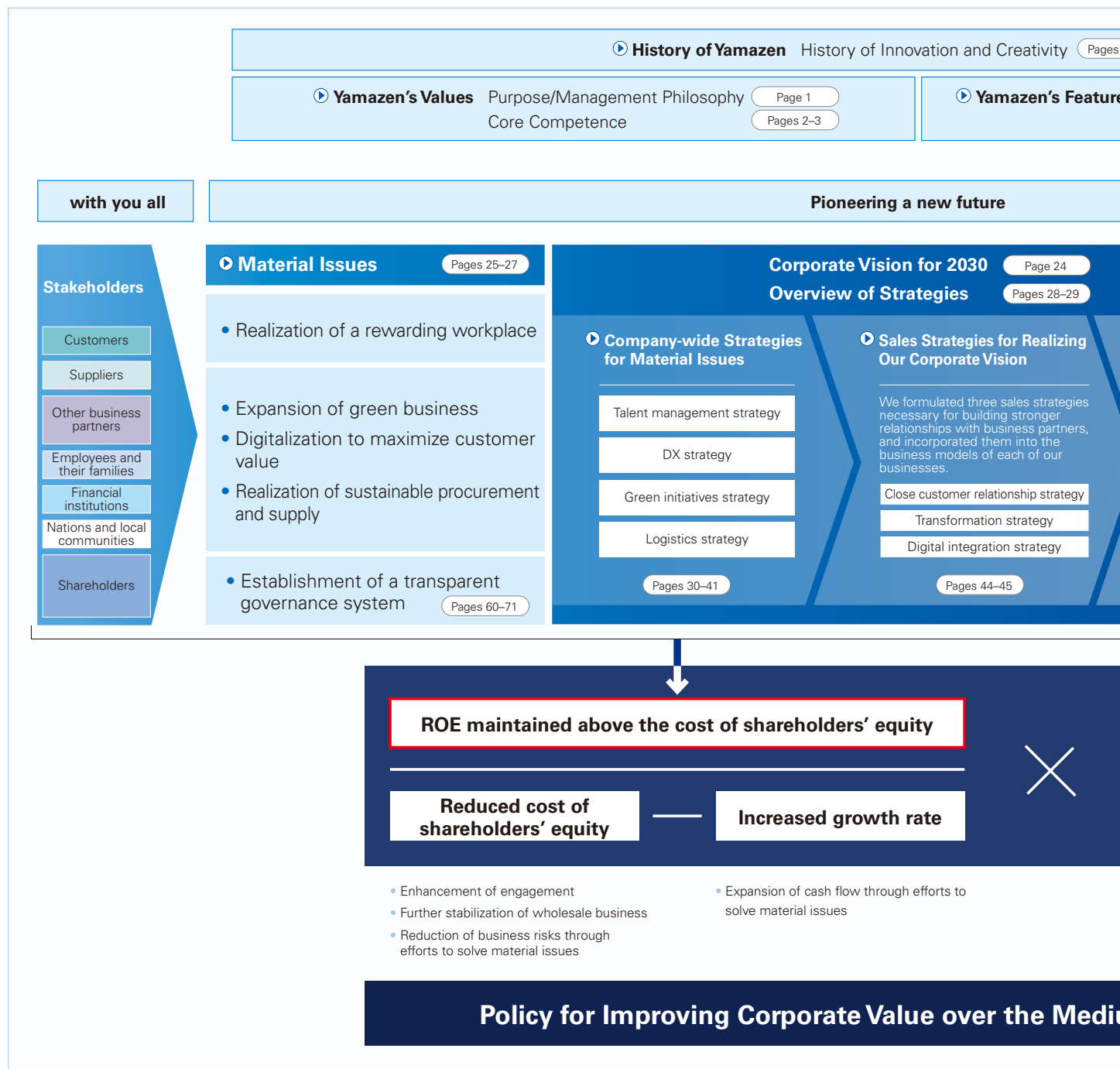
establishing a more advanced management structure, and acquiring new sources of future earnings through effective and strategic investments with an eye to the future.

In my communications with Group employees, I regularly convey the message "Fly higher, fly faster and fly further." For the final word, I purposely use "further" instead of "farther" to convey the two meanings of aiming to achieve quantitative targets and entering unknown territory.

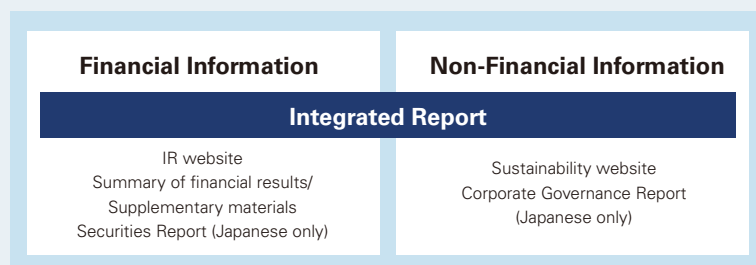
The word "crossing" in the name of the medium-term management plan does not mean exchanges of products and services among our departments and businesses to supplement each other's activities and results. The aim is to create synergy by combining and making mutual use of our tangible and intangible assets. This will create new business value and markets that did not exist before. As the leader of the Yamazen Group, I will further accelerate this "crossing" to open up new paths for the Group. In doing so, I ask for the continued understanding and support of our stakeholders.

Overview of Yamazen

Yamazen is a specialized trading company that deals in both production equipment that supports the manufacturing process, such as machine tools, industrial equipment and cutting tools, and consumer goods that enrich everyday living, such as housing equipment and home products. We transcend existing frameworks to create new value around the globe.



Information Disclosure System



Editorial Policy

This integrated report is targeted at shareholders and other stakeholders, and is intended to create new opportunities for dialogue by further deepening understanding of the Yamazen Group's corporate value and medium- to long-term growth potential. In compiling the report, we referred to the *International Integrated Reporting Framework* of the IFRS Foundation and the *Guidance for Collaborative Value Creation* of the Ministry of Economy, Trade and Industry.

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Competitive Advantages and Business Model

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▶ Activities in Each Business

Strengthening our stable earnings foundation and obtaining new profit sources

Special Feature: Yamazen's Growth Driver—Overseas Production Equipment Business

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Yamazen's Businesses

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Interrelationship with Stakeholders

Net sales

Cost of sales

Other SG&A expenses

Personnel expenses

Interest

Taxes

Profit

Shareholders' equity

▶ Message from the CEO

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▶ Message from the CFO

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Optimize shareholders' equity

- Credit rating with consideration for wholesale business: R&I A- (stable) / JCR A (stable)
- Shareholder returns linked to profit and capital

um to Long Term

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: FY2022 (April 1, 2022 to March 31, 2023). Some information from after March 2023 is also included.

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History of Innovation and Creativity



Establishment of Yamazen Tool Manufacturing & Sales Co., Ltd.



Tokyo Branch at time of opening



Takeo Yamamoto at stock listing on second section of Osaka Securities Exchange



In-house newsletter ZEUS NEWS



Advertisement of new visual identity

Innovation

1947

Company established

Osaka was a charred wasteland after World War 2, so there was a great need for work tools, and Yamazen Tool Manufacturing & Sales Co., Ltd. was established.

1957

Nationwide expansion

For several years after its founding, the Company focused on traveling sales, but it opened the Tokyo Office in 1957, followed in succession by offices in Nagoya, Fukuoka and Sapporo. Very quickly it had established a nationwide presence.

1962

Stock listing

Fifteen years after its start in the cutting tool distribution industry, the Company listed its stock on the second section of the Osaka Securities Exchange (first in the industry to do so), and on the second section of the Tokyo Stock Exchange the following year. After focusing on further improving its management structure and upgrading its infrastructure, the Company was listed on the first section of both exchanges in 1970, its 23rd year in business.

1965

Entry into the housing equipment market

1978

Entry into the home products market

1988

Start of the "Zeus Plan," a long-term management plan, and introduction of visual identity

The Zeus Plan, a long-term management plan for reaching a new stage, started. In 1991, the Company unveiled a new corporate logo in conjunction with the introduction of its new visual identity.

Creativity

1947

Lay the foundation for postwar recovery

In the postwar turmoil, the black market was the center of the business world, but the Company procured whatever customers required—mainly work tools to use in the recovery—in the quantities needed. In doing so, it helped to lay the foundation for the postwar recovery.

1975

Doterai Ichi held

With the Japanese economy still recovering two years after the oil crisis of 1973, employees on the front lines and members of sales offices contributed ideas and plans, racking their brains to think of ways to overcome the challenges the Company faced. The result was the birth of Doterai Ichi. Unusually for the time, this was an exhibition and sales event where you could see, handle and operate products. The event is still held nationwide today as a business model in which local distributors, manufacturers and Yamazen collaborate with each other.

1992

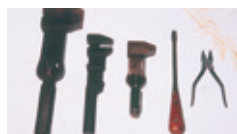
Established the Takeo Yamamoto Commemorative Scholarship Fund

"I was not able to study enough, even though I wanted to, and I used this sense of frustration as a springboard to master management. I want as many people as possible to apply themselves to study." These were the words of founder Takeo Yamamoto, and the scholarship fund was established in 1992 to honor his intention.

1999

Full-scale entry into environmental businesses

The Industrial Systems Administrative Division established an "Environmental Team," and began full-scale sales expansion of environmental equipment and devices such as incinerators and oil mist eliminators.



Main products when the Company was founded

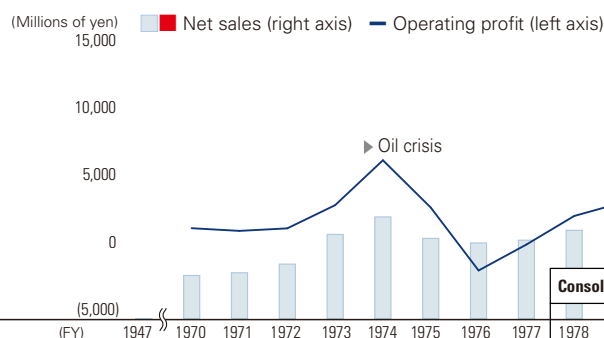


Second Osaka Doterai Ichi exhibition and sales event



Presentation of Takeo Yamamoto Commemorative Scholarship to first recipient

Net Sales and Operating Profit



Rapid Development

Hard Times and Rebuilding

Restoring Confidence

Changing the Management Structure

Corporate Renewal

Ever since Takeo Yamamoto, the founder of Yamazen, established Yamazen Tool Manufacturing & Sales Co., Ltd. in May 1947, we have strived for innovation with the aim of producing things that did not previously exist, and creativity in terms of generating value to fulfill our social responsibility.

Going forward, we will continue to innovate and create with our stakeholders as a business that responds swiftly to change while realizing our Vision of "Leading worldwide manufacturing and enriched lives," and aiming for sustainable growth.



"LABO" collaborative robot facility in TFS Div. H.Q.

2012

Introduction of division H.Q. structure

To respond to rapidly changing markets and clarify its business domains by product and service, and provide integrated solutions and measures to customers as quickly as possible, Yamazen adopted the division H.Q. structure to facilitate an agile and fast-moving business organization.

2019

Focus on hybridized management, or the concept of "crossing" operations

Yamazen set an investment framework of ¥60 billion targeting the four fields of automation and labor-saving measures; expansion of green business; wholesaling; and DX during the period from FY2019 to FY2023. It promoted the concept of "Crossing management" as a way to achieve sustainable growth while carrying out initiatives across all divisions and responding flexibly to change.

2021

Established cross-organizational Digital Transformation Strategy Dept., Green Recovery Business Dept. and TFS Div. H.Q.

Yamazen advanced "Crossing management" by establishing the Digital Transformation Strategy Dept. to carry out initiatives across all divisions and to use data from market events and financial figures to create new value; the Green Recovery Business Dept. to maximize value and develop business strategies as an ESG-oriented company; and the TFS Div. H.Q. to address needs for automation and labor-saving measures.

2022

Establishment of Purpose and Vision

Formulated Purpose (Pioneering a new future, with you all) and Vision (Leading worldwide manufacturing and enriched lives). Launched new medium-term management plan CROSSING YAMAZEN 2024 to realize our Purpose and Vision.

2008

Start of the Green Ball Project

Yamazen began an environmental business that aimed to popularize and expand environmentally friendly technologies, such as solar panels and EcoCute, which are expected to have an impact in the fight against global warming, while also helping to reduce CO₂ emissions.

2017

Recognition at the Japan Resilience Awards

At the Japan Resilience Awards, a program that discovers, evaluates and recognizes initiatives to develop a resilient society for the next generation, Yamazen's project to contribute to national resilience through its strengths as a specialized trading company was recognized, and the Company received the Best Resilience Award in the Risk Communication Information category.

2021

Entry into the corporate PPA business

Yamazen formed a business alliance with Daigas Energy Co., Ltd., marking its entry into the corporate PPA business—in which power generation operators install solar power generation systems at their own expense and then sell the electricity generated to customers—and launched the joint brand "DayZpower." This project will contribute to the enhancement of corporate environmental value and the overall reduction of CO₂ emissions in society.



Start of the Green Ball Project



Resilience Certification mark



DayZpower logo

Net sales

527,263

Operating profit
16,563

(Millions of yen)

Global COVID-19 pandemic

Global financial crisis

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

Increasing Awareness of Social Responsibility

Era of Innovation

Yamazen at a Glance

Consumer Goods Business

Segment profit: **¥4,960** million (4.9% of net sales)

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



Business

Fabless manufacturer Wholesale

Home Products Business

Net sales

¥100,711 million

19.1%

Segment profit: **¥2,341** million (3.4% of net sales)

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 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. We provide optimal solutions to customers in our role as a high-functionality trading company.



Business

Wholesale Engineering

Building Materials Business

Net sales

¥68,031 million

12.9%

Major products handled

Kitchen appliances; cooking appliances; bathroom appliances; washbasin appliances; water boiling equipment; sanitary appliances; air-conditioning and ventilation equipment; solar power generation equipment; storage batteries; floor heating, solar thermal water heating equipment; stored-heat heating systems; plumbing equipment and materials; interior architectural materials; exterior architectural materials; nursing care equipment; interior materials; window frames; exterior materials; foundations; ancillary construction materials; construction materials; construction equipment; structural building frames; cutting tool-related equipment; office equipment; home equipment; IoT equipment; BCP-related equipment; and more

Yamazen's Business Development

Increase products and businesses based on recurring transactions

Fabless manufacturer (home products)

Engineering (domestic and overseas)

Wholesale (home products)

Wholesale (building materials)

Wholesale (machine tools, industrial solution, and tools & equipment)

Founding

The foundation of our business is wholesale operations, which generate stable cash flow based on recurring transactions with business partners in the fields of production equipment and consumer goods. In addition, we have also been building up sales and profit in the engineering and consumer goods fabless manufacturing businesses in Japan and overseas. As a result, we now have three business models—wholesale, engineering, and fabless manufacturer—and are expanding each one.

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.

Sales Co

FY2022 Consoli

¥527

Other

Net sales

¥5,317 million

1.0%

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, Tools & 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.

Production Equipment Business

Segment profit: **¥13,965** million (4.0% of net sales)

Composition

dated Net Sales

7,263
million

Machine Tools Business (Domestic)

Net sales

¥88,498 million

16.8%

Industrial Solution Business (Domestic)

Net sales

¥88,001 million

16.7%

Tools & Engineering Business (Domestic)

Net sales

¥80,337 million

15.2%

Overseas Production Equipment Business

Net sales

¥96,365 million

18.3%

Including

Machine Tools

Net sales: **¥62,715** million

11.9%

Industrial Solution + Tools & Engineering

Net sales: **¥33,650** million

6.4%



In collaboration with leading manufacturers inside and outside Japan, we offer production and processing systems with cutting-edge hardware and software together with machine tools for on-site operation, enabling us to respond to customer needs that change with the times. 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 and overseas.

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-casting CAD/CAM; machine tool accessories (industrial robots, measuring equipment, automation peripheral equipment, machine tool accessories); and more

Business

Wholesale

Engineering



We provide total support for each stage 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 measures 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; motor/powertrain 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; prefabric housing-related materials; multilevel parking lots; steel frame processing machines; cleaning equipment; effluent treatment equipment; dust extracting equipment; incinerators; volume reduction machines; oil mist collectors; solvent recovery equipment; floating oil collecting systems; cutting fluid cleaning systems; deodorization equipment; acoustic absorption/sound-proofing systems; industrial scrap processors; aids for environmental improvement; aluminum frames; clean rooms; HVAC equipment; air-conditioning control equipment; and more

Business

Wholesale

Engineering



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 our online infrastructure and logistics functions developed over many years, we use our technical marketing capabilities to swiftly provide information and products to customers.

Major products handled

Cutting tools; tooling accessories; machine tools 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

Business

Wholesale

Engineering



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 local communities and industries.

Major products handled

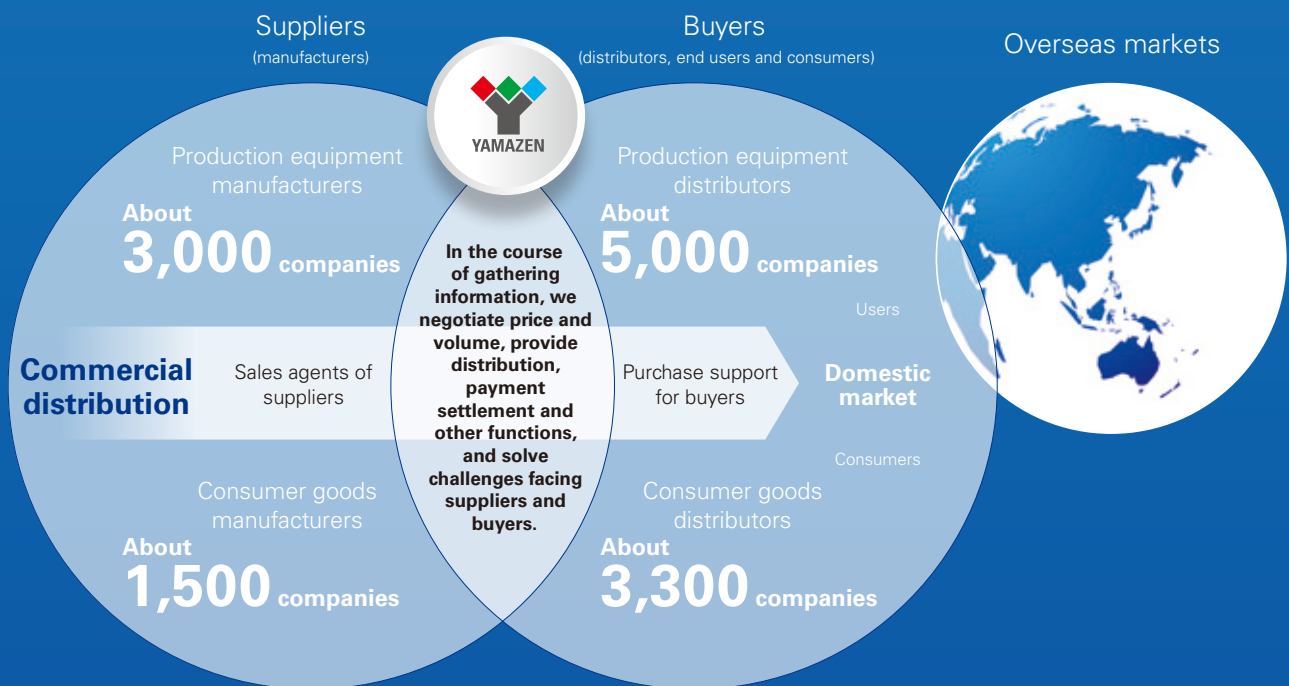
Machining centers; CNC lathes; CNC milling machines; EDMs; 3D printers; injection molding machines; die-casting machines; machine tool accessories; NC tooling; auxiliary tools; cutting tools; measuring instruments; measuring equipment; work tools; material handling equipment; mechatronics equipment;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

Business

Engineering

Yamazen's Competitive Advantages

Yamazen started out as a wholesaler of production equipment, and expanded into the consumer goods business. It has built an extensive network in Japan and overseas, and has supported the sustainable development of supply chains worldwide and contributed to the development of industrial society. Yamazen's people are quick to gather information on the challenges and requests of customers in the supply chain of each business, and use their planning and proposal capabilities to resolve such issues through tenacious negotiations. We will leverage the competitive advantages we have cultivated and the business models we have built to realize our Vision of "Leading worldwide manufacturing and enriched lives."



1

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

- Solid relationships with suppliers and buyers we have nurtured for over 70 years
- Global network (16 overseas subsidiaries and 65 business locations in 14 countries/regions as of October 31, 2023)

2

Flexible business operations with low risk

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

3

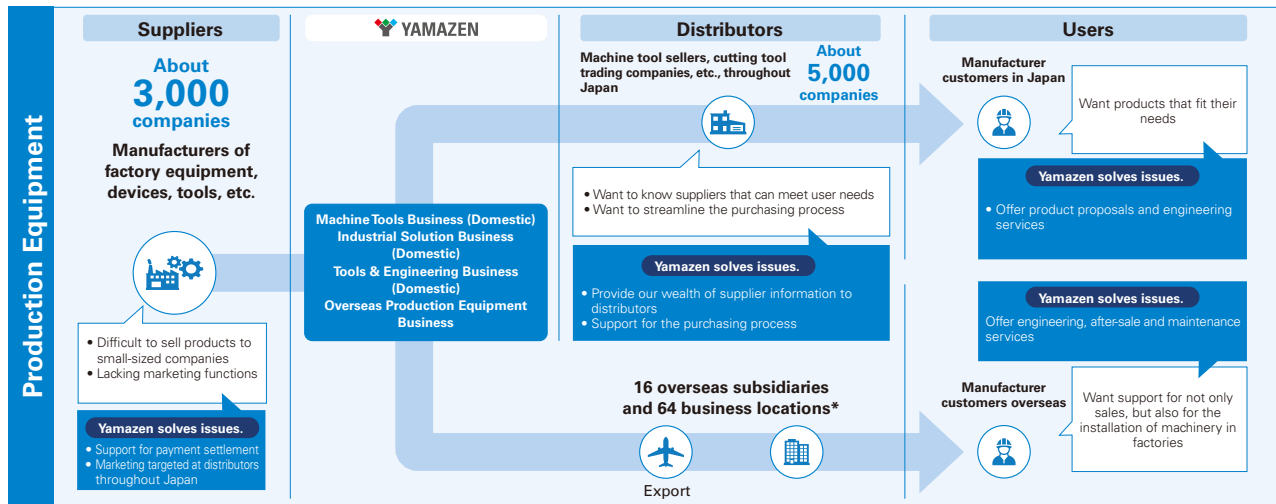
Human resources who embody our Management Philosophy

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

Business Model A useful company that solves supply chain problems around the world

Production Equipment Business

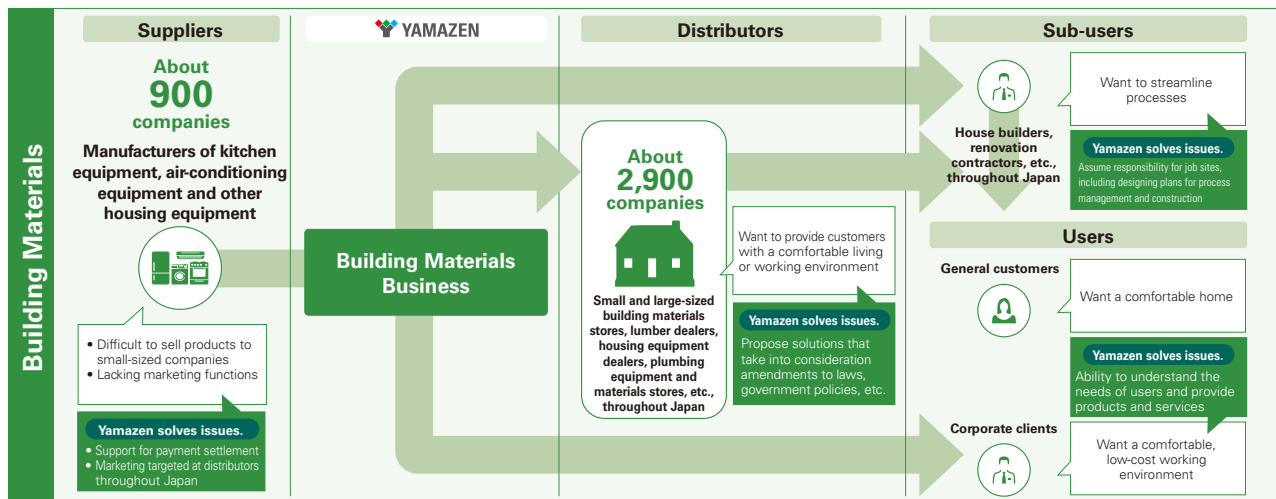
Our human resources in Japan and overseas collect information on user needs directly and indirectly, and use their specialized knowledge to support the sustainable development of supply chains by partnering with some 3,000 suppliers and more than 5,000 distributors. We are growing steadily through the wholesale business, which provides a stable foundation, and the volatile yet highly profitable engineering business.



* As of October 31, 2023. Figures for the Production Equipment Business only.

Building Materials Business

Yamazen's employees, who have specialized knowledge, support the growth of customers by accurately perceiving the needs of suppliers, distributors and end users, and by leveraging its base of approximately 900 suppliers and 2,900 distributors cultivated over many years. The result is a system that also leads to revenues for Yamazen.



Home Products Business

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.



Message from the CFO



We aim to enhance our earning capacity and expand the equity spread through optimal allocation of capital.

Masamichi Yamazoe

Director and Executive Officer; CFO & CIO
President of Corporate Administration H.Q.

A Look Back at Consolidated Results for FY2022, Year One of the Medium-Term Management Plan

In operating results for FY2022, net sales were sluggish as we entered the second half of the period and fell slightly short of the plan, but nevertheless set a new record at ¥527,263 million. Each level of profit exceeded the targets in the plan, with profit attributable to owners of parent reaching a record ¥12,527 million.

The impact of the COVID-19 pandemic was all but gone from the second quarter onward, except in China, where extreme countermeasures were partially lifted. However, it is undeniable that supply chain disruptions stemming from the pandemic and extended restrictions on face-to-face sales activities have had an impact on trade shows and sales promotion.

In addition, geopolitical risks including the prolonged Russia-Ukraine conflict, inflation caused by soaring energy prices, and interest rate and stock price trends in various countries have led to a decline in the willingness of companies to make capital investments. As a result, orders for production equipment and related products slowed in Japan and overseas. We recognize this as an issue.

In terms of our financial condition, we raised the level of inventories we hold as a way to optimize logistics functions and address lengthy delivery times for products including machine tools. Consequently, merchandise and finished goods increased by ¥8,404 million compared with FY2021, days inventory outstanding (DIO) was 6.8 days longer, and the cash conversion cycle (CCC), which had remained negative for the last nine fiscal years, grew 4.7 days longer and was positive 1.8 days. This trend is likely to continue for a while, so we expect that working capital will remain above the ¥20,000 million level.

However, net cash at the end of FY2022 remained unchanged, while equity was ¥122,928 million and the equity ratio was 42.6%, maintaining the levels reflected in our current credit rating.

Because we have a sufficient risk buffer that allows us to deal with uncertainties, we are responding flexibly to the changes taking place. We will diligently conduct financial management to achieve our Corporate Vision for 2030.

Management Indicators of Medium-Term Management Plan and Current Status

Reviewing indicators in the first year of the medium-term management plan, ROE of 10.6%, basic operating cash flow of ¥14,427 million, and an equity ratio of 42.6% were each in line with the plan.

We aim to enhance areas such as earning capability, return on capital and financial soundness. The heart of that effort lies in continuously strengthening our earning capability.

Since the wholesale business is our foundation, we need a reasonable sales volume to meet the expectations of our suppliers. In addition, it has always been our belief that profit margins are in proportion to the level of customer satisfaction. In order to gain

Medium-Term Management Plan CROSSING YAMAZEN 2024 Announced Figures

| (Millions of yen) | FY2022 Results (First Year of Plan) | FY2023 Forecast (Announced in May 2023) | FY2023 Forecast (Revised in September 2023) | FY2024 (Final Year of Plan) |
|---|--|--|--|--------------------------------|
| Net sales | 527,263 | 550,000 | 500,000 | 600,000 |
| Operating profit | 16,563 | 15,000 | 10,000 | 21,000 |
| Operating profit margin | 3.1% | 2.7% | 2.0% | 3.5% |
| Ordinary profit | 17,280 | 15,000 | 10,000 | 21,000 |
| Net income attributable to owners of parent | 12,527 | 10,000 | 6,700 | 14,000 |
| Return on equity (ROE) | 10.6% | 7.9% | 5.3% | 10.0% |
| Basic operating cash flow | 14,427 | 14,500 | 11,000 | 18,000 |
| Equity ratio | 42.6% | 40%–45% | 40%–45% | 40%–45% |

Summary of Capital Allocation by Business Model

| Business | Place of Value Creation | Product Category | Feasibility | Revenue Stability | Gross Profit Margin Index | Operating Profit Share | Invested Capital | | | | | | | Return on Capital |
|-------------|-------------------------|----------------------|----------------------------|--------------------|---------------------------|------------------------|--------------------------------------|-------------------------|--|-------------------|-----------|-----------|------|---|
| | | | | | | | Non-Financial Capital | | | Financial Capital | | | | |
| | | | | | | | Suppliers | Buyers | Personnel | Digital | Inventory | Logistics | | |
| Engineering | Overseas | Production equipment | Share expansion | Variable | ★★★★ ★★★★ | 25% | Mainly domestic manufacturer network | (Manufacturing company) | Under 40% (of which 60% are outside Japan) | ★★★★ | ★★★★ | ★★ | Good | |
| | Domestic | | | | ★★ ★★★★ | | | | | | ★ | | Good | |
| Wholesale | Overseas | | | Building materials | Share maintenance | Stable | | | | ★★ | 60% | | | Over 60% (of which 20% are outside Japan) |
| | Domestic | ★ | ★★★★★ | | | | ★ | Good to Excellent | | | | | | |
| | | Home products | Share and demand expansion | ★★ | ★ | | ★★★★ | ★★★★ | Very Good | | | | | |
| | Fabless Manufacturer | | | | ★★★★ | 15% | Mainly overseas manufacturer network | | | Supporters/fans | 3%–4% | ★★ | ★★★★ | |

the satisfaction of stakeholders, who include distributors (customers), suppliers and logistics companies, we have carried out various initiatives, such as Doterai Ichi and, more recently, the Green Ball Project. By doing so, we have been able to increase and maintain profit margins through a strong network connected by the power of people.

However, our business environment is changing rapidly, and we will need to make reforms to our wholesale business, which is the business foundation on which we generate stable cash flow.

With that in mind, we are investing in digital technology and logistics to ensure the sustainability of the volume we handle and customer satisfaction (profit)—areas that have been supported by our employees. The second year of the medium-term management plan marks the start of the initial investment period, and the resulting increase in the depreciation burden in relation to the pace of revenue expansion will temporarily reduce the operating profit margin.

Even in these circumstances, we can still demonstrate our earning capability, and have positioned basic operating cash flow excluding changes in working capital, which is influenced by short-term factors, as a key indicator.

Next, I would like to talk about financial soundness. We need to keep supplier creditworthiness at a high level since the wholesale business is our financial foundation. In addition, we

need to maintain sufficient access to funding to be able to make future large-scale investments.

To that end, we will maintain a level of equity that allows us to keep an “A” credit rating as the standard of financial soundness. This fiscal year, we have maintained our A rating from both R&I and JCR.

Finally, the key to return on capital is, in a nutshell, an emphasis on equity spread. We estimate the equity cost at March 31, 2023 to be from 2.99% to 8.87%, but the target spread we have in mind is around 7%, a little above the middle of that range. Cost of equity parameters are reviewed every three months, and the estimate figures obtained using the capital asset pricing model (CAPM) are shared at Board of Directors meetings.

To improve the equity spread, it is crucial to maintain and strengthen our earning capability, and thus to continue proper allocation of financial and non-financial capital. In addition, we will demonstrate our earning capability to investors in the form of business results, carefully explain the process involved in further increasing that capability, listen to their input, and continue to reflect feedback in management.

We believe that through these activities, we can gain the understanding and support of investors based on our growth direction and medium- to long-term growth rate, even if there is short-term revenue volatility.

Business Portfolio Management and Capital Allocation

Business portfolio management will not be based on reportable segments for financial accounting, nor on organizational structures related to business operations, which I will discuss later, but will largely encompass the wholesale, engineering, and fabless manufacturer categories.

Yamazen started out as a tool wholesaler, and expanded its sales channels along with the products it handled, widened its product categories, and even expanded its services. Currently,

we have five business divisions by product type, but all of them began mainly as wholesale businesses.

Even now, we consider wholesale as our core business that creates stable cash flow. To further boost efficiency, maintain market share and ensure stable earnings, we have made IT investments, including in core systems and marketing tools, as well as investments in a logistics management system (LMS) and distribution warehouses. In addition, we are starting to see the

results of efforts to expand sales channels, which had been made up predominantly of manufacturers of automobiles and metal processing related products, to different areas such as food processing and the logistics industry. Since the decline in the working-age population is an issue that is common to every industry, we focused on offering labor-saving equipment early on, and I think that gives us an advantage. We call this aspect “Share maintenance” in the “Feasibility” column of the “Summary of Capital Allocation by Business Model” on page 19, but share expansion is also possible, depending on the field.

Other than the core investments mentioned above, we are able to shift beyond our current industries with relatively little capital investment, and can secure revenue by cutting costs.

Our engineering services have their origins in the expansion of our engineering capabilities to meet the expectations of manufacturers and users, and began with providing after-sale service on behalf of manufacturers in the countries where we first extended our machine tools wholesale business. Our services extend beyond installation, servicing and repair. They now include everything from selection of equipment, programming development and test processing to support for other applications. Overseas, engineers outnumber sales representatives and the know-how of those engineers and the services they provide are a competitive advantage.

By deploying our know-how and capabilities in new markets overseas, or by bringing those advantages back to Japan, we are expanding opportunities for value creation.

The engineering business is one in which many transactions involve machine tools or other products with high unit prices, and earnings are easily impacted by capital investment trends. From a global perspective, relocation and dispersion of production sites is an ongoing trend. Therefore, we believe we can expect share expansion, and our policy is to allocate management resources centered on human capital.

Lastly, I will talk about the fabless manufacturer category. Similar to engineering, the origins of this business lie in wholesale. It started by proposing reasonably priced products to home centers, and by meeting the expectations of customers, it has now grown into a large business that accounts for roughly 10% of consolidated net sales. As a fabless manufacturer of household products including electrical appliances, furniture and outdoor goods, there are a number of items for which we have the number-one share in Japan, such as electric fans. We believe we have secured a position where we can not only expand our share, but also pursue a strategy focused on expanding demand.

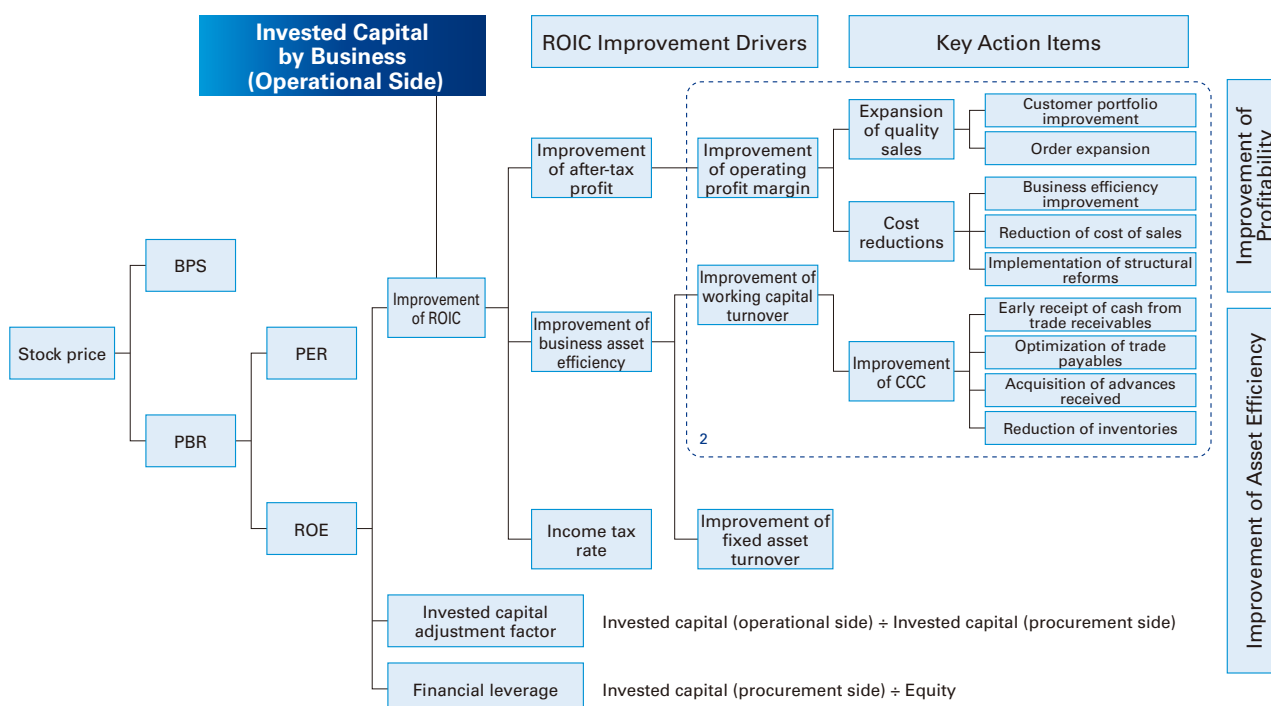
Although our products are not luxury items, we are recognized as a Japanese (brand) manufacturer, and are chosen by customers not only based on price, but because they want peace of mind. As such, we have been able to pass on the recent cost increases to selling prices.

At present, our market in the fabless manufacturer category is mostly centered on Japan, but with personal income levels rising in emerging countries, we believe we can establish distribution routes and cultivate overseas users.

As the name “fabless” implies, we are committed to production in the optimal location and do not have our own production facilities, so we do not have to invest large amounts of financial capital. Our policy is to strengthen R&D and enhance communication activities to increase the number of supporters/fans of our products.

What has supported the transition of our business model is fundamentally the power and ingenuity of our people. Yamazen, which was established by Takeo Yamamoto after he had been demobilized following the war, not only had limited financial capital, but also lacked creditworthiness. Through sheer hard work and effort, he convinced business partners to invest in the Company and built a purchasing and selling network.

Breakdown of Stock Price Factors



With the mindset of an Osaka merchant, he incorporated a concept basically equivalent to what it now cost of capital into profit and loss management. He then took the idea further and applied it to on-site operations as the Company's unique management rule,¹ and divided it into the two axes of business divisions and regions. By further expanding the concept to the sales representative level, and performing relative comparisons, we have sought to enhance profitability² and increase asset efficiency,² even though we are a wholesaler.

The result is a structure in which working capital is maintained at a low level, and while profit levels are low, capital yield is maintained at a high level.

This structure has been supported by our human resources over the years, but we are now carrying out digitalization and

optimization of logistics. We are also proceeding with the reallocation, development and acquisition of human capital to respond to the expansion of other business models internally, and to changes in the human resource supply and demand balance externally.

As a result, capital yield has declined from previous levels, but we see this as a temporary phenomenon during the reallocation of human resources.

1. Operating profit – Working capital × Internal interest rate – Non-deductible items × Tax rate ± Adjustment of corporate expenses, etc.
2. Details are in the chart titled "Breakdown of Stock Price Factors" on page 20.

Progress of Growth Investments in the Medium-Term Management Plan (Results and Challenges)

The sense that we have fallen behind in the area of business investment is undeniable. However, rather than loosening our investment criteria and making hasty decisions that will not contribute to enhancing corporate value, we want to take a careful and patient approach.

On the other hand, logistics investment is mostly progressing according to plan, including the redevelopment of large-scale bases in eastern and western Japan. IT investment is moving at a faster pace than we anticipated when we formulated the medium-term management plan, and we began operation of a core system in August 2022. We are also looking to make further investments in development of peripheral systems and marketing tools to strengthen sales capabilities. In addition, as our competitors accelerate the development to overseas markets,

we will also need to reinforce systems at overseas locations to solidify our first-mover advantage and stay ahead in terms of acquiring human capital. In these circumstances, we are considering reviewing where we make growth investments.

I believe we can fund these growth investments primarily with cash flow generated during the period of the medium-term management plan, in principle. However, this level is meant to indicate that "we will reinvest this much, at minimum," and for business investment, initiatives of a scale that cash flow will not cover are certainly conceivable. In such cases, our policy is to use diverse funding methods, which may include debt financing. In that context, we understand the importance of maintaining our credit ratings at the current level.

Shareholder Return Policy and Current Status

We modified our shareholder return policy on August 10, 2023.

For a long time, we had determined the dividend amount for each period based on a consolidated payout ratio target of 30%. However, in this medium-term management plan, we have laid out an even more aggressive approach to business and capital investment, and are pursuing a profit plan that factors in increased depreciation expenses in the initial stages of investment. As a result, if we were to set the dividend amount for each period based solely on the consolidated payout ratio, it is possible that due to the progress of the investment plan or a short-term downturn in earnings, we would be unable to pay stable dividends, or that shareholder returns would be at an insufficient level in light of the level of equity.

Therefore, while we will ensure financial soundness as we have in the past, and work to curb the impact of short-term profit

volatility, we have changed our shareholder return policy. We will set the dividend amount for each period at either a 40% consolidated payout ratio (a metric of performance-based profit distribution) or a 3.5% dividend on equity ratio (DOE) (a metric of stable profit distribution), whichever amount is higher, in order to ensure stable and regular dividends.

We will also flexibly implement share buybacks based on timing and financial condition, to provide additional shareholder returns and improve capital efficiency. This will depend on the progress of the investment plan, stock price trends and the cash situation.

Going forward, we will actively promote initiatives to further enhance our corporate value from the perspective of stakeholders. We appreciate your continued support.

Value Creation Process

Purpose

Pioneering a new future, with you all

Management Philosophy

Input

External Environment

Growing demand for decarbonization

Advances in digitalization and smart technologies

Changes in consumer behavior

Changes in the domestic and world economies

Human Capital [Pages 30–33](#)

Diverse employees who can respond quickly to change, innovate and create

- An organization of diverse individuals who challenge themselves and think while taking action
- A system for turning Yamazen's corporate DNA into organizational knowledge, and instilling it in all human resources

Financial Capital [Pages 18–21](#)

Solid financial foundation and ability to generate cash flow

- Credit ratings: R&I: A-, JCR: A
- Return on equity: 10.6%
- Basic operating cash flow: ¥14,427 million
- Equity ratio: 42.6%

Intellectual Capital [Pages 34–36](#)

Organizational knowledge/systems and brand power

- Know-how to accurately grasp and address customer needs based on 75 years of customer transaction data
- Our own e-commerce site and core systems
- Engineering capabilities
- The Yamazen brand

Social Capital [Pages 42–59](#)

Close relationships with a wide range of suppliers and buyers

- Far-reaching ties with suppliers, buyers and users around the world
- Solid relationships cultivated over many years
- Promotion of regional economies through Doterai Ichi

Manufacturing Capital [Pages 58, 77](#)

Business locations that connect the world and community-based systems

- Broad geographic coverage¹
 - Overseas: 65 business locations in 14 countries/regions
 - Japan: 53 business locations, 122 logistics sites
- Locally based engineering system
 - Overseas production equipment engineers: Approx. 330¹
 - Yamazen Factory Automation/Systems Integrator Association: 48 companies¹ (total of full and associate members)
 - Yamazen Health and Safety Council: 209 companies²

Natural Capital [Pages 37–39](#)

Proactive promotion system/activities for decarbonization business

- Promotion of energy-saving measures
- Initiatives for decarbonization
- Scope 3 initiatives
- Decarbonization support for small and medium-sized enterprises

Suppliers

Strengths and

YAMAZEN CO

Vast volume of customer transaction data

Employees who have a pioneering spirit and the ability to think while taking action

Strong relationships with business partners

Our own logistics

Material

Expanding green business

Digitalization to maximize customer value

Realization of a rev

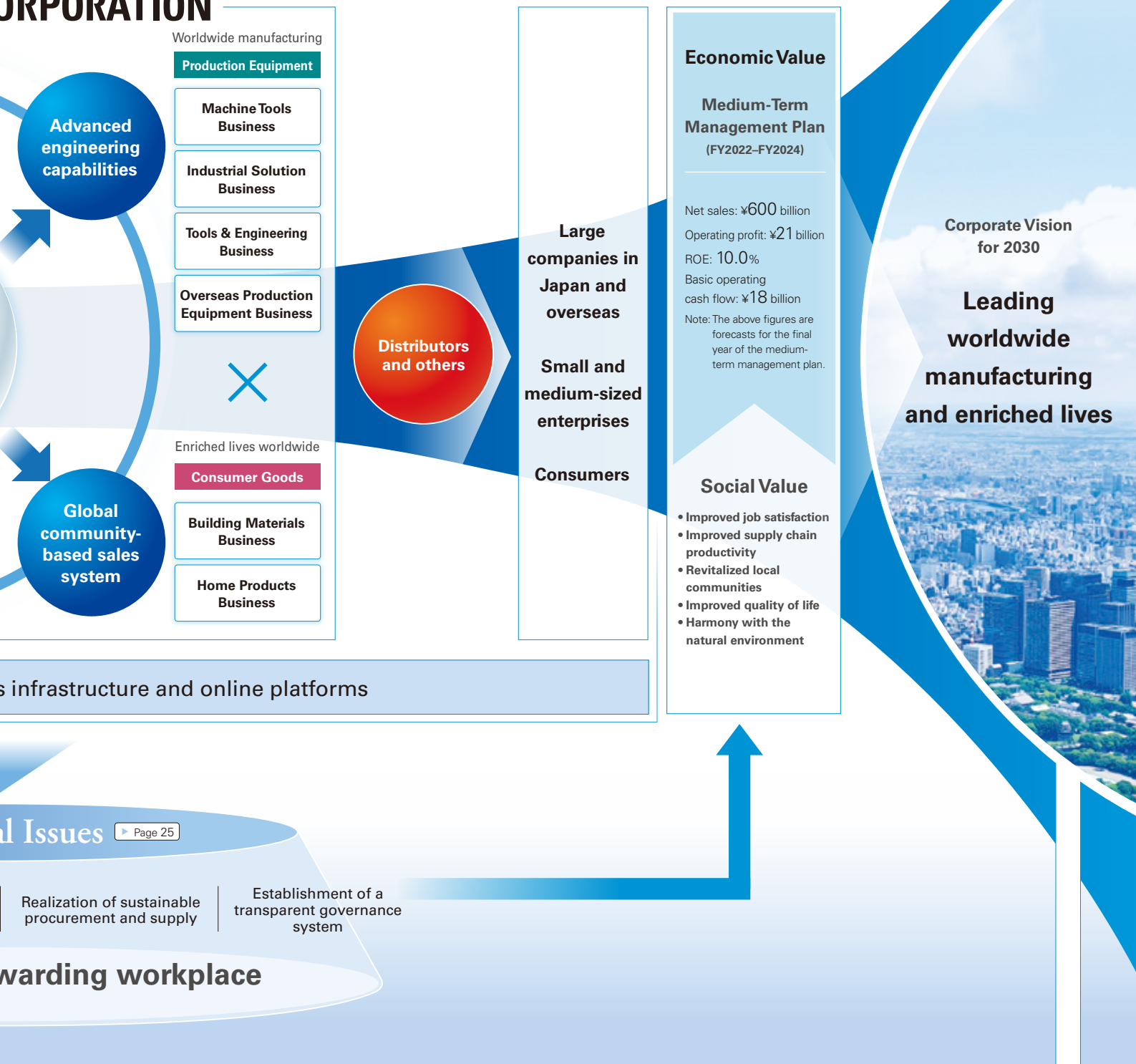
1. As of October 31, 2023
2. As of October 1, 2023

To realize our Corporate Vision for 2030 of “Leading worldwide manufacturing and enriched lives,” we will mobilize our strengths—chiefly the operating resources we have built and our employees who have a pioneering spirit and the ability to think while taking action—to focus on expanding our business scale and addressing five material issues. By doing so, we will create further social and economic value and work to maximize Yamazen's corporate value.

Philosophy Management of Fostering Personnel | Management of Breaking Through | Management of Trust

1 Businesses

CORPORATION



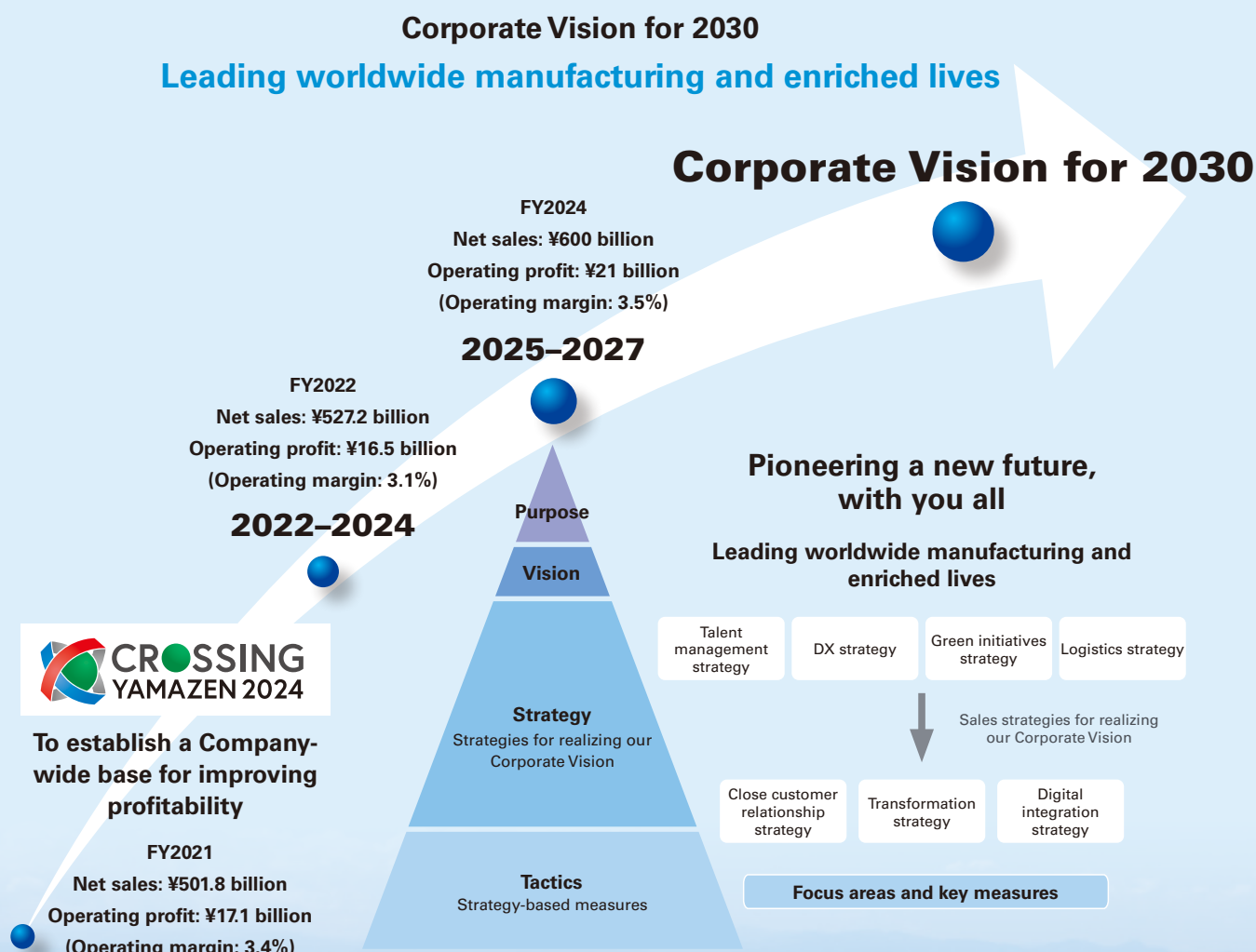
Corporate Vision for 2030 and Material Issues

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 tackling 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**

Yamazen has drawn up the following roadmap 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.

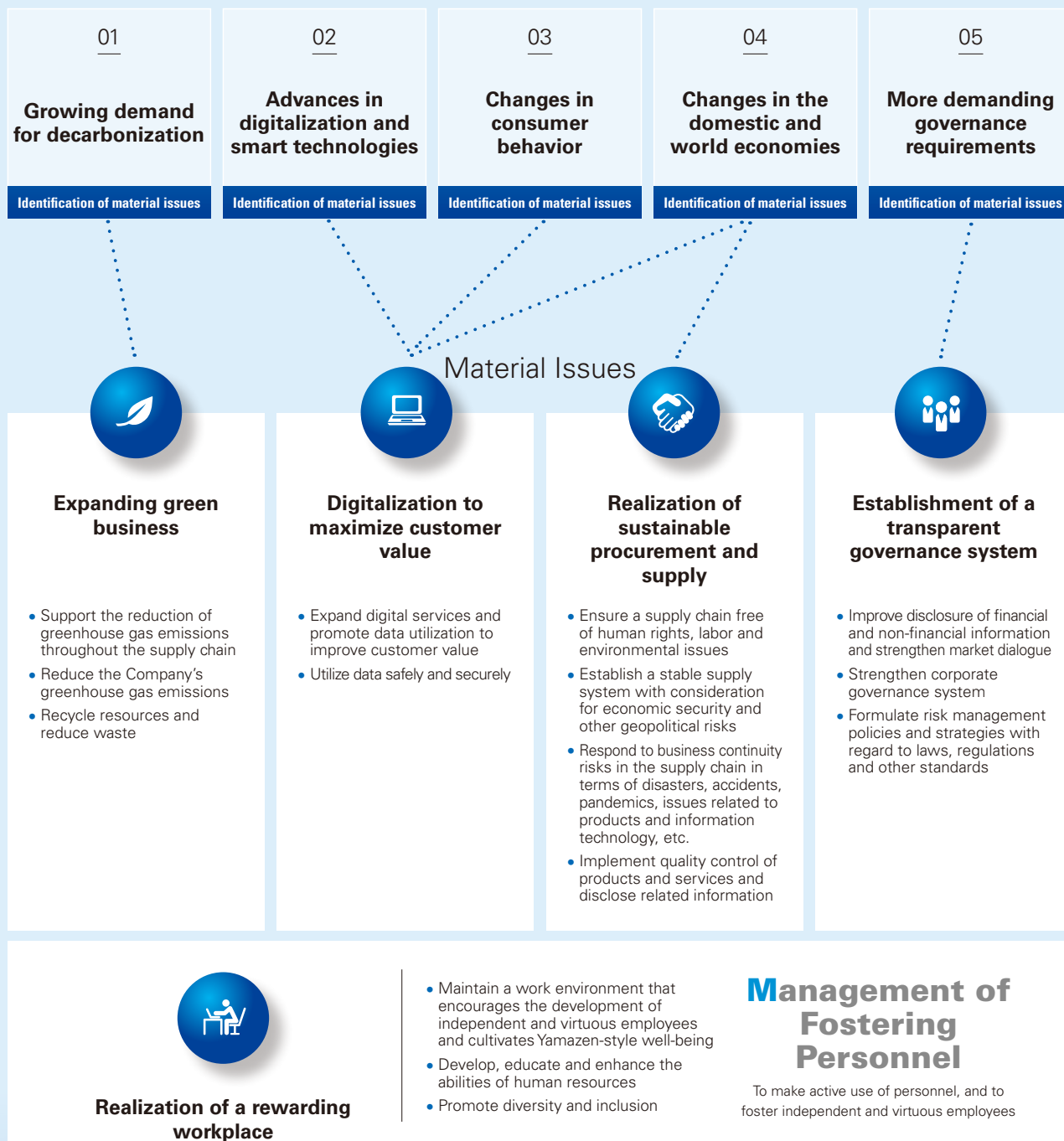
Positioning of the Corporate Vision for 2030



Material Issues* for Realizing Our Corporate Vision for 2030

* Issues for aligning efforts to create both social and economic value

Yamazen and the 2030 World Outlook



Material Issue Identification Process

Yamazen's business environment is changing significantly due to factors such as worsening climate change, economic fluctuations in Japan and overseas, Japan's declining birthrate and aging population, and advances in digitalization and smart technologies. To accurately understand the needs of our customers and provide them with greater value, we created an outlook for 2030, then identified material issues to be addressed and established our

Corporate Vision for 2030. 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.

Material Issue Identification Process

Step
1

Select possible material issues

Using items stipulated in international ESG information disclosure standards from the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and other organizations, we extracted a wide range of possible material issues in areas such as our impact on the economy, environment and society.

Step
2

Analyze relevance to our business and prioritize each element

We conducted a survey of dozens of domestic and overseas employees on the relevance to our business of the possible material issues we identified in the areas of the environment, society and governance. Based on this data, we held multiple discussions to prioritize each element from the standpoints of their impact as well as related opportunities and risks. We then singled out proposed material issues.

Step
3

Conduct interviews with external experts and members of management

Based on the proposed material issues, we conducted interviews with external experts (including domestic and international institutional investors), business partners, representatives from banks and securities companies, and outside directors. We discussed each external expert's expectations for the proposed material issues in terms of background, details of initiatives and order of priority. We also gathered opinions from the perspective of ESG. We then interviewed members of management at Yamazen to compare and fine-tune both Company-wide and business department policies, including those related to our foundation for reform, in order to better promote the resolution of these material issues.

Step
4

Map the material issues

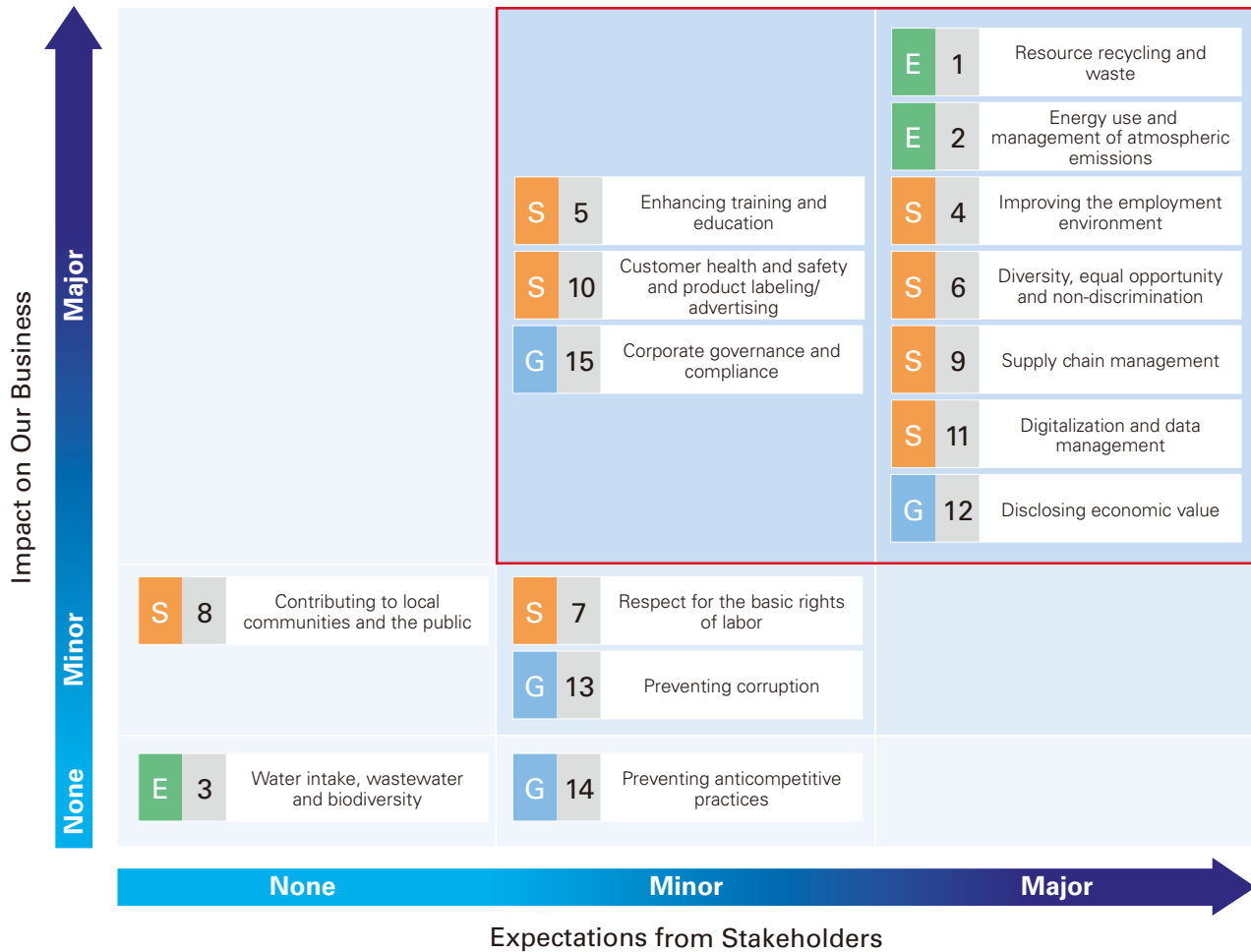
Based on the interviews with external experts and members of management, we positioned high-priority items along the two axes of impact on our business and expectations from stakeholders. Those items include resource recycling and waste; energy use and management of atmospheric emissions; improving the employment environment; diversity, equal opportunity and non-discrimination; supply chain management; digitalization and data management; disclosing economic value; enhancing training and education; customer health and safety and product labeling/advertising; and corporate governance and compliance.

Step
5

Identify material issues

We consolidated the 10 high-priority items listed above into five highly related categories, and identified our material issues as 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. For each material issue, we have set targets with a timeframe, determined the details of the initiatives and departments in charge, and established a system for promoting them.

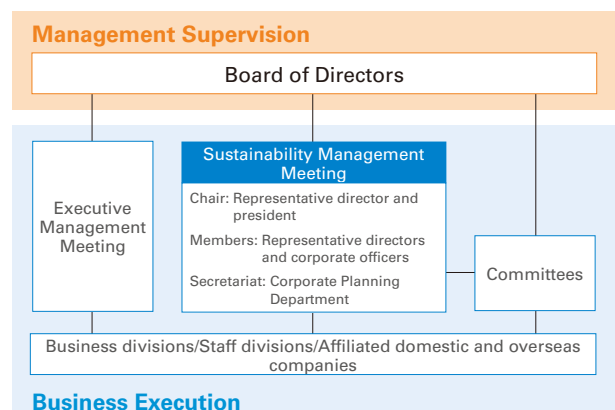
Mapping of Material Issues



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.



Overview of Strategies

1

Company-wide Strategies for the Material Issues

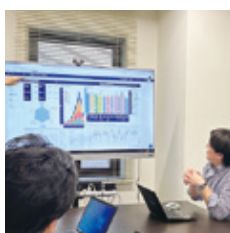
To resolve the material issues identified when drafting our outlook for 2030 and to align efforts to create both social and economic value, we will implement four Company-wide strategies.



Talent Management

We will enhance our human capital by focusing on developing the independent and virtuous employees who are Yamazen's core competence, promoting diversity and inclusion, and managing human resource development.

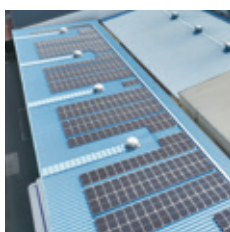
► Details on pages 30–33



DX

By turning Yamazen's strengths in individual sales activities and product development knowhow 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.

► Details on pages 34–36



Green Initiatives

Yamazen contributes to the decarbonization of the entire value chain by promoting the introduction and operation of energy-saving equipment and renewable energy, and through services such as visualization of CO₂ emissions.

► Details on pages 37–39



Logistics

Yamazen will ensure sustainable procurement and supply lines by reorganizing its domestic and overseas business bases and strengthening relationships with business partners, including local suppliers.

► Details on pages 40–41

2

Sales Strategies to Realize Our Corporate Vision

As the environment in which our business partners operate changes, so do their needs. Yamazen has established the sales strategies it needs to further strengthen relationships with business partners. Through the following three strategies, we will be able to provide solutions that accurately capture the needs of our business partners, thus strengthening our ability to generate cash.

► Details for each business on pages 46–57

Close customer relationship strategy

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.

Transformation strategy

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

Digital integration strategy

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

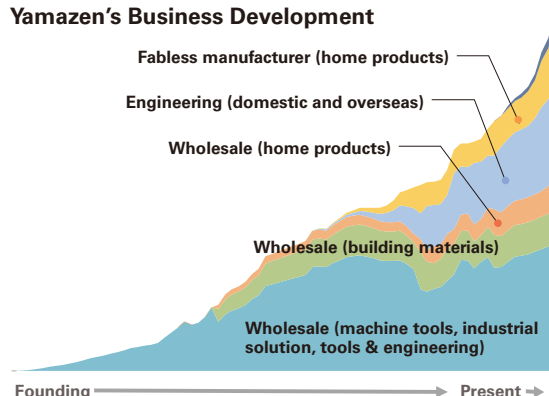
To realize our Corporate Vision for 2030 and increase corporate value over the medium to long term, we will conduct Group-wide initiatives to resolve material issues, work to reinforce our stable revenue sources and acquire new ones, and strengthen our ability to generate cash. As the first step toward realizing our Corporate Vision for 2030, we aim to achieve the numerical targets of our medium-term management plan CROSSING YAMAZEN 2024.

3

Strengthening Our Robust Revenue Base through the Activities of Each Business

We will pursue initiatives that align with our business strategies, and in so doing we will generate stable cash flow by strengthening our revenue base from recurring transactions, which is Yamazen's strong point, invest in maintaining our competitive advantages, and provide add-on solutions based on our material issues.

Yamazen's Business Development



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.

Yamazen has three business models: a wholesale business that generates stable profits based on relationships of trust with business partners; an engineering business with a relatively high profit margin because it sells directly to users; and an asset-light fabless manufacturing business that enables speedy development.

Yamazen's origins lie in the wholesale business, and wholesaling is connected to all of our operations in Japan. We aim to further raise our expertise and establish a more advanced logistics system, among other initiatives to strengthen this business going forward. The engineering business is an area where Yamazen has been an industry pioneer both domestically and internationally, primarily in the Production Equipment Business, and we have a salesforce that is close to local customers as well as advanced engineering capabilities in multiple countries and regions. We consider this business a growth driver for Yamazen and will continue to increase our focus on it. The fabless manufacturer business accounts for around 60% of net sales in the Home Products Business, and our Yamazen brand products that meet consumer needs have a solid market presence. We will work to further raise its recognition and expand sales channels.

4

Achieving the Numerical Targets of the Medium-Term Management Plan

By carrying out items 1 through 3 on the left, we aim to **achieve the numerical targets** of our medium-term management plan, which is the first phase of our Corporate Vision for 2030.

| (Millions of yen) | FY2024 (Final year of plan) |
|---|--------------------------------|
| Net sales | 600,000 |
| Operating profit | 21,000 |
| Operating profit margin | 3.5% |
| Ordinary profit | 21,000 |
| Profit attributable to owners of parent | 14,000 |

**Corporate
Vision for
2030**

Talent Management

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

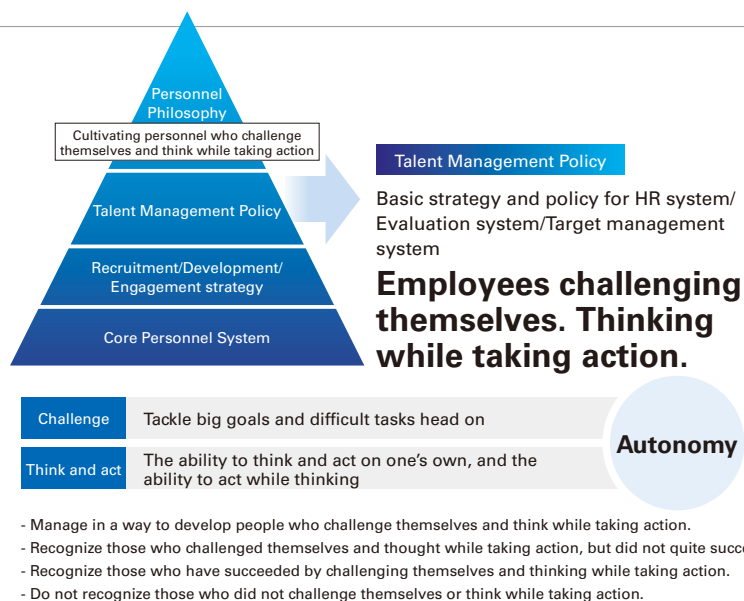
Basic Policy

Diverse Human Resources Challenging Themselves and Thinking While Taking Action

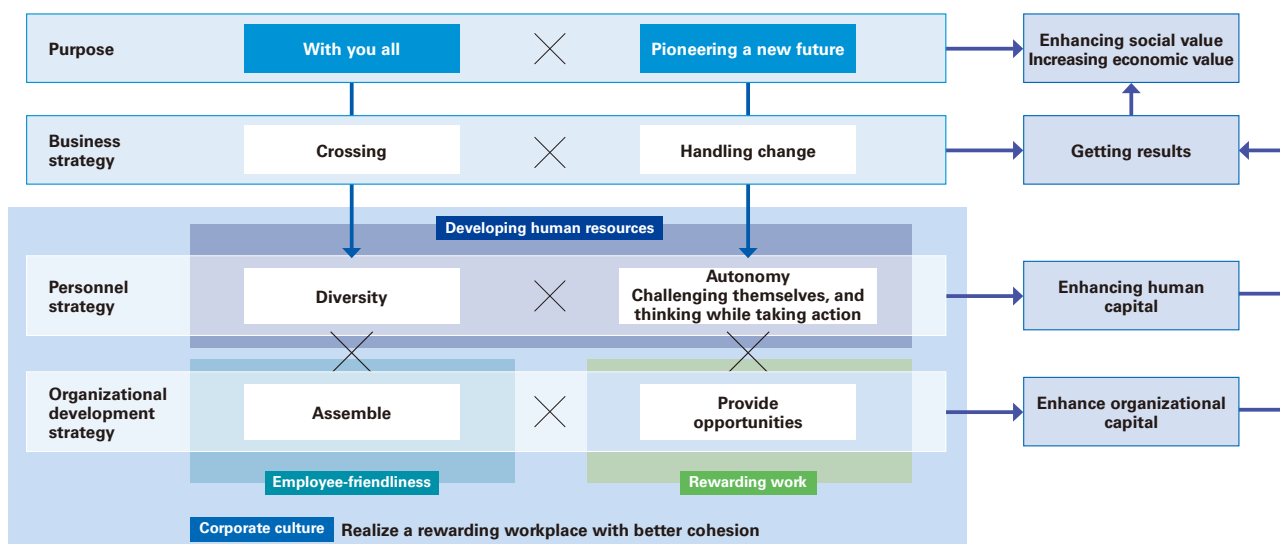
For Yamazen to achieve sustainable growth and development amid major changes in society, we must continue generating innovations that make an impression on customers. This will require us to make best use of (assemble) our comprehensive strengths, and to provide opportunities for challenging ourselves and thinking while taking action based on our diverse knowledge and experience. By enhancing our core competencies in human capital and organizational capital, we will increase corporate value.

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. Based on our Personnel Philosophy of “Cultivating personnel who challenge themselves and think while taking action,” and with our talent management policy (revised in 2021) of “Employees challenging themselves. Thinking 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.

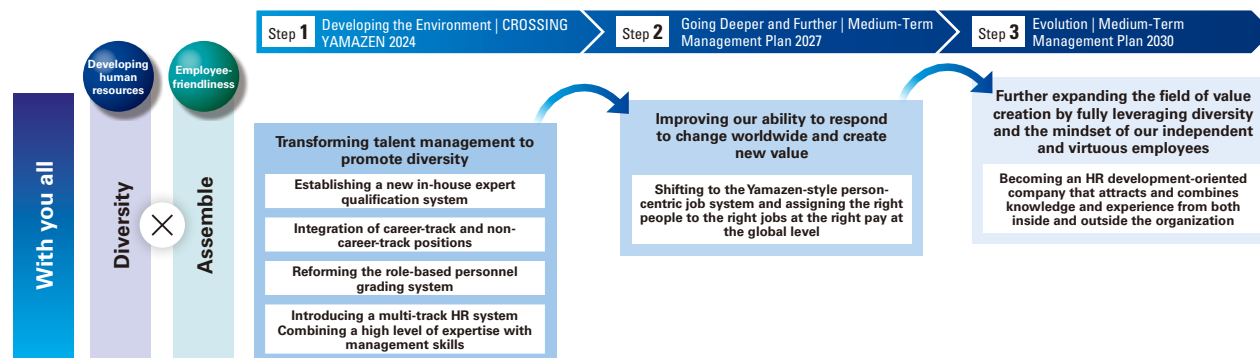


Approach to Human Resource Strategy and Organizational Development Strategy



With You All: Diversity & Inclusion

Steps to 2030



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 2 Promotion system for selecting young employees

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.

Participation of Women in the Workplace

3 Integration of career-track and non-career-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 | 156 employees (out of 502 employees) |
| Average salary increase for former regular employees due to integration | ¥37,649 |

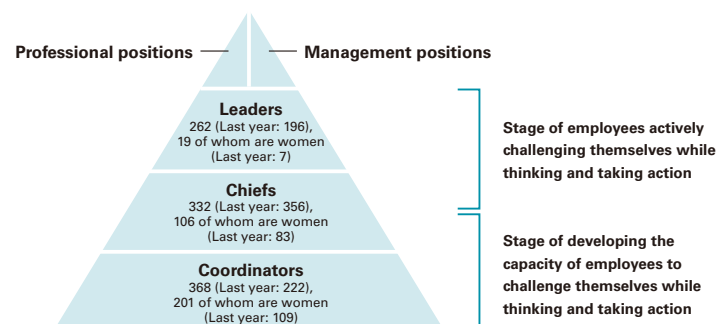
Cultivation and Active Participation of Professional Human Resources

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.

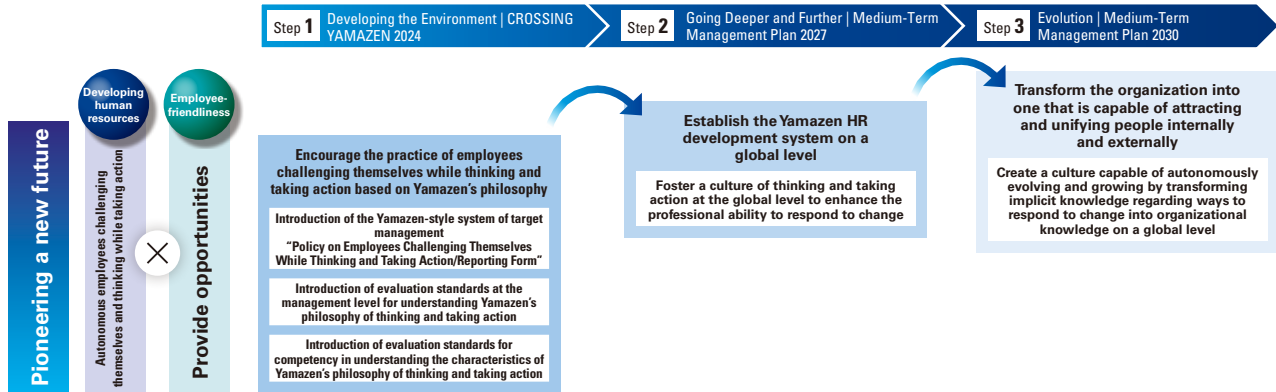
| Multi-track HR System | Results |
|--|---------------------------------------|
| From management course to professional course | 15 employees |
| From professional course to management course | 8 employees |
| Number of employees in the professional course | 84 employees (70 employees last year) |

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



Pioneering a New Future: Developing Human Resources

Steps to 2030

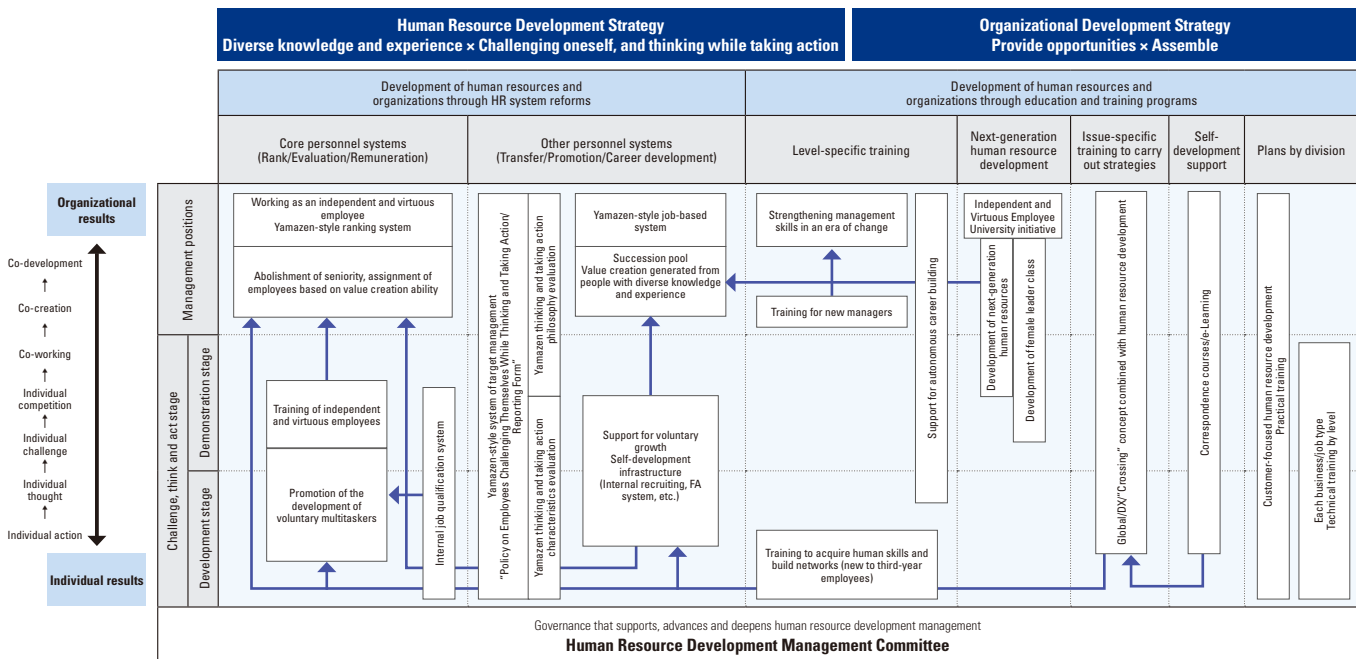


Measures to Bolster the Foundation for Strengthening Autonomy

At Yamazen, developing human resources is identical to self-development. The voluntary desire to grow—"This is what I want to be" or "This is how I want to improve"—is the engine that leads to independently challenging oneself and thinking while taking action. Having the autonomy to be able to grow raises motivation for work and leads to the creation of innovation. This is what job

satisfaction means at Yamazen, and it becomes a unifying force that attracts even more people with diverse knowledge and experience. We believe that human capital investment for this purpose leads to the sustainable growth and development of Yamazen, and will lead to the achievement of our growth strategies.

Human Resources Development System: Providing Opportunities



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? | 52% (Last year: 48%) |
| Were you able to set your own targets? | 78% (Last year: 73%) |

Communicating Our Talent Management Policy of “Employees Challenging Themselves. Thinking while Taking Action.” around the World

/ Highlights /

▶ Talent Management Reform Project Initiatives at the China Regional Headquarters

Under its Corporate Vision of “Leading worldwide manufacturing and enriched lives,” Yamazen does not limit its human resources development initiatives to Japan. Assembling our comprehensive strengths around the world will help shift the growth drivers of business expansion into a higher gear.

The China Regional Headquarters, which has grown into a 360-person organization as it has expanded its business, is conducting a talent management reform project that is being led locally.

The project aims to continue the trend of accelerating our growth strategies by having local employees 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. 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.”



▶ Global Rollout of Activities to Promote Understanding of Our Purpose and Corporate Vision

We held meetings to share and instill 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). In addition to explaining the background for establishing

the Purpose and Corporate Vision, their relationship to our Corporate Philosophy and other matters, we are conducting various initiatives at each location. Initiatives include exchanging opinions and holding presentations so that each employee can feel a personal connection with the Purpose and Corporate Vision.

Excerpts from Questionnaires after the Meetings

Q How do you personally experience Yamazen's Purpose of “Pioneering a new future, with you all” in your daily work?

India: Products made by our business partners based on our proposals meet international standards and are useful to society.

Thailand: Proposing energy-saving products not only helps customers save on electricity bills, but also contributes to the environment.

Q Based on our Corporate Vision for 2030, what kind of company do you want your company to be?

Indonesia: A company that is trusted by customers, gives hope to employees and desires to create a better tomorrow.

Malaysia: A socially responsible and innovative company that prioritizes the well-being of its employees and customers.



Yamazen's Purpose translated into Thai and Hindi



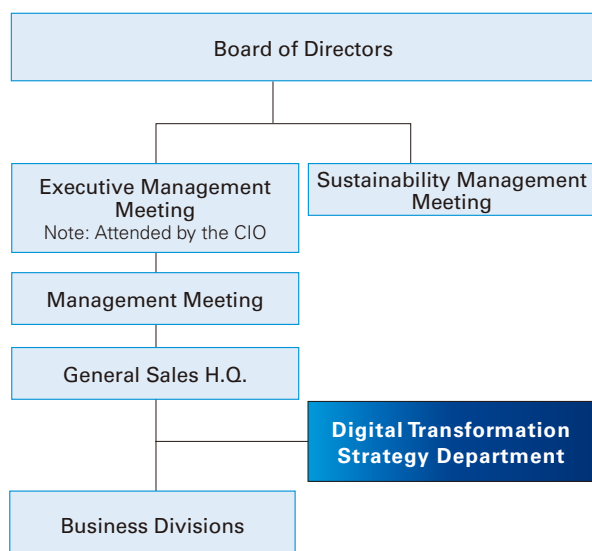
Creating New Added Value with Advanced Technologies



Basic Policy

Yamazen views DX as innovation, and has made DX promotion a core measure. We will strengthen customer contact points utilizing digital technology, provide new solutions, 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. We also arrange for the CEO and CIO to give updates monthly on overall management policies, including the promotion of DX strategies. In addition, we emphasize sales-side activities (revamping business models using DX), and have adopted a system in which the president of the General Sales H.Q. is in charge of the progress of each measure. 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.

DX Strategy (Digital Integration Strategy)

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

DX Strategy (Digital Integration Strategy)

1

Transformation into a Data-Driven Company

Realize improvements in productivity and in the quality of decision-making through the centralization of information and the standardization and consolidation of business processes.



2

Creation of New Business through Data-Based Marketing

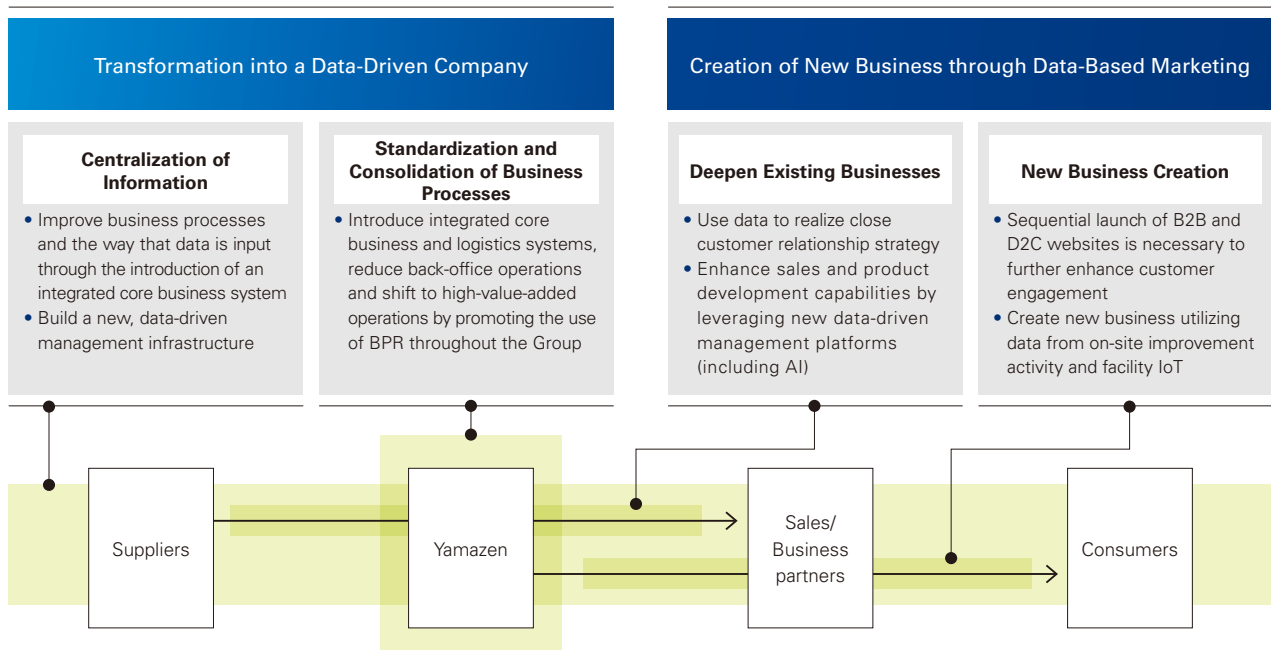
Create a system for contributing to the further strengthening of sales capabilities, as well as for promoting the deepening of existing business and new business creation by enhancing contact points with customers.



Implementation Measures

We are conducting measures centered on data and analytics (D&A) at each point in the value chain to enable us to quickly recognize the signs and intricacies of the changing needs of suppliers, sales and business partners, and consumers. By further enhancing our decision-making and marketing functions based on D&A, we aim to improve our salesforce and create new business models.

Basic Policy and Implementation Measures

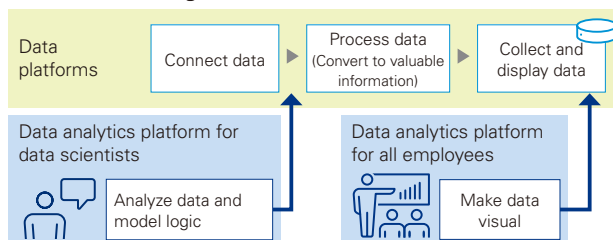


/ Highlights /

Start of Operation of YAMAZEN Data Platform (YDP) for Data Analysis

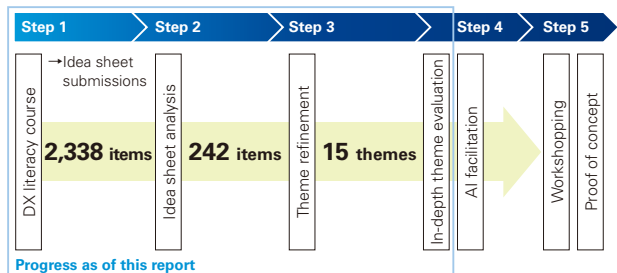
In July 2023, Yamazen started operation of YDP, a data analysis platform available to all employees. The goal is to help employees visualize business activities, put information and analysis useful for business activities into concrete form, and make data-based decisions on management and business strategies. We have three aims for YDP: (1) to meet needs going forward for analysis based on data generated internally and externally; (2) to ensure the confidentiality, integrity and availability of databases that have not previously been linked; and (3) to reduce workhours, including for procedures that are currently done manually. We will gradually broaden the scope of data linkage and analytical capabilities with the aim of generating business opportunities through D&A and establishing a greater competitive advantage for Yamazen.

Data-Driven Management Platform (YAMAZEN Data Platform)



DX Literacy Course

To create an organization and culture that is able to use digital technology to provide added value to customers, we held a DX literacy course as part of efforts to increase the digital literacy of all employees. We created the course as a way for all employees to acquire knowledge of digital technology and the ability to use the digital tools provided in their work, as well as to collect better ideas by having employees use those tools. Employees have submitted more than 2,000 ideas for using digital tools to resolve business and operational issues. We will analyze these ideas, and for those with commercial potential, we will begin studies toward putting them into practice, as well as select DX human resource candidates.



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.



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).

Metrics and Targets

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

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

| DX Strategies | | Main KPIs and Targets | | FY2022 |
|---|-------------------------------|--|--|--------------------------------|
| 1. Decision-making based on data | Process integration | Cost reductions from standardization and consolidation of business processes | Reduction of indirect costs Approx. ¥1.2 billion (By FY2030) (Compared with FY2017) | ☆☆☆☆☆ (Ongoing development) |
| | Deepening existing businesses | Expand sales | E-business-related transaction amount... 130% increase Expand the number of SKUs 130% increase (End of FY2024) | ★★★★★ |
| 2. Creation of new business through marketing based on data | Deepening existing businesses | 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) | ☆☆☆☆☆ (Ongoing development) |
| 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) | ★★★★☆ |

Green Initiatives

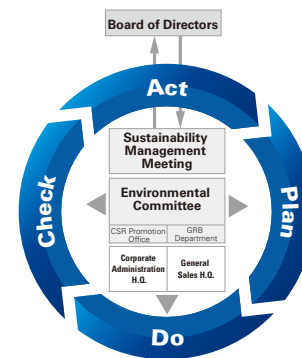
Achieving Carbon Neutrality and Promoting Environmental Activities

Basic Policy

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; awareness of risks and opportunities; strategies and tactics; and metrics and targets.

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 once per year. In addition, practical measures are carried out by the Environmental Committee, which is made up of members from various departments, and meets four times per year to discuss policies and identify issues. The secretariats of this committee are the CSR Promotion Office in the Corporate Administration H.Q. and the Green Recovery Business Department (GRB Department) in the General Sales H.Q., with each providing specific instructions to the departments under them, and managing progress. We have established a system in which the Board of Directors reviews the direction and suitability of activities once per year. In this way, the entire Company works as one to address climate change issues while implementing the PDCA cycle.



Reduction Target: Aim to Achieve Carbon Neutrality by FY2050

FY2020 is used as the base year for the Company's emissions due to limited resources* 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 making efforts to replace existing 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 CO₂ 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 halve these emissions by FY2030, and be effectively carbon neutral by FY2050. We are also considering offsets such as credits.

* We are currently in the process of switching from the market-based method to the location-based method for the calculation of some targets.

Emissions

| Category | Emission Source | Unit | Base Year | Elapsed Period | Interim Target | Final Target |
|---------------------------------|---|-------------------|------------------|------------------|------------------------|------------------------|
| | | | FY2020 | FY2022 | FY2030 | FY2050 |
| Scope 1 | Gasoline and gas | t-CO ₂ | 2,819 | 2,253 | 1,400 | 0 |
| Reference | Gasoline consumption | ℓ | 942,030 | 721,974 | 470,000 | 0 |
| Reference | Hybrid vehicle implementation rate | % | 87.0 | 93.1 | 50% (EVs) | 100% (EVs) |
| Scope 2 | Electricity (location-based method/market-based method) | t-CO ₂ | 5,182 / 5,273 | 5,302 / 5,194 | 4,000 / 2,600 | 0 |
| Reference | Power consumption | MWh | 11,349 | 12,004 | 11,000 | 10,000 |
| Scope 3 | All categories | t-CO ₂ | Being aggregated | Being aggregated | 50% (offsets included) | ±0% (offsets included) |
| Category 1 | Purchased goods and services ¹ | t-CO ₂ | 122,709 | 144,393 | — | — |
| Category 4 | Upstream transportation and distribution ² | t-CO ₂ | 11,000 | 9,616 | — | — |
| Category 5 | Waste generated in operations | t-CO ₂ | 14 | 56 | — | — |
| Category 11 | Use of sold products ¹ | t-CO ₂ | 255,795 | 181,075 | — | — |
| Total CO ₂ emissions | | t-CO ₂ | Being aggregated | Being aggregated | 50% (offsets included) | ±0% (offsets included) |

1. Calculated using the Company's private brand electrical products as the reference.

2. The activity volume that is the basis for this calculation was changed from a unit of volume to (actual measured) weight. Accordingly, the base year has been recalculated based on (estimated) weight.

Countries covered are Japan, China, South Korea, Taiwan, Thailand, Vietnam, the Philippines, Singapore, Malaysia, Indonesia, India, USA, Mexico, Germany and Czech Republic. Calculation method: In accordance with the Greenhouse Gas Protocol, Scope 1 and Scope 2 emissions are calculated based on actual emissions, and Category 1 and Category 11 of Scope 3 are calculated only for Company-branded original products.

Reduction Contribution

| Category | Emission source | Unit | Base Year | Elapsed Period | Interim Target | Final Target |
|----------|----------------------------|-------------------|-----------|----------------|----------------|--------------|
| | | | FY2020 | FY2022 | FY2030 | FY2050 |
| — | Reductions through GBP App | t-CO ₂ | 34,319 | 40,947 | 60,000 | 100,000 |

Climate Change Scenario Analysis (Risks and Opportunities)

We have analyzed the Company's risks and opportunities related to climate change as follows, primarily assessing transition risks using the International Energy Agency scenarios and physical risks using the Intergovernmental Panel on Climate Change's Representative Concentration Pathway scenarios.

Climate Change Risks

| Type of Risk | Main Climate-related Risks | Potential Impact on Business | Timeframe | Response |
|--------------|------------------------------|--|--|--|
| Transition | New regulations and policies | Carbon tax (feed-in tariff) | Medium term Long term | <ul style="list-style-type: none"> Achieve carbon neutrality in Scope 1 and Scope 2 emissions by FY2030 and work toward effectively zero CO₂ emissions throughout the value chain (Scope 1, 2 and 3) by FY2050 through the introduction of renewable energy facilities and by upgrading to energy-saving equipment, etc. Reduce 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 | Medium term Long term | |
| | Technologies | Replace existing products and services with low-emission versions | Medium term | <ul style="list-style-type: none"> Gradual replacement of current vehicles with EVs Enhanced awareness of technological trends and acquisition of knowledge of installed equipment |
| | | Transition to low-emissions technology | Medium term Long term | |
| | Market | Changing customer behavior | Long term | <ul style="list-style-type: none"> Steady implementation of decarbonization and energy-saving initiatives Expansion of environmentally friendly products |
| | Reputation | <ul style="list-style-type: none"> Increase in stakeholder concerns or negative feedback from stakeholders Decline in consumer trust | Medium term Long term | <ul style="list-style-type: none"> 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 | Acute physical risks | Increased severity of weather events (storm and flood damage) | Short term Medium term Long term | <ul style="list-style-type: none"> Ensuring business continuity with a business continuity plan (BCP) Diversification of risks by establishing multiple sales bases, suppliers and distribution bases Risk transfer through insurance coverage Stable procurement and supply through diversification of means of transport |
| | Chronic physical risks | Changing temperatures (atmospheric, freshwater and ocean) | Medium term Long term | <ul style="list-style-type: none"> Installation of energy-saving equipment such as high-efficiency air-conditioners for Company facilities and introduction of renewable energy facilities Expansion of environmentally friendly products |

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

Climate Change Opportunities

| Type of Opportunity | Main Climate-related Opportunities | Potential Impact on Business | Timeframe | Response |
|---------------------|------------------------------------|--|--|--|
| Transition | Resource efficiency | <ul style="list-style-type: none"> Use of more efficient production and distribution processes | Short term Medium term Long term | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Use of supportive policy incentives Use of lower-emission sources of energy | Short term Medium term | <ul style="list-style-type: none"> Sales of energy-saving products whose energy-saving effect is recognized in energy conservation-related policies Promotion of corporate PPA business (DayZpower) |
| | Products and services | Development and/or expansion of low-emission goods and services | Short term Medium term | <ul style="list-style-type: none"> Expansion of products covered in the <i>Carbon Neutral Purchasing Guidebook</i> 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 Development and sale of home appliances with low power consumption |
| | | Development of climate adaptation, resilience and insurance risk solutions | Short term Medium term | <ul style="list-style-type: none"> Public relations activities with sales partners and users and participation in trade shows Sales of BCPERS and other products and services for disaster prevention |
| | Markets | Access to new markets | Short term Medium term | <ul style="list-style-type: none"> 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 Green Ball Project Promotion of PPA model business (DayZpower) |
| | Acute physical risks | Increased severity of weather events (storm and flood damage) | Short term Medium term Long term | <ul style="list-style-type: none"> Sales of BCPERS and other products and services for disaster prevention, and expansion of product supply network to enable quick response to recovery demand |

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

Strategies in Green Businesses

To minimize risks and maximize business opportunities amid changing climate conditions, we are working strategically and ambitiously toward carbon neutrality in three fields: the development business, sales promotional planning and branding. Given our nature as a trading company, we need to reduce Scope 3 emissions, as the volume of direct emissions is minimal relative to our overall business size. Therefore, we are focusing on expanding decarbonization activities in cooperation with suppliers and sales partners. Specifically, we are engaged in the corporate PPA business as a development business and the Green Ball Project as part of sales promotional planning.

FY2022
Osaka Corporate H.Q.
Buildings 1, 2 and 3
Logis Osaka
Switch to renewable
energy



FY2022
Nippon Paper Crecia Co., Ltd.
Kaisei Mill
Started selling electricity
Power generator capacity: 439 kW
Annual power generated: 500,000 kWh
Reduction of annual emissions: 197 t-CO₂



D-Green RE100

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

FY2022
First CDP Response
Assessment: C-List



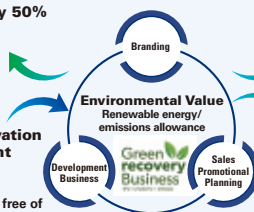
FY2022
GBP App
Industrial tools & equipment:
214 companies
Building materials: 46 companies
In operation: 260 companies



Green Recovery Grand Strategy

■ **Reducing CO₂ emissions by 50% by FY2030**
• Switch to renewable energy sources at all global locations as needed

■ **PPA business model, renovation of energy-saving equipment and in-house power plant**
• Energy-saving modifications of company power plants provided free of charge
• Creating our own environmental value!



■ **Publicity through IR, PR and recruiting**
• Appropriate disclosure in accordance with the TCFD recommendations
• Social return on investment (SROI)
• Boost the ESG score!

■ **Sales campaign for eco-friendly equipment**
• Offset logistics emissions from original products
• Pass on environmental value as an incentive for customers
• Make the eco-friendliness of our products stand out from the crowd!

DayZpower

Green Ball Project

Initiative 1

Corporate PPA Business: Introduction of DayZpower at a Supplier

Yamazen entered the corporate PPA business in October 2021, when it formed a business alliance with Daigas Energy Co., Ltd. and launched the joint brand DayZpower. In October 2022, DayZpower was adopted by the Kaisai Mill of Nippon Paper Crecia Co., Ltd., one of our suppliers. By supplying this renewable energy electricity, the Kaisai Mill of Nippon Paper Crecia expects to reduce emissions by about 197 t-CO₂ per year. In the future, we will support the renewable energy procurement and decarbonization of our suppliers, which will also help to curb our Scope 3 emissions in the supply chain.



Initiative 2

Sales Promotional Planning: Green Ball Project

Since FY2008, we have been carrying out the Green Ball Project in order to reduce our impact on the environment by promoting the popularization of environmentally friendly products. The contribution to reduction of CO₂ emissions in FY2022 was 40,947 t-CO₂, as aggregated by our proprietary GBP Protocol based on the baseline comparison method and programmed reduction. The 15-year cumulative reduction is 533,157 t-CO₂. Furthermore, in July 2022 we partially customized an SaaS CO₂ calculation application (GBP App) used in the cloud service provided by Zeroboard Inc. to visualize CO₂ emissions, and began providing it free of charge to approximately 400 sales partners that are participating in the Green Ball Project. By helping partners to visualize both supply chain CO₂ emissions, which are also part of our Scope 3 emissions, and the reduction effect, we will support their decarbonization efforts. The companies supporting this project were the suppliers of the Industrial Solution Business and Building Materials Business. In FY2023, suppliers of the

Machine Tools Business and Tools & Engineering Business were also added. We have now certified a wider range of environmentally friendly products. We also provide a *Carbon Neutral Purchasing Guidebook* that lists these products to make it easier for users who want to decarbonize to select environmentally friendly products. As we continue to advance the Green Ball Project, we will further promote sales of environmentally friendly products and contribute to the reduction of CO₂ emissions throughout the entire supply chain as a trading company. (Our decarbonization initiatives in logistics are described on page 41.)



Yamazen is a member of the GX League.



Logistics

Enhancing Service Capabilities and Providing New Value with Interoperability and IoT

For a trading company, improving and expanding logistical functions is a priority management issue. Amid calls to solve issues such as the impending 2024 Problem (see below) and reduction of environmental impact, we have launched a cross-divisional program based on the concept of “crossing” logistics operations and an initiative to upgrade logistics efficiency and service capabilities through DX of logistics functions. We will also pursue the establishment of a next-generation distribution system that includes cooperation between general logistics bases and decentralized depots, as well as joint pickup and 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 2024 Problem), the push to reduce CO₂ 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-term, nine-year logistics strategy by backcasting from the Corporate Vision for 2030, and is actively investing management resources in promoting this strategy.

Aiming to Become a Transportation and Delivery Platform for Specific Industries

Home appliance/furniture/household goods industry

Manufacturers, wholesalers and online retailers

1. Reduce transportation and delivery emissions
2. Reduce emissions from energy use at bases
3. Reduce waste produced and use of consumables

First Phase: “Crossing” Logistics Operations between Divisions (2022–2024)

Divisions share use of the more than 100 production equipment-related logistics, home products-related logistics and building materials depot locations nationwide, and utilize each other's strengths

1. Operation of LMS
2. Operation of Logis Shin-Tokyo
3. Enhance talent

Second Phase: Making Yamazen Logistics Profitable (2025–2027)

Obtain permits for warehousing business and consigned freight forwarding business, develop a system that enables manufacturers, distributors and other wholesalers in the industry to contract transportation and delivery services

1. Obtain permits and licenses
2. Develop new logistics bases
3. Logistics sales

Home Products

Yamazen Logistics

LMS

Logistics Management System

WMS

Warehouse Management System

TMS

Transport Management System

Building Materials

4. Identify the extent of and control commuting emissions
5. Curb Scope 3 emissions

Production Equipment

Tools/equipment/hardware industry

Manufacturers, wholesalers and online retailers

Housing equipment/air-conditioning/building materials industry

Manufacturer(s), wholesalers and online retailers

Third Phase: Establish Industry-Specific Joint Transportation and Delivery System (2028–2030)

Develop a platform that can handle joint transportation and delivery operations, while establishing a position for unifying transportation and delivery in specific industries, including sorting, packing and bundling, joint delivery, and pre-order shipping

1. Operation of new logistics bases
2. Transportation and delivery utilizing AI
3. Automatic handling of cargo

First Phase: "Crossing" Logistics Operations between Divisions (2022–2024)

The Group aims to be a transportation and delivery platform business for specific industries in logistics by 2030. As the first phase, we are implementing measures based on the concept of "crossing" logistics operations between divisions from 2022 through 2024. Through shared cross-divisional use of our 122 production equipment-related logistics, home products-related logistics and building materials depot locations nationwide, divisions will be able to share each other's strengths while also focusing on DX of logistics functions and reduction of environmental impact. First, by developing and introducing our own logistics management system (LMS) and warehouse management system (WMS), we have made cross-divisional distribution operations possible through system linkage of multiple divisions. Logis Shin-Tokyo (Kitamoto-shi) also went into full-scale operation in January 2023. We plan to open Shin Logis Osaka

(Higashiosaka-shi) in January 2025 as a general logistics base, and introduce the latest material handling equipment to save labor in warehouse work. In addition, we will establish and coordinate small warehouses with area delivery functions. This includes local depots: Okayama Depot in Okayama-shi (opened in January 2023), Hokuriku Depot in Kanazawa-shi and Sendai Depot in Sendai-shi (scheduled to open in FY2023). Furthermore, we are beginning to utilize modal shifts (use of rail transportation and coastal shipping) from the perspective of addressing the impending 2024 Problem and decarbonization. Through these initiatives as well as measures such as our transition to renewable energy sources for electric power in warehouses and the introduction of paper cushioning materials and cardboard pallets made from recycled paper, we will work to combat climate change.

/ Highlights /

► Enhancement of Services by Introducing LMS and WMS

We introduced LMS and WMS at two locations, one of which was Logis Shin-Tokyo, a production equipment logistics base, in January 2023. The systems were also introduced at Logis Fukuoka, which is also a building materials logistics base (May) and Logis Ashikaga, a home products logistics base (August). We plan to introduce these systems at logistics bases nationwide within the next three years, and will cut distribution costs and enhance the level of distribution services we provide to customers by sharing the use of our assets, which were previously operated separately, division-by-division. These initiatives are based on the concept of "crossing" logistics operations (between divisions).

► Establishment of Shin Logis Osaka, a Strategic Logistics Base in Western Japan

We plan to open Shin Logis Osaka as a strategic logistics base for delivering products handled by the Industrial Solution Business and Tool & Engineering Business to western Japan, with the aim of beginning full-scale operation in January 2025.

With state-of-the-art material handling equipment, Shin Logis Osaka will conduct efficient in-warehouse logistics through extensive automation and labor-saving measures. It will also leverage its geographical advantage of being located in the same area as collection terminals of major shipping companies to reduce logistics costs and enhance the level of logistics services it provides to customers.

► Modal Shift (RoRo Ships, JR Freight Lines), Cardboard Pallets and Paper-based Cushioning Materials

We are also focusing on initiatives for sustainable green logistics.

Modal Shift

• RoRo ships

Began using for transport of goods between our warehouses in Kyushu and Kanto in June 2023.

⇒ Truck transport of 1,100 km per trip is reduced to 156 km, achieving a reduction of approximately 450 kg-CO₂ per delivery (a 40% CO₂ reduction compared with previous mode)

• JR freight lines

Use increased by approximately 1.4 times to 766 trains in FY2022 from 553 in previous year.

⇒ Achieved a reduction of approximately 428 t-CO₂

Cardboard Pallets and Paper-based Cushioning Materials

We are switching from conventional wooden pallets to recyclable reinforced cardboard pallets, and changing the cushioning materials used as packaging from plastic materials to paper materials one after the other. We are promoting the use of FSC® certified logistics materials.



► Switch to Electricity Generated from Renewable Energy Sources

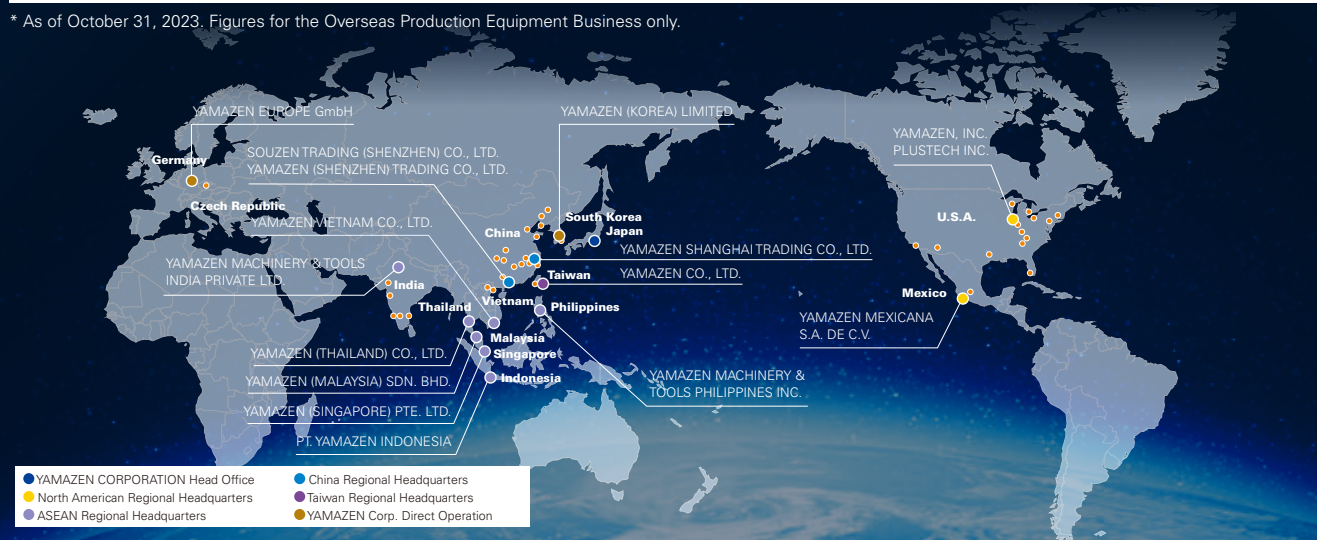
In November 2022, Logis Osaka (scheduled to be renamed Logis Daito) switched to "D-Green RE100" offered by Osaka Gas. This is a plan for electricity generated from renewable energy sources that comes with information on non-fossil fuel certification. As a result, the facility has been able to reduce emissions by approximately 167 t-CO₂ annually (compared with fossil-fuel energy sources).

Yamazen's Advantages 1

Broad Global Network

- **Coverage of a wide area, with 64 offices in 14 countries and regions outside Japan (approximately 330 engineers out of an overseas workforce of approximately 1,200)***
- One of the largest global networks among trading companies specializing in production equipment, built since 1963, and **a business with high barriers to entry**

* As of October 31, 2023. Figures for the Overseas Production Equipment Business only.



Special Feature:

Yamazen's Growth Driver

Overseas Production Equipment Business

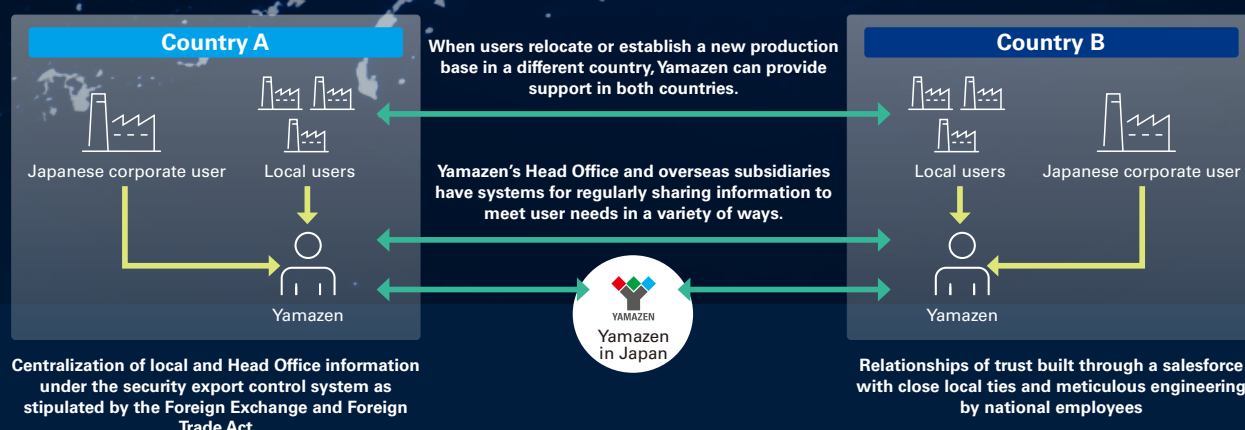
One of our major growth drivers is the Overseas Production Equipment Business. We aim to further expand the scale of this business by leveraging the broad and robust global network we have built over more than 60 years and our engineering capabilities, with Yamazen employees maintaining close ties to each location.

Yamazen's Advantages 2

Ability to Support Users' Global Strategies with Locally Based Engineering Capabilities

- **Direct provision of high-value-added products and services to Japanese corporate and local users and strong relationships of trust created through a salesforce with close ties to each location and advanced engineering capabilities***
- Strong relationships of trust with users that enable us to support **their global investment strategies, leading to further business development**

* Advanced engineering capabilities: Yamazen's engineers provide one-stop design, installation, testing, after-sales service and maintenance in line with user needs to offer total support for manufacturing.



Cross-border Strategy Case Study

Providing Value to Customers through Advanced Localization and Global Network Capabilities

The flow of manufacturing has been changing worldwide as a result of geopolitical risks and pandemic-related supply chain disruptions. In response to these trends, the Overseas Production Equipment Business has developed a cross-border strategy to provide support for overseas expansion, not just to Japanese companies but also to local companies in other countries. Below, we present a case study in which our human resources leveraged locally built relationships of trust, our advanced engineering capabilities and global network to generate new business.

In July 2022, Mr. Chen, a local employee at a Yamazen subsidiary in China, was informed by long-time customer Mr. S that his current employer, the Mexican branch of China-based Company A, was considering a new large-scale purchase of machine tools. At the same time, Mr. Chen learned that Mr. S thought very highly of the machine tools Yamazen handles from Manufacturer X and was considering using them to further improve production efficiency at Company A. However, the Mexican branch was under the jurisdiction of the head office in China and did not have the authority to purchase machinery and equipment for Company A. Mr. Chen at Yamazen directly contacted the head office of Company A in China, with which he had not previously done business, and set up an opportunity to

meet face-to-face with the purchasing manager. On the day of the presentation, Mr. Chen and two employees dispatched from Japan, Mr. Morii and Mr. Nishibori, spoke passionately about the strengths and advantages offered by Yamazen's global reach.

Selling Points

1. Track record of Yamazen's subsidiary in Mexico and history of handling products manufactured by Company X
2. Engineering capabilities of Yamazen's subsidiary in Mexico (number of engineers and other factors)
3. Chinese-speaking ability of the manager and person in charge at Yamazen's subsidiary in Mexico, facilitating smooth communication

Three members of our subsidiary in China speak passionately about the benefits of Yamazen's global capabilities in doing business.



After a lively discussion, Company A's purchasing manager came to realize the benefits of Yamazen's global capabilities in doing business. Later, following extended negotiations, Yamazen was able to make a large-scale delivery of machine tools manufactured by Company X that it handles to the Mexican

branch of Company A, where Mr. S works. Installation work was conducted under harsh conditions with temperatures exceeding 40°C, but cooperation among engineers from Yamazen's subsidiary in Mexico and engineers dispatched from China, with each communicating in several languages, led to a successful conclusion.

This project is the result of the efforts of Yamazen's employees, who challenge themselves and think while taking action, leveraging our unique global network and advanced localization capabilities. We will continue enhancing the advantages of the Overseas Production Equipment Business with the aim of further expanding its scale.

► See pages 52–53 for details of the growth strategy of the Overseas Production Equipment Business.

Message from the President of General Sales H.Q.



We will strengthen our earning capabilities together with our independent and virtuous employees, who have a pioneering spirit and the ability to think while taking action.

Kimihisa Sasaki

Representative Director and Executive Officer
President of General Sales H.Q.

Mission and Role of the General Sales H.Q.

The General Sales H.Q. has taken on the mission of addressing the material issues Yamazen has identified in order to create both social and economic value, and thus to realize our Corporate Vision for 2030. In doing so, our role is to act as a link between Yamazen's sales strategies—its close customer relationship strategy, transformation strategy and digital integration strategy—and the focus areas and key measures of each business division to augment our overall capabilities by “crossing” operations between business divisions.

We have established specialized departments to promote the Company-wide strategies for digital transformation (DX), green initiatives and logistics, and work together with each division to provide support for realizing our Corporate Vision for 2030. Currently, the General Sales H.Q. consists of the Logistics Planning Department, Construction Supervision Department, Security Export Control Department, Corporate Marketing Department, Business Statistics Department, Digital Transformation Strategy Department and Green Recovery Business Department, each of which handles key items that link the Company-wide strategies to the measures of each business division.

The above support system will help to further strengthen our wholesale business, which provides recurring revenue, and to create businesses that provide solutions to issues in engineering, fabless manufacturing, new businesses and other domains. As a result, we will further strengthen the earnings base that Yamazen has been building since its founding and generate stable cash flow. My role is to maintain an overall view of the entire Company's sales organization to optimally allocate management resources among the business divisions and various headquarters in order to maximize Yamazen's comprehensive strengths (products, services and functions) based on the concept of “crossing.”

Overview of Sales Strategies to Realize Our Corporate Vision for 2030

In addition to Company-wide strategies to address material issues, we have set three sales strategies to realize our Corporate Vision for 2030: a close customer relationship strategy, a transformation strategy and a digital integration strategy.

The close customer relationship strategy entails ramping up direct contact with the manufacturers and general consumers who are the end users of our products and increasing our expertise in order to gain a deeper insight into customer needs, which will lead to increased sales. This will encourage sales personnel to make a full paradigm shift from product-out to market-in thinking. We are converting the know-how of individual sales personnel into knowledge that can be readily utilized and strengthening marketing and remote sales promotion in order to further enhance sales capabilities. We are also clarifying targets by industry and honing our expertise to make proposals strategically through both physical and digital channels.

Overseas, we will localize management through local employee training and broaden the scope of our business by targeting local as well as Japanese companies.

The transformation strategy aims to increase profits through a major transformation from our current business structure into a new earnings structure. Rather than simply purchasing and selling products, this involves ramping up original product development, engineering services, green business and logistics systems for a transformation into an organization capable of providing total solutions. Furthermore, instead of simply building upon existing businesses, we will also launch businesses with recurring billing and other new earnings structures.

The digital integration strategy aims to use digital technology to both increase customer contact points and integrate them with the new solutions we provide, as well as

with the real-world capabilities of individuals, which is a long-standing Yamazen strength. We have websites for selling products, such as the e-commerce site Yamazen Bizcom, which was launched in May 2022 by the Home Products Division H.Q., and the next-generation B2B website under development by the Industrial Solution Division H.Q. and the Tool & Engineering Division H.Q., as well as a website for selling services (under development as a new business). We intend to analyze the transaction data we obtain from these websites for use in developing new products, and to improve the efficiency and sophistication of marketing by utilizing the knowledge gained from the data. We are concurrently building our own data platform for large-volume data analysis.

Achievements and Issues in Year One of CROSSING YAMAZEN 2024

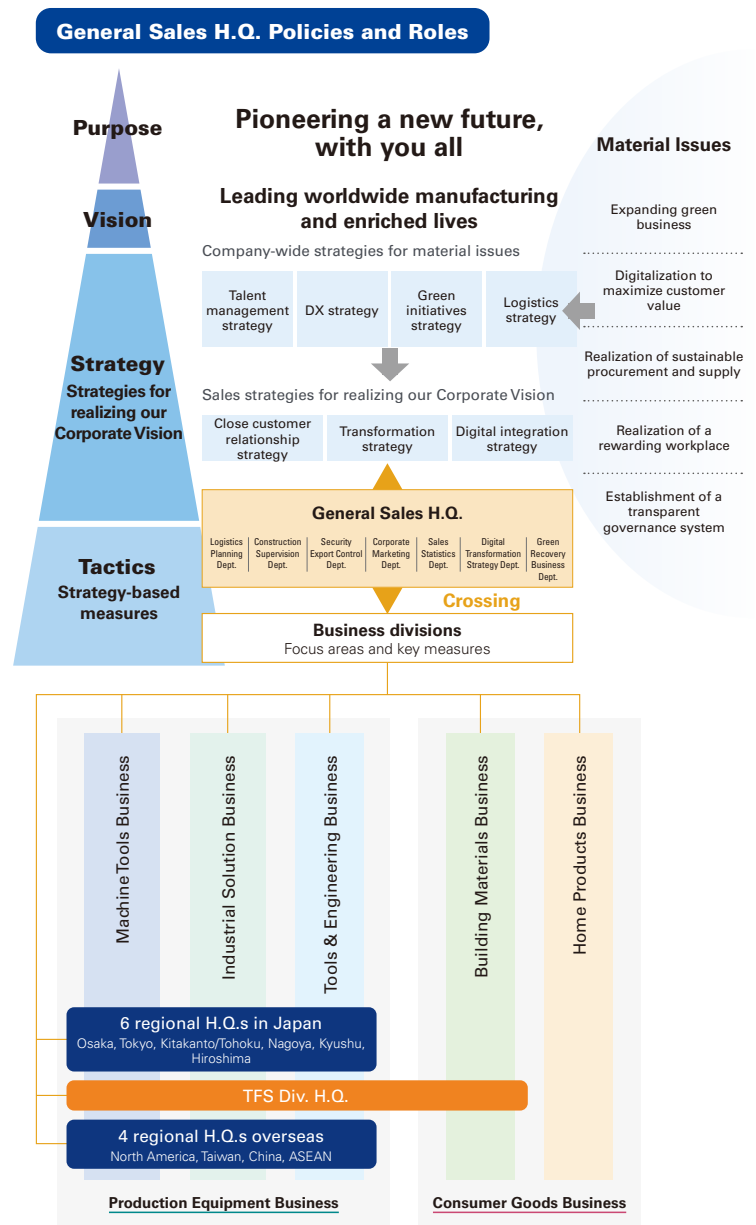
In the first year of CROSSING YAMAZEN 2024, net sales reached a record high, and we were able to steadily lay the groundwork for Company-wide strategies to address our material issues based on the three sales strategies. To expand green business under the close customer relationship strategy, now that COVID-related restrictions have been eased, we held Yamazen-sponsored Decarbonization Solutions Exhibitions at 13 locations throughout Japan to stimulate demand among small and medium-sized manufacturers that are lagging behind in decarbonization initiatives. Many users facing difficulties reducing CO₂ emissions at their companies attended the exhibitions. In addition to offering packaged products that will help save energy in factories, we held seminars covering case studies of our diagnostic services for saving energy and subsidies for installing various types of energy-saving equipment. We received over 160 inquiries.

In addition, as a new business, we have begun developing a service platform to support small and medium-sized manufacturers in digitalization to improve productivity, technology (business) succession, and new sales channel development. This comprehensive posting platform includes a cloud-based service to visualize operations that are managed by hand on paper or using Excel at small and medium-sized manufacturers, and a service that matches companies seeking a particular technology with manufacturers that have it. This new business arose from our ambition to promote digitalization among small and medium-sized manufacturers by providing the services they require at a low price, leading to productivity improvements that will help to revitalize Japanese manufacturing. It is our first subscription-based cloud service, and we hope to make a wide-ranging contribution by helping to resolve social issues in manufacturing. This service embodies all three of our sales strategies—close customer relationship, transformation and digital integration—and has enabled us to build a solid foundation for the future.

Meanwhile, in addition to changes in the flow of information due to digitalization, other trends in the external business environment include the automobile industry's shift to electric vehicles, rising needs for automation and labor-saving measures due to Japan's declining working population,

and efforts to achieve carbon neutrality. Developing the advanced expertise required to address these environmental changes is an issue.

In response, we divided the Industrial Tools & Equipment Division H.Q. into the Industrial Solution Division H.Q. and the Tool & Engineering Division H.Q. in April 2023 to increase specialization and establish an organization capable of promptly meeting increasingly diverse and sophisticated customer needs. We will clarify the management resources held by each business division, invest based on the growth strategies of each one after determining their profitability and future potential as specialized businesses, and speedily implement key measures.



Machine Tools Business (Domestic)

We will strengthen and expand the Yamazen ecosystem* to be more useful to customers.

Katsuhiko Namari

Executive Officer
President of MachineTools Division H.Q.

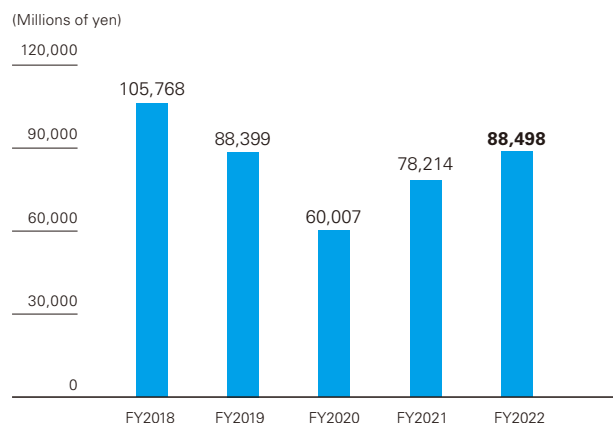
* Refers to the business ecosystem of groups that share the same interests as Yamazen's MachineTools Division H.Q. This is an integrated group of users, manufacturers, business partners, system integrators and others.



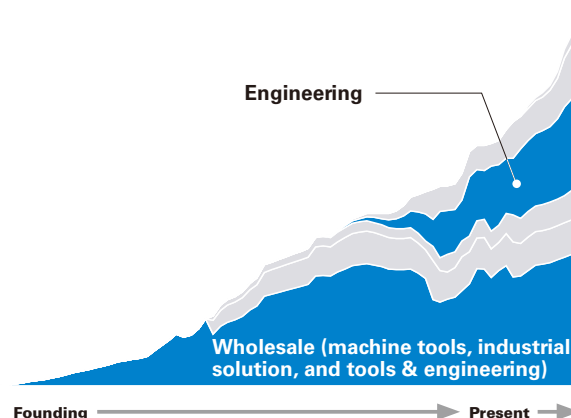
Key Point

Net sales for FY2022 grew steadily to ¥88.4 billion (a 13.1% increase compared with the previous year). We aim to achieve continued growth as a robust revenue base and growth driver for all of Yamazen's businesses.

Net Sales



Envisioned Development of the Business



Due to orders received in the previous fiscal year for machine tools for semiconductor manufacturing equipment, processing machinery components, and other applications, net sales for FY2022 increased 13.1% year on year to ¥88.4 billion. In the Machine Tools Business, wholesale operations are our revenue base and generate stable cash flow, and engineering operations serve as a growth driver. In FY2023, we will ramp up proposals of solutions to meet needs at production sites.

Strengths

- No inventory; substantial cash flow despite a low profit margin (wholesale business)
- High profitability from adding engineering capabilities through direct sales to factories (engineering business)
- Unique, highly specialized value-added sales
- Close relationships with leading manufacturers in a wide range of product fields

Opportunities

- Expansion of the market for electrification-related parts, such as batteries, motors and inverters, due to the shift to electric vehicles
- Strong need for automation and labor-saving measures 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 reorganization of manufacturers (improved bargaining power for sellers)
- Decrease in metal processing related to internal combustion engine manufacturing due to the shift to electric vehicles
- Intensified competition due to the rise of price-competitive Asian manufacturers, particularly those from China

Growth Strategy toward 2030

We will conduct data-driven sales activities, accelerate and expand ecosystem businesses, and make high-value-added proposals.

The current market environment of the Machine Tools Business requires adaptation to drastic changes, including slowing growth for parts for automobile internal combustion engines, rapid expansion of demand for electric vehicle parts, abrupt changes in semiconductor supply and demand, and the need to address sustainability. Yamazen will transition to a business model that directly captures rapidly changing user needs, and work to improve user satisfaction by deploying its engineering capabilities to make high-value-added proposals. In addition, by enhancing our customer data collection infrastructure and building a data-driven sales system, we will improve internal efficiency and productivity throughout the customer value chain.

| Main Policies | Key Measures | Qualitative Objectives |
|--|---|--|
| Close customer relationship strategy Grow together with users, manufacturers and business partners to pioneer new value centered on the improvement of user satisfaction. The Machine Tools Business will lead the growth of the entire ecosystem by providing high-value-added solutions for customer issues. | Improve user satisfaction | <ul style="list-style-type: none"> • Enhancement of the content of solutions for user issues • Support of distributors for creating user proposals |
| Transformation strategy Aim to break away from the conventional model of low-added-value sales of products, and shift to high-added-value sales that combine products and services into sets that solve customer issues. | Shift to engineering trading company | <ul style="list-style-type: none"> • Proposal of diverse machine tool layouts that are suited to customer needs • Proposal of machine tool-based systems combining robots and peripheral equipment |
| Digital integration strategy Utilize internal digital data and customer operation data from new services to improve internal efficiency as well as to enhance productivity across our customers' value chains. | Expand green product lineup | <ul style="list-style-type: none"> • Expansion of lineup of green products that help customers achieve decarbonization • Increased orders for green products |
| | Customer data collection platform | <ul style="list-style-type: none"> • Enhanced content on the "zenassist+" portal site for comprehensive manufacturing support • Establishment of an information-gathering infrastructure using a service sales platform • Strengthening of internal data infrastructure |
| | Build a data-driven sales system | <ul style="list-style-type: none"> • Strengthening of the foundation for the sharing of sales knowledge • Optimization of behavior management |

Highlight Exhibition at the 35th Manufacturing World Japan

At Manufacturing World Japan 2023, held at Tokyo Big Sight in June 2023, we partnered in an exhibit with three manufacturers: Brother Industries, Ltd., Sanwa Robotics Co., Ltd., and HILLTOP Corporation. In a narrow space of just 4 meters by 3 meters, an automated robot carried a workpiece from a stocker to a 5-axis multi-face machining center to demonstrate machining of a multi-face finished product using one-chuck processing.* By proposing this state-of-the-art automated processing system for finished parts, which automatically generates processing programs from product CAD data, we will help users improve their productivity to deal with Japan's labor shortage.



* Processing in which the workpiece remains in place after setting it. Eliminating the need to change the setup enables high accuracy.

Industrial Solution Business (Domestic)



We solve customer problems with our advanced engineering capabilities, solid distribution base and products with a unique appeal.

Katsuhiko Takamatsu

Corporate Officer
President of Industrial Solution Division H.Q.

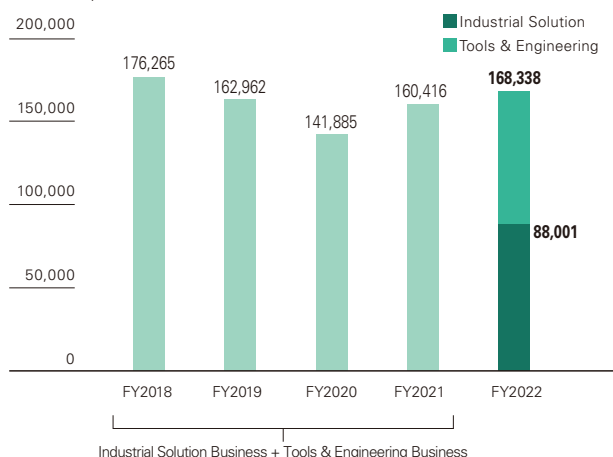


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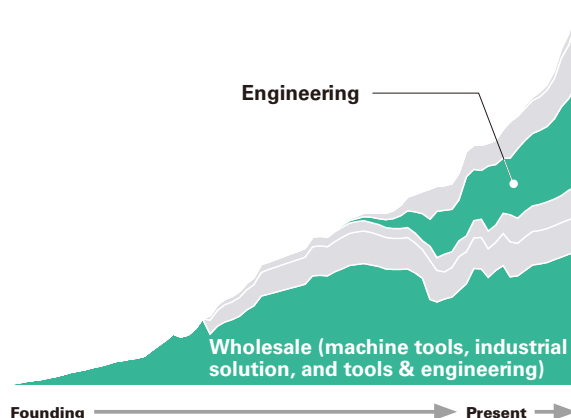
Net sales for FY2022 were ¥88.0 billion. We aim to increase sales by providing total solutions to pressing customer issues such as the labor shortage, decarbonization and digitalization.

Net Sales

(Millions of yen)



Envisioned Development of the Business



Sales of material handling equipment, mechatronics equipment and other products grew steadily, and net sales for FY2022 were ¥88.0 billion. In the Industrial Solution Business, wholesale operations are our revenue base and generate stable cash flow, and engineering operations serve as a growth driver. In FY2023, we will ramp up proposals of solutions to meet needs at production sites.

Strengths

- Close relationships with leading manufacturers in a wide range of product fields
- Ability to meet the needs of a wide range of mid-level, small and medium-sized, and regional users through our network of machine tool wholesalers
- Brick-and-mortar platform that matches the needs of users and manufacturers (Doterai Ichi and other exhibitions)
- Network of various construction companies and system integrators

Opportunities

- Strong need for automation at manufacturing sites due to a labor shortage
- Global trend toward carbon neutrality
- Growing need for use of digital technology in supply chains and engineering chains
- Growing need for DX and automation in the logistics industry due to the 2024 Problem

Risks

- Lower value of information provided by trading companies as digitalization closes the gap between manufacturers and users
- Rise of e-commerce platforms that encroach on the commercial sphere of machine tool wholesalers
- Decrease in metal processing for internal combustion engine manufacturing due to a shift to electric vehicles
- Lack of successors and business succession issues at small and medium-sized enterprises

Growth Strategy toward 2030

As users and producers converge, we will visualize information as it changes to provide a variety of solutions.

Digitalization and other recent technological innovations are enabling users and producers to exchange business information through direct communication, significantly changing their previous relationship. As a trading company, we have the functions required by both parties. We can promptly understand their needs and required tasks in order to facilitate smooth communication for introducing equipment, and work to resolve on-site issues. In addition, we aim to introduce equipment with high energy efficiency, promote renewable energy, reduce and offset CO₂ emissions, and carry out other measures to achieve carbon neutrality.

| Main Policies | Key Measures | Qualitative Objectives |
|--|---|--|
| Close customer relationship strategy Achieve win-win relationships by working with distributors to better understand the needs of users and offer solutions. | Strengthen expertise | Specialized training and assignment of expert human resources to increase the specialization of solutions |
| | Acquire engineering skills | Systematic organization and development of installation, construction, system integration, processing and maintenance functions to provide products with extra added value |
| Transformation strategy Be capable of providing total solutions for engineering, green business and other issues distributors and users face, rather than simply selling products. | Support green business | Visualization of operations related to reducing CO ₂ emissions at business sites, and establishment of a system for proposing and implementing reduction plans |
| | Strengthen product development | Provision of private brand and exclusive products to offer new value by adding functionality and reducing costs |
| Digital integration strategy Improve productivity throughout the value chain by digitalizing both our own services through our new website and the operations of our distributors. | Next-generation B2B catalog website | Launch of a new website for connecting with users and main customers, and start of new businesses |
| | Build a data-driven sales system | Construction of a system that utilizes digital data for optimal proposals without relying on individual salespeople for user and product knowledge |
| | Consolidate standard and non-standard operations | Reallocation of human resources through division of labor and automation of business systems |

Highlight Enhancing Our Proposals and Technical Support for Automation

We are working to enhance our technical support and will place special emphasis on proposing automation systems such as "eve auto," an automated transport system that can be introduced quickly and operated outdoors. We are strengthening our engineering and other capabilities to propose the optimal automation equipment. We will offer innovative solutions to address Japan's aging population and labor shortage, which are issues facing the manufacturing industry, and help our customers succeed in global competition.



Logis-Tech Tokyo Innovation Expo 2022

Tools & Engineering Business (Domestic)



We will strengthen our expertise, product appeal and distribution functions, and achieve a digital transformation both in the real world and on online to establish ourselves as number one in reliability in our fields of specialty.

Shinji Sakamoto

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

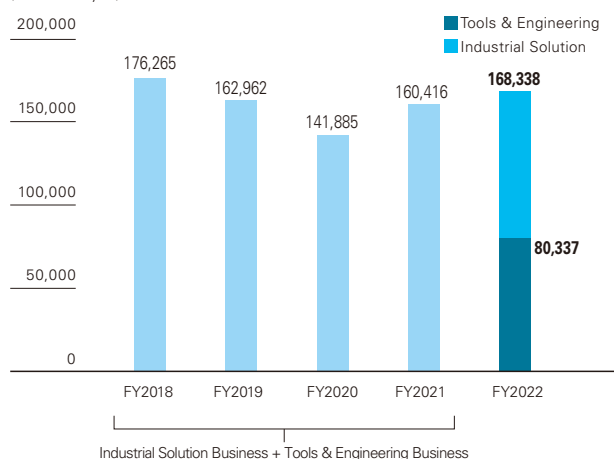


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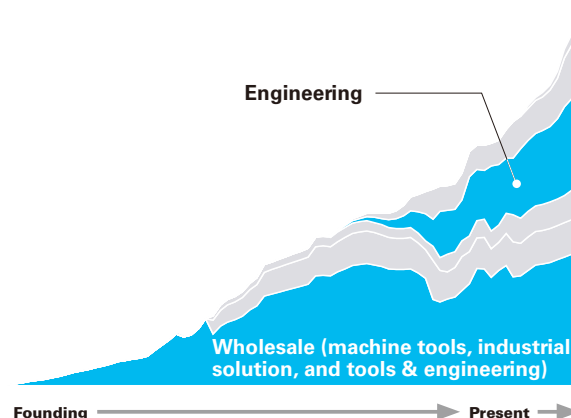
Net sales for FY2022 were ¥80.3 billion. We aim to receive repeat orders by accurately grasping customer needs and to expand market share by strengthening our technical marketing capabilities for machine tools and adjacent areas.

Net Sales

(Millions of yen)



Envisioned Development of the Business



Although sales of auxiliary tools and cutting tools were impacted by a decline in factory capacity utilization rates in the automobile industry and other factors, net sales for FY2022 increased year on year to ¥80.3 billion. Our tool wholesale operations, which were the founding business of the Company, generate stable cash flow, and our engineering operations serve as a growth driver. In FY2023, we will strive to differentiate ourselves by increasing our expertise in our major categories (cutting, accessory and measuring tools).

Strengths

- Expert salesforce that perceives users' latent needs
- Close relationships with leading manufacturers in a wide range of product fields
- Ability to meet the needs of a wide range of mid-level, small and medium-sized, and regional users through our network of machine tool wholesalers
- Brick-and-mortar platform that matches the needs of users and manufacturers (Doterai Ichi and other exhibitions)

Opportunities

- Strong need for automation at manufacturing sites due to a labor shortage
- Global trend toward carbon neutrality
- Rising demand for use of digital technologies in areas such as e-commerce, EDI and traceability management
- Market expansion for electrification-related parts such as batteries, motors and inverters due to a shift to electric vehicles

Risks

- Lower value of information provided by trading companies as digitalization closes the gap between manufacturers and users
- Decrease in metal processing for internal combustion engine manufacturing due to a shift to electric vehicles
- Lack of successors and business succession issues at small and medium-sized enterprises

Growth Strategy toward 2030

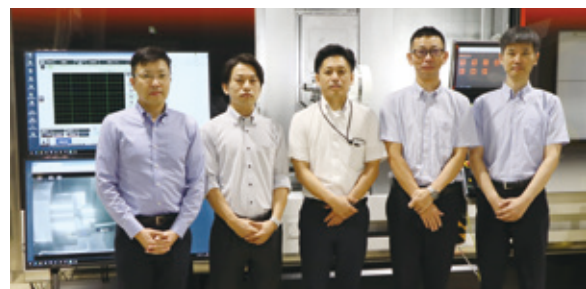
We will rebuild our distribution business infrastructure to deploy our expertise and help improve supply chain productivity.

In light of the issues facing the manufacturing industry—a labor shortage, rising energy prices and structural changes in the industry itself—we aim to increase customer trust by enhancing the functions that underpin distribution, including reorganizing logistics and creating a next-generation B2B website. We also help resolve customer problems by developing products with market value and providing customer support through technical marketing. We will conduct M&As for the required functions and in the commercial spheres we need for our growth strategies, with the aim of generating synergy with existing businesses. We will utilize the data we collect from digitalizing these activities to continuously create added value through new products and services.

| Main Policies | Key Measures | Qualitative Objectives |
|--|---|---|
| Close customer relationship strategy Achieve win-win relationships by working with distributors to better understand the needs of users and offer solutions. | Strengthen expertise | Differentiation in the cutting, accessory and measuring tool categories from strengthening our distribution and sales capabilities and enhancing technical marketing |
| | Next-generation B2B catalog website | Launch of a new website for connecting with users and main customers, and start of new businesses |
| Transformation strategy Be capable of providing total solutions for engineering, green business and other issues distributors and users face, rather than simply selling products. | Increase logistics efficiency | Construction of a logistics system closely linked to customers through the reorganization of logistics in the Kansai region and the opening of satellite Logis depots nationwide |
| | Strengthen product development | Development of new manufacturing partners in the fields of cutting, accessory and measuring tools, and of private brand products that contribute to decarbonization and productivity improvement in the industrial equipment category |
| Digital integration strategy Improve productivity throughout the value chain by digitalizing both our own services through our new website and the operations of our distributors. | Commercialize a recycling-oriented business | Creation of a recycling-oriented business through expansion to include eco-friendly recycling and maintenance in addition to product sales |
| | Build a data-driven sales system | Construction of a system that utilizes digital data for optimal proposals without relying on individual salespeople for product knowledge |
| | Consolidate standard and non-standard operations | Reallocation of human resources through division of labor and automation of business systems |

Highlight Solving Customer Problems with Our Technical Sales Capabilities

We started hiring technical sales staff in July 2020 and have stationed five members in Osaka, Nagoya, Tokyo, Kitakanto and Kyushu. We are leveraging our knowledge gained at manufacturing sites and from manufacturers and partnering with distributors and manufacturers to strengthen processing improvements, product proposals and other customer services. We will also participate in product development of machine tool peripheral equipment, create private brand products from the user's perspective, and help to improve productivity and reduce costs.



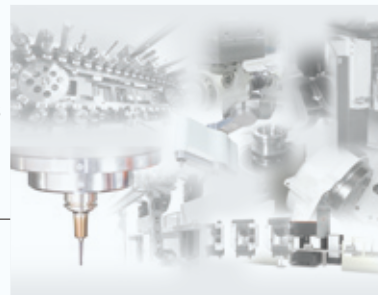
Overseas Production Equipment Business



Based on the idea of “made with Yamazen,” we will accelerate worldwide manufacturing that has been supported by the strength of the “made in Japan” brand.

Kinya Nakada

Officer
Vice President of General Sales H.Q.
(in Charge of Overseas Business)

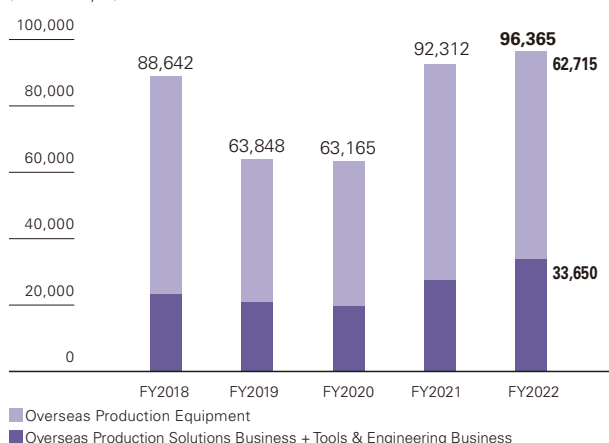


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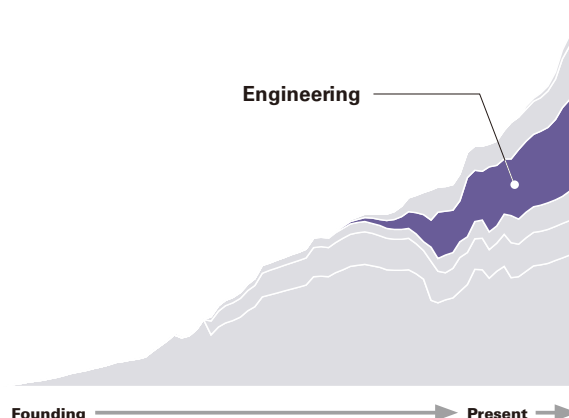
Overseas net sales for FY2022 were ¥96.3 billion (a 4.4% increase compared with the previous year). We aim to establish a foundation for medium- to long-term growth by proactively expanding our global network and stepping up efforts to develop new markets and new businesses for production equipment that contributes to manufacturing worldwide.

Net Sales

(Millions of yen)



Envisioned Development of the Business



Despite a slump in orders and sales of processing equipment for the electronics manufacturing services (EMS) industry, demand for machine tools, cutting tools and auxiliary tools used in fields such as electric vehicles, healthcare, aircraft and semiconductors remained steady, and overseas net sales of production equipment in FY2022 increased 4.4% year on year to ¥96.3 billion. In FY2023, although market conditions have entered a correction phase, we will further enhance the engineering capabilities that are a Yamazen strength, geographically expand and reorganize our target markets, conduct borderless sales activities and move into growth industries and fields.

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 64 business locations*)
- Superior technical proposals 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 measures 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 that arises 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

* As of October 31, 2023. Figures for the Production Equipment Business only.

Growth Strategy toward 2030

As a total solutions provider that is one of the world's largest trading companies for production equipment and technologies, we will boldly take on the challenge of expanding into new regions and businesses to build a value chain that supports manufacturing worldwide.

With factors such as the accelerating trend toward decarbonization and rising geopolitical risks, our external environment is becoming more complex and continues to change at a dizzying pace. We will contribute to diversifying manufacturing worldwide as one of the world's largest trading companies for production equipment and technologies. In doing so, we will make full use of our advantages including a user-based sales system that enables us to meet needs in each region through our growing global network, engineering capabilities in which numerous highly skilled engineers provide one-stop support from product proposals to after-sales maintenance, and a cross-border strategy that leverages the strong relationships of trust we have cultivated with users.

| Main Policies | Key Measures | Qualitative Objectives |
|---|---|--|
| Close customer relationship strategy Build specialized systems for key industries from a global perspective and gain an in-depth understanding of customer needs from local sales activities in the field to provide optimal proposals and products. | Promote localization of management | <ul style="list-style-type: none"> • Localization of sales, engineering, management, and information management business functions in Taiwan, Shanghai, Shenzhen, Thailand, India and the United States • Expansion of the training system, and establishment of fair labor and remuneration systems • Enhancement of local export management system operations for security exports |
| Transformation strategy Resolve a wide range of issues by making full use of various goods (products) for automation and energy-saving measures together with engineering (services) covering all areas from upstream to downstream (total solutions). | Conduct geographic expansion and restructuring of target markets | <ul style="list-style-type: none"> • Expansion: Development of new areas based on potential for the future (offices in Europe also function as bases for the collection of front-line information) • Restructuring: Relocation of overseas bases (review as appropriate for profitability and salesforce productivity) • Formation and effective utilization of a global marketing team |
| Digital integration strategy Identify the target customers, products and appropriate timing for marketing activities based on customer behavior history, external information, etc., and improve salesforce productivity through the use of digital data. | Diversify markets and business types | <ul style="list-style-type: none"> • Development of markets in the electric vehicle, healthcare, aircraft, semiconductors and next-generation digital devices industries • Deeper cultivation of the automation market by proposing solutions that include the use of robots • Development of products that meet diverse needs |
| | Further enhance cooperation with manufacturers | <ul style="list-style-type: none"> • Creation of opportunities for collaboration with overseas manufacturers to strengthen ties • Generation of green business opportunities by collaborating with related manufacturers to reduce environmental impact at customer sites |

Highlight Yamazen Engineers Active at Sites Worldwide

Yamazen has stationed engineers at all of its overseas locations to offer a broad range of technical services such as application proposals and technical consultation and guidance in addition to installation work and after-sales service. Yamazen's engineers stay in close touch with customers on-site at all times (and did so even during the pandemic) and work tirelessly to further improve our services and technical capabilities.

These engineering capabilities are our foremost strength for advancing our idea of "made with Yamazen."



Building Materials Business



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

Kazuhiko Torigoe

Executive Officer
President of Building Materials Division H.Q.

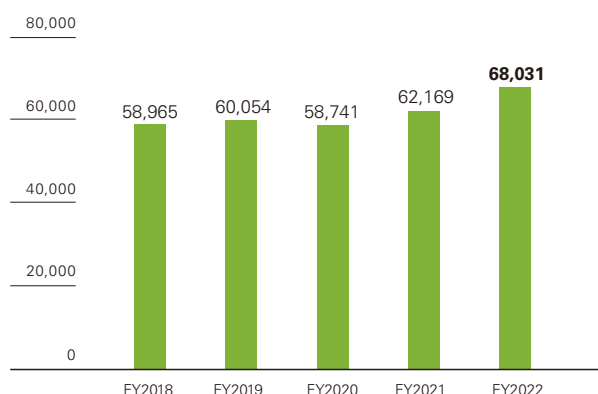


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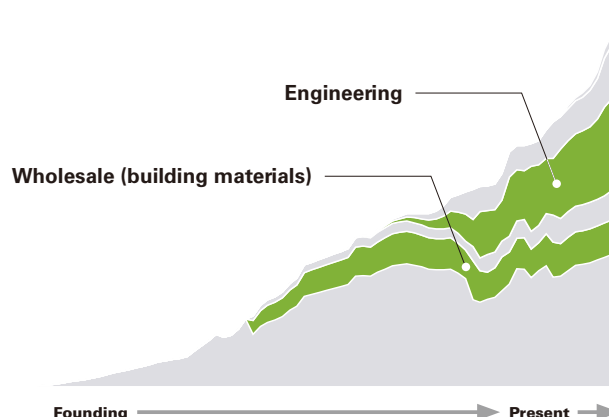
Net sales for FY2022 were ¥68.0 billion (a 9.4% increase compared with the previous year).

Net Sales

(Millions of yen)



Envisioned Development of the Business



In the housing sector, we focused on marketing activities for high-value-added products that meet steady demand for renovation and decarbonization. In the non-residential sector, in response to corporate demand for cost-cutting measures in the face of rising utility costs, we stepped up proposals for facility renovations employing new energy equipment such as for solar power generation. Net sales for FY2022 increased 9.4% year on year to ¥68.0 billion. The Building Materials Business generates stable cash flow through its wholesale operations, which are its revenue base, and also conducts engineering operations centered on the Yamazen Health and Safety Council, whose members all have strong construction capabilities. Initiatives in FY2023 will include expanding new energy sales for decarbonization and proposing and selling high-value-added products.

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, 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

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

Growth Strategy toward 2030

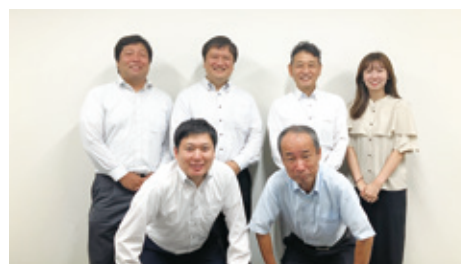
We will ramp up business activities that accurately capture the public's needs for eco-friendly products and services.

In the current market environment of the Building Materials Business, although the number of new housing starts is decreasing, demand for non-residential business and renovation business is increasing substantially. Needs are also rising among companies of all sizes for the introduction of eco-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.

| Main Policies | Key Measures | Qualitative Objectives |
|--|--|---|
| Close customer relationship strategy Secure resources for the core sales business through the establishment of a sales support system, and strengthen relationships with customers based on priority areas. | Implement strategies by segment Classify all customers into segments, and use data to propose sales strategies and to make proposals with high added value | Categorization of all customers into segments to conduct optimal proposal activities for each segment through data analysis |
| | Strengthen the sales support system Strengthen the sales support system through the enhancement of in-sales construction monitoring and cost estimation capabilities | Construction of a system that enables our sales staff to dedicate themselves to sales activities |
| Transformation strategy Build a system that, through the strengthening of engineering capabilities and the development of original products and services, will enable us to make optimal proposals that combine products and services. | Enhance total support functions Enhance total support functions, including planning and design, cost estimates, construction management, various applications/permits, after-sales maintenance, etc. | Ability to be of further use to our stakeholders through the enhancement of engineering capabilities |
| | Create added value services Through internal "crossing," discover new business combinations to produce services with added value that differentiate us from the competition | Establishment of a development system, and provision of products and services with high added value |
| Digital integration strategy Conduct efficient sales activities based on past sales results as well as on data related to past actions and decisions. Use insights gained from data analysis to create new business. | Strengthen information communication capabilities Strengthen our ability to communicate information, such as promoting the use of grants and subsidies, how to respond to legal amendments, etc. | Ensure employees have proposal skills that allow for a prompt response and that produce a high level of customer satisfaction |
| | Implement the PDCA cycle through the use of data Identify key points from the vast amount of data we possess to improve productivity and increase profitability, as well as implement the PDCA cycle | Ability to provide services and proposals ahead of our competitors as the next steps become clear |

Highlight Support for Raising Yamazen's Presence through Decarbonization

The Smart Energy Promotion Department, which provides total support for captive solar power generation, makes useful proposals for both reducing electric power costs in response to rising energy prices and contributing to the environment. The number of companies with which we have tie-ups has been growing recently due to new initiatives including collaboration with financial institutions, proposals for sets incorporating industrial storage batteries (mainly reused ones) and support for small and medium-sized enterprises in obtaining Science-Based Targets certification. We are breaking new ground in the decarbonization business as a trading company together with our business partners.



Home Products Business

We provide value and reasonably priced products to all customers, both in the B2C and B2B markets.

Naonori Nakayama

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

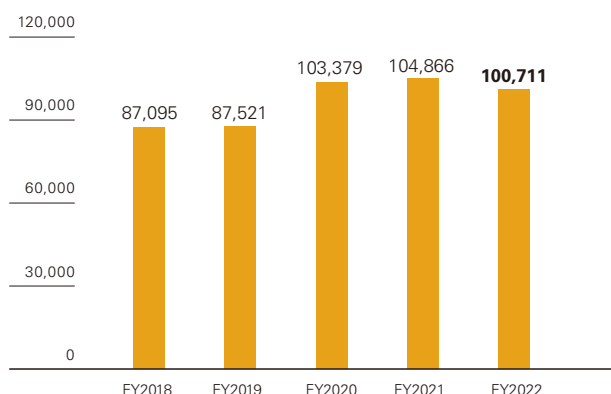


Key Point

Net sales for FY2022 were ¥100.7 billion (a decrease of 4.0% compared with the previous year). We will develop new products and strengthen the Yamazen brand and e-commerce site to establish the presence demanded by our customers.

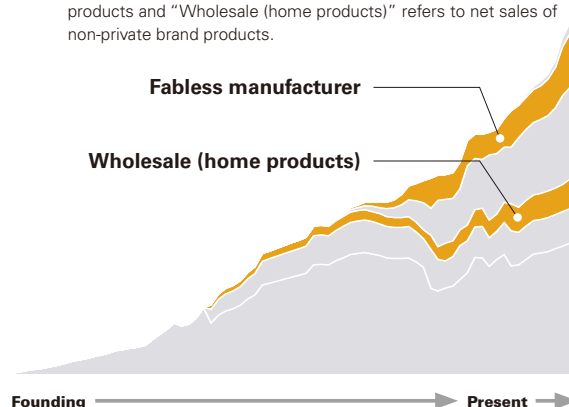
Net Sales

(Millions of yen)



Envisioned Development of the 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.



Although sales of Yamazen brand products remained steady, willingness to purchase durable consumer goods declined due to rising prices of raw materials, electricity and gas, and product price hikes due to yen depreciation. Net sales for FY2022 decreased 4.0% year on year to ¥100.7 billion. The Home Products Business is a major growth driver for Yamazen. In FY2023, we will develop new products that capture consumer needs, strengthen the penetration of the Yamazen brand and expand our e-commerce site (Yamazen Bizcom).

Strengths

- A leading lineup in the home products category
- Diverse sales channels, such as volume retailers, home centers, mail order and e-commerce (own websites and marketplace websites)
- Ability to make diverse proposals through the handling of both private brand products and national brand products
- Agile product development system that meets the needs of consumers

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

Growth Strategy toward 2030

We will work to accurately grasp diversifying customer needs, build a delivery system and strengthen Yamazen's original private brand products.

In the market environment of the Home Products Business, competition in the e-commerce sector is expected to intensify due to diversifying consumer needs, changes in consumer purchasing channels and the entry of volume retailers and other new players.

To develop new corporate customers, we will expand the Yamazen Bizcom e-commerce site with a focus on making it a mainstay of our business. To rebuild our logistics system, we will introduce our own warehouse management system (WMS) at all logistics bases, reconsider the location and scale of bases, and automate material handling operations. We will also build a system to accurately grasp customer and consumer needs as part of our digital integration strategy, and work to expand sales by developing and deploying Yamazen's original private brand products and offering an extensive product lineup.

| Main Policies | Key Measures | Qualitative Objectives |
|---|---|--|
| Close customer relationship strategy Sales channels: Maximize LTV* by building medium- to long-term customer contact points, with a focus on the Company's e-commerce platform in new channels. | Develop new channels and the e-commerce site Yamazen Bizcom Focus on expanding the website | Promotion of the e-commerce site Yamazen Bizcom as one of the pillars of our business |
| | Develop new customers (small and medium-sized enterprises, educational corporations, etc.) Recruit dedicated staff, and develop new customers | Promotion of sales to small to medium-sized enterprises as well as to educational corporations |
| Transformation strategy Logistics: Significantly expand sales, and build rapid delivery platforms and systems through efficient logistics throughout Japan. | Enhance logistics infrastructure (warehouse expansion and introduction of systems) Invest in logistics functions and systems that can handle the quantity of sales expected 10 years from now | Strengthening of our logistics sites, material handling, etc., and establishment of efficient logistics structures and systems |
| Digital integration strategy Product development: Accurately understand the needs of customers and consumers, and continue to provide optimal products to markets through digitalization of all transactions across channels. | Establish the Marketing Office Recruit marketing personnel to utilize internal and external data | Shift to marketing, product development, sales promotion activities, etc., that utilize data |
| | Brand building Convey internally and externally the value provided by the Home Products Business | Examination of building Yamazen original brands |

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

Highlight Raising Brand Recognition with TV Commercials and Website Renewal

To increase awareness of the Yamazen brand, we produced TV commercials for our washable circulator fan. The illustrations by popular manga artist Sensha Yoshida attracted attention to the product. In addition to the commercials, we also renewed our brand website, Yamazen Book, and focused on communicating with customers through social media in an effort to improve brand value and acquire new customers.



Washable circulator fan series commercial "A face you can wash"



Brand website

“Crossing” as a Sales Strategy

Case 1

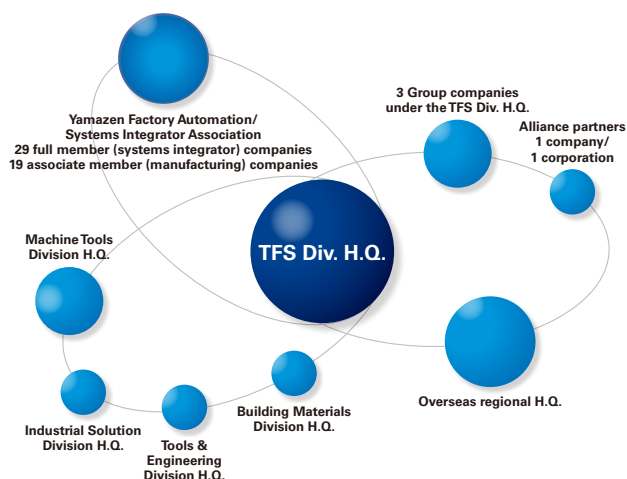
TFS Div. H.Q. Proposing Total Solutions for Production Sites

The Total Factory Solutions Division Headquarters (hereinafter, “TFS Div. H.Q.”), is an embodiment of the concept of “crossing.” It partners with domestic Group companies, domestic business divisions and overseas regional headquarters, and proposes total solutions for production sites, including in areas related to automation. In addition, we have launched the Yamazen Factory Automation/Systems Integrator Association, an external

network consisting mainly of systems integrators from outside the Company. We propose systems that are suited to a variety of uses, and work to resolve our customers’ problems. In order to strengthen our approach to the product industry (food, medical and cosmetics) and the logistics industry as areas of focus, we have put together a dedicated team and are cultivating new customers.

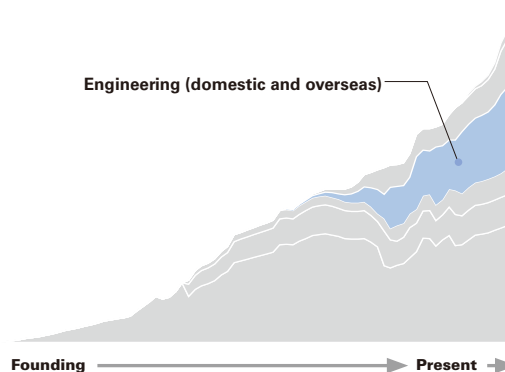
Positioning of the TFS Div. H.Q.

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.



Role of the TFS Div. H.Q.

- The TFS Div. H.Q. will work to integrate Yamazen's functions and proactively invest in human resources and M&As in order to strengthen those functions, including in the areas of sales and technology.
- By collaborating with the Engineering Support Department, Group companies, and the Yamazen Factory Automation/Systems Integrator Association, we will utilize our engineering capabilities in the wholesale business, making full use of its sales channels. In doing so, we will improve Yamazen's business results.



Highlights

Participation by Women

We proactively rotate the jobs of female employees based on our belief that empowering women and enhancing their expertise will strengthen the organization. This practice will lead to the development of new career plans for our female employees, including the appointment of business section managers, transfers from sales positions as well as assignments of new employees in FY2023 to the Engineering Support Department, and transfers from staff support positions to the Sales Promotion Office.

Establishing Our Position in Automation

On June 10, 2023, Yamazen conducted a survey on automation and labor-saving measures, targeting 1,043 respondents throughout Japan involved in the manufacturing industry; the food, medical and cosmetics industry; primary industry; the construction industry; and the logistics industry. In response to Japan's labor shortage and aging workforce, industries are trying to improve the working environment in factories and raise the efficiency of their operations through automation and labor-saving measures. According to the survey results, however, approximately 70% of respondents implementing automation and labor-saving measures were not satisfied with the initiatives they had taken, and as many as 60% had a progress rate toward their targets of 30% or lower. By proactively developing total consulting services for automation and labor-saving measures at the TFS Div. H.Q., we aim to raise operational efficiency in each industry.

Example of Yamazen's Automation and Labor-Saving Measures

Mishima Factory, FANCL Biken Corporation Automated system for manufacturing a series of age-specific supplements

We introduced an automated system for the packaging line of the customer's series of age-specific supplements that contain ingredients carefully selected for each age group and gender.

► See the video at the following link (Japanese only) for details.
<https://youtu.be/JYfaBC9eUik>



Case 2

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 more than 40

years, 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 FY2022, 494 distributors and 3,726 manufacturers participated in the event.

History of Doterai Ichi

The first Doterai Ichi was held at the Nishinohon 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 operate 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 ¥1.0 billion. 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. 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 2023)

Feedback

Doterai Ichi: Message from a Distributor

"Doterai Ichi is a unique and excellent business model."

Shoichi Nishikawa

Representative Director and President
NISHIKAWA SANGYO CO., LTD.



NISHIKAWA SANGYO has been participating as a machine tool distributor since the first Doterai Ichi. It was during the recession that followed the energy crisis in the 1970s, and when I heard that Yamazen's founder Takeo Yamamoto was setting up an exhibition and sales event, I decided to participate to take advantage of his ingenious idea.

At the venue, manufacturers, distributors and Yamazen interact face-to-face, providing the opportunity to not just see but also handle and operate products that will be useful to

users, which is not usually possible at other exhibitions. It is like a market (*ichi*) where you can actually take orders, and I think it is an outstanding and very interesting business model for our industry. Mr. Yamamoto's words left an impression on me: "Now, even unknown manufacturers who are doing their best to succeed can become top-ranked if they sell well in the market and their numbers go up. Doterai Ichi is a place that offers manufacturers that opportunity." For manufacturers, it is an excellent place to promote awareness of the products they have worked so hard to develop, pick up hints for product development from customers and get inspiration from other companies, which can lead to their growth. My company also uses it as a valuable opportunity to learn sales techniques. Although employees feel pressure to get orders, success in doing so is hard to come by. At NISHIKAWA SANGYO, we share the same ambition as manufacturers and Yamazen, and want to continue seeking out new formats for Doterai Ichi that respond flexibly to the changing times without losing the essence of this unique and excellent business model.

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. (As of September 30, 2023)

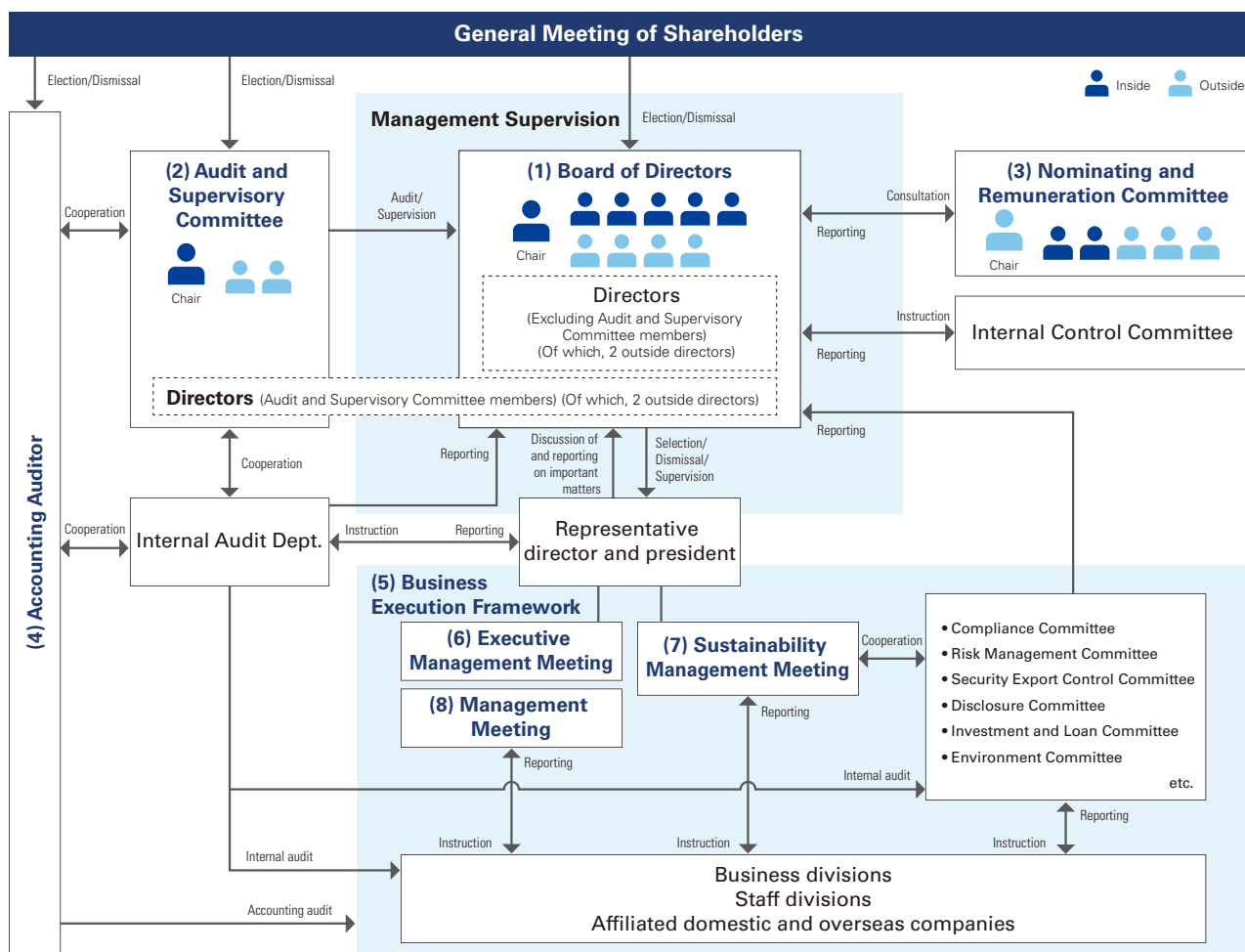
► For further details, please refer to the Securities Report and the Corporate Governance Report.
Securities Report
https://www.yamazen.co.jp/archives/001/yuuhou_77_20230630.pdf (Japanese only)
Corporate Governance Report
<https://www2.jpx.co.jp/disc/80510/140120230531590007.pdf> (Japanese only)

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



(1) Board of DirectorsMeetings in FY2022: **13**

The Board of Directors meets on a monthly basis in order to make decisions on important management matters and supervise the execution of business. In order to ensure the effectiveness of the Board of Directors supervisory functions, as a rule, more than one-third of directors are independent outside directors. The number of directors as of September 30, 2023 (including directors who are Audit and Supervisory Committee members) was 10, of which four were outside directors, with two of those four being Audit and Supervisory Committee members.

Chair: Yuji Nagao, Director and Chairman**Main topics for consideration include:**

- Investments for the sustainable growth of the Group (logistics facilities, DX/system-related investments, new businesses, etc.)
- Strengthening the governance structure by reorganizing various committees
- Initiatives to promote sustainability
- Necessity of holding or disposing of cross-shareholdings
- Review of business portfolio
- Confirmation of progress of important measures related to the medium-term management plan

(2) Audit and Supervisory CommitteeMeetings in FY2022: **13**

The Audit and Supervisory Committee audits and supervises the legality of execution of duties by directors as well as the reasonableness and appropriateness of decisions and management judgments through attendance at monthly meetings of the Board of Directors and its own auditing activities.

(3) Nominating and Remuneration Committee Meetings in FY2022: **3**

The Nominating and Remuneration Committee deliberates on matters related to the nomination and remuneration of directors and others, and submits reports to the Board of Directors. The committee is made up of at least three directors, selected by a resolution of the Board of Directors, of which a majority of directors are independent outside directors. The chairperson of the committee is selected by internal resolution of committee members who are independent outside directors. This is not a legally mandated committee.

Chair: Yoshinori Tsuda, Audit and Supervisory Committee Member**Main topics for consideration include:**

- Selection of candidates for the next president/CEO
- Policy for determining the amount of director remuneration and its calculation method

(4) Accounting Auditor

The Company has appointed Deloitte Touche Tohmatsu LLC to perform accounting audits pursuant to the Companies Act; audits of financial statements pursuant to the Financial Instruments and Exchange Act; audits of the internal control system; and quarterly reviews.

(5) Business Execution Framework

The Company has established a corporate officer system to enhance the flexibility of management by separating roles and responsibilities into the areas of "management supervision (monitoring)" and "business execution (management)." With the aim of strengthening its earning capability and productivity, the Company has also established an officer structure as its unique system for senior management.

(Overview of Corporate Officer and Officer Structure)

Corporate officers: Officers nominated by the Board of Directors to serve for a one-year period and tasked with executing the core business of the Company. Corporate officers are mainly in charge of core business operations, but as members of the Executive Management Meeting and the Sustainability Management Meeting they are also involved in the overall management of the Company.

Officers: Officers with a high level of insight or expertise in specific geographical areas or specialist fields nominated by the Executive Management Meeting to serve for a one-year period. Together with corporate officers, they make up members of the Management Meeting and are responsible for executing the duties they are assigned. As of September 30, 2023, there were 11 corporate officers (including four also serving as directors) and 19 officers.

(6) Executive Management Meeting

In accordance with the management policy and management objectives of the Company, this body deliberates on and determines basic and important matters related to business execution (excluding those resolved by the Board of Directors), and is attended by representative directors and corporate officers.

(7) Sustainability Management Meeting

This body evaluates various risks and opportunities related to the Company's material issues, formulates action plans, verifies initiatives of each business division across the Group and deliberates on matters concerning approval and information disclosure. It is attended by representative directors and corporate officers.

(8) Management Meeting

This meeting is held on a monthly basis for the submission of reports related to business execution and as a forum for exchanging information and other activities. It is attended by representative directors, corporate officers, officers and full-time Audit and Supervisory Committee members.

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%–70% and performance-linked remuneration would be 30%–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 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 (FY2022)

| Directors and Other Officers | Total Amount of Remuneration (Millions of Yen) | Total Amount of Remuneration by Type (Millions of Yen) | | | Number of Eligible 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 | 389 | 257 | 105 | 26 | 6 |
| Directors (Audit and Supervisory Committee members) Note: Excluding outside directors | 25 | 25 | — | — | 1 |
| Outside directors | 28 | 28 | — | — | 5 |

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.

Reason for Appointment

Atsuko Suzuki

Atsuko Suzuki possesses abundant experience and broad insight into strategic CSR/ESG development aimed at bolstering a company's social standing, namely in the form of experience promoting diversity, formulating CSR policy and promoting ESG strategy at other companies. Her proactive advice at meetings of the Board of Directors offers an independent perspective separate from management involved in business execution, helping to link CSR activities with the Company's business operations and further enhancing the corporate governance of the Group.

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.

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.

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.

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. The main process is as follows.

Implementation Process



Evaluation Results

In March 2023, the Company gathered and analyzed the results of the questionnaire survey on the effectiveness of the Board of Directors for FY2022. The main items 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.

Moreover, based on the results of the questionnaire survey, the following items were recognized as priority issues going forward.

- Approach to shareholders (including institutional and individual investors) and dissemination of information
- Exchange of opinions concerning medium- to long-term management strategies that will contribute to sustainable growth and the enhancement of corporate value
- Securing sufficient preparation time to consider matters scheduled to be discussed at future meetings of the Board of Directors

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 | Issue integrated reports, and hold informational briefings and one-on-one meetings between the CFO and institutional investors as appropriate |
| Formulation and implementation of training plans for directors and other officers | FY2022: Implemented web-based training for directors and other officers |
| Holding meetings to exchange opinions on medium- to long-term management strategies that contribute to sustainable growth and increased corporate value | FY2022: Regularly held meetings to exchange opinions |

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/80510/140120230531590007.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 | <ul style="list-style-type: none"> Significant changes in demand caused by trends in corporate attitudes toward capital investments and personal consumption | <ul style="list-style-type: none"> Pursue specialization to address diverse needs Open up new markets by accelerating overseas expansion |
| b. Country risk | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Obtain appropriate information on country risk |
| c. Foreign exchange rate volatility | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Implement forward exchange contracts and other measures for import/export transactions denominated in foreign currencies |
| (2) Risks associated with operation of the business | | |
| a. Response to new business models | <ul style="list-style-type: none"> Expected results are not realized from investment in the business | <ul style="list-style-type: none"> Implement measures based on business investment framework |
| b. Securing and developing talent | <ul style="list-style-type: none"> Difficulty in obtaining competent talent due to the declining birthrate, aging population and shrinking workforce | <ul style="list-style-type: none"> Draw up and execute strategies based on personnel management policy Promote diversity, beginning with the participation of women in the workplace |
| c. Credit | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Implement credit management based on internal management regulations |
| d. Product liability, etc. | <ul style="list-style-type: none"> Significant costs following the occurrence of major recalls or product liability issues, and impairment of corporate brand value | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Formulation of 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 | <ul style="list-style-type: none"> Punishment by regulatory authorities, impairment of corporate brand value and loss of social trust in the event of violations of public regulations Infringement of public regulations in Japan and overseas as a result of the enactment of new regulations and other developments | <ul style="list-style-type: none"> Establish the Internal Control Committee and the Compliance Committee Formulate and follow the Yamazen Group Corporate Activity Charter |
| b. Share price fluctuations | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Review all shareholdings on a regular basis to confirm the reasonableness of maintaining or reducing holdings |
| c. Impairment losses on non-current assets | <ul style="list-style-type: none"> Recognition of necessary impairment losses arising from trends in the economic environment and a decline in economic value | <ul style="list-style-type: none"> Implement measures based on capital investment framework |
| d. Natural disasters, epidemics, etc. | <ul style="list-style-type: none"> Damage arising from large-scale natural disasters or pandemics Delays in product delivery due to supply chain disruptions | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Promote global adoption of energy saving equipment Enter the renewable energy business by establishing the Green Recovery Business (GRB) Dept. |

Management Team

Directors (As of June 27, 2023)



Yuji Nagao
Director and Chairman

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



Koji Kishida
Representative Director,
President & CEO

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



Kimihisa Sasaki
Representative Director and
Executive Officer

Apr. 1980 Joined the Company
Apr. 2013 Vice President; Vice President of Osaka Regional H.Q.
Apr. 2015 Senior Vice President
Apr. 2016 Corporate Officer
Apr. 2017 Executive Officer; President of Osaka Regional H.Q.
Jun. 2017 Director and Executive Officer
Apr. 2018 Director and Executive Officer; President of Osaka Regional H.Q.
Jun. 2019 Resigned as Director
Apr. 2020 Executive Officer
Apr. 2020 Executive Officer; President of General Sales H.Q. (to present)
Jun. 2020 Director
Apr. 2021 Representative Director (to present)



Masamichi Yamazoe
Director and Executive Officer;
CIO & CFO

Apr. 1982 Joined the Company
Apr. 2015 Vice President; General Manager of Legal & Credit Department of Administration H.Q.
Apr. 2016 Corporate Officer; General Manager of International Administration Department of Administration H.Q.
Apr. 2017 Corporate Officer; Vice President of Administration H.Q.; General Manager of International Administration Department
Nov. 2017 Corporate Officer; President of Administration H.Q.
Apr. 2018 Executive Officer; CFO
Jun. 2018 Director and Executive Officer
Apr. 2020 Director and Executive Officer; CIO; President of Corporate Planning H.Q.; CFO; President of Administration H.Q.
Oct. 2021 Director and Executive Officer; President of Corporate Administration H.Q. (to present)



Naonori Nakayama
Director and Executive Officer

Apr. 1987 Joined the Company
Apr. 2015 Vice President; General Manager of Sales Division, Home Products Division H.Q.
Apr. 2016 Corporate Officer; Vice President of Home Products Division H.Q.; General Manager of Sales Division
Oct. 2017 Corporate Officer; Vice President of Home Products Division H.Q. (in charge of sales); General Manager of Sales Division 2
Apr. 2018 Corporate Officer; President of Home Products Division H.Q.
Apr. 2021 Executive Officer; President of Home Products Division H.Q. (to present)
Jun. 2022 Director (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.



Atsuko Suzuki
Outside Director

Apr. 1986 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)
Apr. 2008 Director and Manager of the CSR Office (resigned in December 2014)
Apr. 2010 Outside Director and Auditor, Nara Women's University (resigned in December 2012)
Jan. 2015 Joined Asahi Breweries, Ltd.
Apr. 2015 Manager of the Social Environment Department
Oct. 2015 Manager of the Sustainability Promotion Section, Olympic/Paralympic Promotion Headquarters (concurrent)
Apr. 2017 Director and General Manager of the CSR Division of Asahi Group Holdings, Ltd.
May 2019 Resigned from Asahi Breweries, Ltd.
Jun. 2020 Outside Director of the Company (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 Corporate 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 Outside Director of the Company (to present)



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

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

| 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 | Atsuko Suzuki | | | ○ | | | | ○ |
| Outside Director | Hirohiko Sumida | ○ | ○ | ○ | | | | |
| 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 | | | ○ | | ○ | | |

A Conversation with Two Outside Directors



Atsuko Suzuki
Outside Director

Masamichi Yamazoe

Director and Executive Officer;
CIO & CFO
President of Corporate
Administration H.Q.

Hirohiko Sumida
Outside Director

To further expand growth businesses, the Company must determine and make sizeable investments for the future.

Improving management fairness and transparency to build and maintain a business management system that can respond promptly to changes in the business environment is a key management theme for the Yamazen Group. As such, the Group has been working continuously to achieve more sophisticated corporate governance. The Board of Directors, which plays the core role in governance, is composed of six internal directors and four outside directors, and it strives to improve the effectiveness of the governance system and make prompt and appropriate decisions through free and open discussions. In the following discussion, Masamichi Yamazoe and outside directors Atsuko Suzuki and Hirohiko Sumida engaged in a candid exchange of opinions on the Yamazen Group's governance, business execution and issues for the future.

Now Is the Time for Adding Something Extra to Customer-Oriented Initiatives

Yamazoe: Ms. Suzuki and Mr. Sumida, both of you are outside directors of Yamazen, and I look forward to hearing your candid opinions on the Company's governance and management strategies.

Sumida: I have been involved in corporate management for many years, so I would like to offer my opinion from a manager's perspective. I believe that Yamazen's greatest strength is its ability to maintain stable profits by successfully retaining customers. Aside from an outstanding ability to make proposals, the strong relationships with manufacturers and business partners built by your predecessors since the Company's founding are another major factor. I was also surprised by the scale of sales and profitability of the Home Products Business as a fabless manufacturer. Yamazen has been taking the customer's perspective to provide a diverse range of products and services, and the independent approach it has cultivated in doing so is bearing fruit in new product

development in the Home Products Business. I strongly feel that Yamazen's free and open-minded corporate culture has led to its rapid progress.

Suzuki: I feel exactly the same. Since Yamazen is a trading company specializing in machinery, I used to have an image of a rigid company that was focused on hardware. However, after becoming an outside director and meeting the management team and many employees, I realized my preconceptions were mistaken. I have come to understand that Yamazen conducts its business with a high degree of flexibility to stay in close touch with customers. Moreover, the customer-oriented approach of employees is deeply rooted, and they are committed to ensuring that customers are happy. I was impressed that customer happiness is at the core of management decisions, even for those related to governance and medium-term management strategies. However, demands have been growing in recent years for management and business administration that is conscious not just of customers, but also of a wide range of stakeholders including

shareholders, investors and local communities. From my many years working in the field of sustainability, I am aware that intangibles such as society, the environment, quality and safety have, in their own way, also come to be regarded as stakeholders. It is true that a thorough customer orientation gives the Group an advantage over industry peers, but beyond that, I think it is necessary to add new value—in other words, to add something extra to customer-oriented initiatives.

Yamazoe: Both of you have alluded to Yamazen's close customer relationship strategy, which I believe has played a huge role in supporting our growth. However, I also feel that it is not enough to simply recognize that customer value equals corporate value. For example, further improving corporate value will be difficult unless we give more consideration to

Stronger Promotion of “Employees Challenging Themselves. Thinking while Taking Action” to Use Yamazen’s Corporate DNA of Taking on Challenges to Develop New Businesses

Yamazoe: Listening to both of you highlighted the importance of putting the customer first as well as the need for initiatives with something extra. As an executive officer, I will strive to manage while respecting our diverse stakeholders. Next, I would like to know what you think about Yamazen's growth strategies and the investments going forward that will underpin them.

Suzuki: My impression is that the content of discussions at Board of Directors meetings has changed considerably in the three years since I became an outside director. Directors have become more aware of capital policy and shareholder value, and spend more time discussing those topics. Reporting has become more thorough on the status and results of initiatives for investor relations, which you are in charge of, Mr. Yamazoe. On the other hand, there is still little reporting or discussion on future strategies and growth investments, which will be an issue going forward. For a number of fiscal years, the investment amount allocated in the business plan has not been fully spent, and I think we need more discussion of growth investments.

Sumida: I have many years of experience at a general trading company, and the 1990s were turbulent times for such companies, when their business models changed substantially. As lower commissions became the norm in the trading business, general trading companies tried to evolve into business investment companies. More projects began to come to the in-house organization that conducts preliminary screening of investments, and as investment projects took shape, companies' profits



capital efficiency in our management decisions. I believe we must put greater effort into conducting operations in tune with the times.

steadily grew. You could say that Yamazen is now confronting the same sort of difficulties that general trading companies were facing then. By valuing the customer's perspective and formulating and executing strategic investments with that in mind, the next path to growth will become apparent.

Suzuki: Further expansion of growth businesses may also require reform of the organizational culture. Yamazen has continued to grow with trading of production equipment as its core business. At present, the Production Equipment Business exceeds other businesses in terms of investment amounts and agenda items at Board meetings, partly because it is larger in scale than the Building Materials Business and the Home Products Business. I would say that the culture here emphasizes production equipment. However, pursuing the potential of growth businesses is an important duty for managers. I believe that Yamazen should emphasize allocating management resources to the Home Products Business to take advantage of its current growth potential, while displaying the flexibility and agility that is unique to a trading company to further maximize profits.

Sumida: It is also important for a manager to support the endeavors of each department and employee. Everyone feels fear when taking on something new. Providing support as an organization for taking on bold challenges and giving opportunities to try again in the event of failure will help to build a diverse portfolio and to develop the next generation of revenue sources. Throughout a history of more than 75 years, Yamazen has pioneered new business fields and markets. It has set forth a Personnel Philosophy of “Cultivating personnel who challenge themselves and think while taking action,” and now, its Purpose is “Pioneering a new future, with you all.” I would like to see this corporate DNA of taking on challenges put to greater use in developing businesses.

Entering Emerging Countries and New Fields in Search of Non-Organic Growth

Yamazoe: The issue of investment for the future is exactly as you both have pointed out. Going forward, we will thoroughly discuss such investments, not only at Board of Directors meetings but also at forums for exchanging opinions that we will hold three or four times a year. In addition, Yamazen has traditionally established the infrastructure for business by launching new departments, but in the future, we should consider increasing options for M&As to “buy the time” needed to develop the necessary functions. What is your view of Yamazen’s growth investments, particularly in the area of overseas expansion?

Sumida: The fact that Yamazen is establishing a profit-generating system centered on North America is a one of the great achievements of the past few years. For future developments, it will be important from the perspective of Group earnings to take on the challenge of cultivating markets in regions where further economic development is expected, such as the Middle East, North Africa, and South America. In those cases,



Becoming a Corporate Group That Provides Optimal Solutions to Various Social Issues

Suzuki: Addressing social issues will be an important management theme going forward. Many managers are starting to sense its urgency because their companies cannot hope for sustainable growth unless they resolve various issues such as depopulation in Japan and abnormal weather worldwide. They cannot expect medium- to long-term growth from simply searching for their next business if it originates from existing technology. Initiatives must include collaborating with companies that conduct advanced R&D, such as development of new systems for labor-saving and automation of production processes and reducing environmental impact. For example, establishing a new company specializing in environmental technology or acquiring a

the key will be not just to sell individual pieces of equipment, but to provide them as a turnkey system¹ that also includes additional services. I believe that Yamazen will further increase its profitability if it combines the knowledge it has cultivated with AI, which has been evolving rapidly in recent years, for a rollout to emerging countries that require turnkey systems.

Suzuki: I think the core issue in Yamazen’s overseas strategy is moving away from organic growth. Since Yamazen is a global company with 64 overseas locations, I think it needs to empower its overseas subsidiaries to create new business concepts. Specifically, going forward more Japanese industries will enter countries and regions such as Indonesia and Bangladesh, where GDP per capita is low but the demographic dividend² is large. I think Yamazen also has the potential to proactively invest its management resources to take on challenges in fields such as healthcare and environmental technology. Providing high added value through the turnkey approach Mr. Sumida mentioned is an initiative in which Yamazen can fully demonstrate its resourcefulness as a trading company.

Yamazoe: Yamazen is now focusing on developing local staff overseas, including through talent management projects in collaboration between the headquarters in Japan and regional headquarters, with the aim of localization in the true sense of the word. We are also considering a transfer of substantial authority so that each base can operate autonomously. As for turnkey products, they would allow us to secure a set gross profit margin. Hearing your opinions has reminded me of the need to further ramp up these initiatives.

1. A type of order for production equipment in which the seller undertakes the entire process from planning to full operation according to the customer’s request

2. Conditions in which the working-age population (aged 15 to 64) is substantially larger than the non-working-age population (aged 14 or younger and 65 or older)

promising business that targets seniors—these kinds of concept-based corporate activities will become more necessary than ever.

Yamazoe: Yamazen has conducted joint development of clothing that helps workers to reduce their workload, and a project to promote sales of fire alarms that detect carbon monoxide, among other initiatives. We have also been involved from a relatively early stage in the Green Ball Project and a power purchase agreement (PPA) model business, both of which help to reduce environmental impact. Nevertheless, looking at Yamazen overall, our focus is still on machinery and equipment sales, and we have not yet developed a business based on a clear concept like you mentioned, Ms. Suzuki. We realize that it is an urgent task for us to delve deeper into how to utilize our knowledge and knowhow to help resolve social issues.

Sumida: Concept-based business development also leads to the creation of added value. Controlling every part of a business from upstream to downstream allows you to capture all the profits generated in each process, and to build a next-generation business model that covers the entire product lifecycle. I think Yamazen will need to aggressively pursue that kind of expansion in the future.

Yamazoe: From that perspective, the success of the Home Products Business was a major turning point for the Yamazen Group. At first, we only sold products we had purchased, but since it was not profitable, we decided to manufacture them ourselves. Through an ongoing process of trial and error, we developed and improved our products, and reached a point where we were able to maintain a certain profit margin as a

fabless manufacturer. Our ability to keep having successes like this will be crucial for our growth strategies.



Further Deepening “Management of Fostering Personnel”

Yamazoe: To further accelerate the creation of high-value-added products and services and the expansion of investment for the future, it is essential to further strengthen human capital, which is our greatest management resource and the source of our differentiation. One part of our Management Philosophy is “Management of fostering personnel,” and we have been striving to develop what we call “Yamazen employees³” who work autonomously and proactively. What is your evaluation of Yamazen’s efforts to develop its human resources?

Sumida: Yamazen’s numerous employees who are proactive in their work are a highly praiseworthy result of its human resource development measures. On the other hand, given that the number of new investment project proposals is still insufficient, I am concerned that the corporate culture of “challenging themselves and thinking while taking action” may be weakening. The general trading company I used to work for had an in-house venture system under the company’s direct control that solicited new project ideas once every two months. I applied several times, and looking back, I think that measure helped create an open-minded corporate culture by increasing motivation and having a ripple effect on other employees. I hope that Yamazen will also be proactive in creating mechanisms to motivate employees, in addition to reorganizing the personnel system and improving the training system.

Yamazoe: The executive team at Yamazen shares an understanding about creating the kind of mechanisms you suggest to promote human resource development. The role human resources play in building a robust wholesale business

network is immeasurable. Moreover, although we are a trading company and do not own manufacturing facilities, we have secured profits by adding engineering capabilities for production equipment and fabless manufacturing operations in the Home Products Business. That is undoubtedly due to the power of our people. In other words, Yamazen’s strength lies in its human resources. Our policy is to increase investment in human resources to further enhance Yamazen’s unique dynamism and link it with the creation of new ideas.

Suzuki: Human resource development also requires fostering a culture that respects challenges and tolerates failure. Forbidding someone to fail when trying something new will only discourage them. Establishing flexible systems is important. For instance, if there is an investment project worth several million yen in an emerging country, delegate authority to the person who initiated it and leave its implementation to them after approval by the officer in charge.

Yamazoe: I think that our meetings among Company officers to exchange opinions help us pass down a corporate culture that values a spirit of challenge and to develop the human resources responsible for Yamazen’s future. Those meetings always include free discussion, so we can frankly discuss matters such as Yamazen’s medium- to long-term strategies, portfolio reform and the state of Group governance. I will utilize the valuable opinions and suggestions I have received from both of you today, as well the passion you have expressed for Yamazen, in management going forward.

3. 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.

11-Year Financial Highlights

| | FY2012 67th term | FY2013 68th term | FY2014 69th term | FY2015 70th term |
|---|---------------------|---------------------|---------------------|---------------------|
| Medium-Term Management Plan | VISTA - 3S | Amazing Act 2015 | | |
| Consolidated operating results | | | | |
| Net sales | 370,338 | 395,249 | 435,803 | 447,774 |
| Gross profit | 47,031 | 50,208 | 56,081 | 57,542 |
| Operating profit | 9,756 | 9,562 | 13,130 | 13,258 |
| Ordinary profit | 10,351 | 9,838 | 13,330 | 13,503 |
| Profit attributable to owners of parent | 6,249 | 5,515 | 5,851 | 9,192 |
| Consolidated cash flows | | | | |
| Basic operating cash flow ¹ | 6,152 | 7,569 | 10,209 | 9,702 |
| Cash flows from operating activities | 10,027 | 9,677 | 12,575 | 10,465 |
| Cash flows from investing activities | 143 | (373) | 422 | 1,534 |
| Cash flows from financing activities | (5,005) | (3,995) | (5,260) | (4,149) |
| Free cash flow | 10,171 | 9,304 | 12,997 | 11,999 |
| Consolidated financial position | | | | |
| Total assets | 160,178 | 179,088 | 200,301 | 208,404 |
| Equity | 51,393 | 55,785 | 64,962 | 67,274 |
| Interest-bearing liabilities | 3,450 | 2,516 | 267 | 5,784 |
| Net interest-bearing liabilities ² | (27,324) | (34,593) | (46,531) | (47,541) |
| Per-share information | | | | |
| Net assets per share (yen) ³ | 547.93 | 594.75 | 692.59 | 717.25 |
| Earnings per share (yen) ³ | 66.63 | 58.80 | 62.38 | 98.01 |
| Dividends per share (yen) | 15.00 | 15.00 | 20.00 | 30.00 |
| Consolidated dividend payout ratio (%) | 22.5 | 25.5 | 32.1 | 30.6 |
| Dividend on equity ratio (DOE) (%) | 3.0 | 2.6 | 3.1 | 4.3 |
| Financial indicators | | | | |
| Return on assets (ROA) (%) | 6.5 | 5.8 | 7.0 | 6.6 |
| Return on equity (ROE) (%) | 13.2 | 10.3 | 9.7 | 13.9 |
| Equity ratio (%) | 32.1 | 31.2 | 32.4 | 32.3 |
| Net debt-to-equity ratio (DER) (times) | (0.5) | (0.6) | (0.7) | (0.7) |
| Working capital | 9,590 | 7,805 | 5,932 | 4,732 |
| Quick ratio (%) | 109.4 | 112.8 | 114.2 | 118.8 |
| Days sales outstanding (DSO) (days) | 85.6 | 81.9 | 80.1 | 79.2 |
| Days inventory outstanding (DIO) (days) | 19.1 | 19.0 | 19.0 | 20.2 |
| Days payable outstanding (DPO) (days) | 104.5 | 103.7 | 104.3 | 106.1 |
| Cash conversion cycle (CCC) (days) | 0.2 | (2.7) | (5.2) | (6.7) |

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.

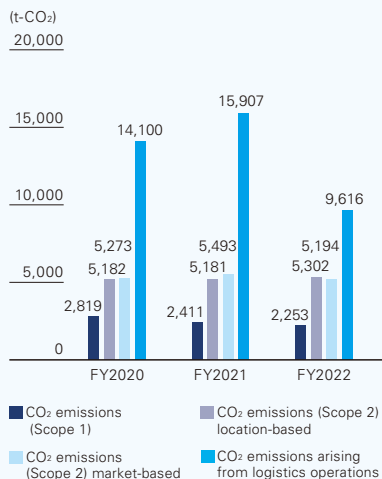
3. This amount is calculated by deducting the number of treasury shares from the number of issued shares.

| | Lead Feature: Yamazen's Values | Framework for Creating Value | Long-Term Strategy for Sustainable Growth | Medium-Term Business Strategies | The Foundation Supporting Value Creation | Data | |
|--|-----------------------------------|---------------------------------|--|------------------------------------|---|---------------------|---------------------|
| | | | | | | (Millions of yen) | |
| | FY2016 71st term | FY2017 72nd term | FY2018 73rd term | FY2019 74th term | FY2020 75th term | FY2021 76th term | FY2022 77th term |
| | ONEXT YAMAZEN 2018 | | | CROSSING YAMAZEN 2021 | | | CY 2024 |
| | 447,698 | 497,963 | 526,364 | 472,191 | 434,744 | 501,872 | 527,263 |
| | 57,906 | 63,516 | 69,626 | 63,301 | 62,672 | 72,738 | 78,279 |
| | 13,113 | 15,383 | 17,997 | 12,091 | 11,234 | 17,133 | 16,563 |
| | 12,931 | 15,152 | 17,859 | 11,895 | 11,209 | 17,093 | 17,280 |
| | 8,518 | 10,205 | 12,184 | 8,088 | 7,572 | 12,023 | 12,527 |
| | 8,664 | 12,267 | 14,378 | 9,054 | 11,623 | 12,052 | 14,427 |
| | 8,248 | 8,001 | 9,306 | 13,399 | 13,566 | 7,054 | 7,765 |
| | (213) | 2,223 | (965) | (1,866) | (3,911) | (2,766) | (3,297) |
| | (5,324) | (5,948) | (5,808) | (6,382) | (5,062) | 967 | (5,177) |
| | 8,034 | 10,224 | 8,340 | 11,533 | 9,654 | 4,288 | 4,468 |
| | 219,598 | 246,923 | 245,595 | 230,320 | 245,937 | 282,654 | 288,888 |
| | 75,435 | 84,368 | 92,770 | 95,056 | 107,155 | 112,741 | 122,928 |
| | 5,671 | 5,521 | 5,119 | 4,974 | 4,768 | 14,681 | 14,162 |
| | (50,687) | (55,154) | (58,670) | (63,411) | (69,709) | (66,472) | (66,966) |
| | 804.25 | 891.87 | 980.69 | 1,007.30 | 1,135.52 | 1,268.98 | 1,383.65 |
| | 90.82 | 107.79 | 128.80 | 85.60 | 80.25 | 133.74 | 141.00 |
| | 30.00 | 32.50 | 36.00 | 30.00 | 20.00 | 35.00 | 40.00 |
| | 33.0 | 30.2 | 28.0 | 35.1 | 24.9 | 26.2 | 28.4 |
| | 3.9 | 3.8 | 3.8 | 3.0 | 1.9 | 2.9 | 3.0 |
| | 6.0 | 6.5 | 7.3 | 5.0 | 4.7 | 6.5 | 6.0 |
| | 11.9 | 12.8 | 13.8 | 8.6 | 7.5 | 10.9 | 10.6 |
| | 34.4 | 34.2 | 37.8 | 41.3 | 43.6 | 39.9 | 42.6 |
| | (0.7) | (0.7) | (0.6) | (0.7) | (0.7) | (0.6) | (0.5) |
| | 4,825 | 9,115 | 14,507 | 9,791 | 7,819 | 13,377 | 20,411 |
| | 121.0 | 115.7 | 124.5 | 132.2 | 135.9 | 128.9 | 130.3 |
| | 81.4 | 77.1 | 76.0 | 79.8 | 79.5 | 70.4 | 68.2 |
| | 20.9 | 23.2 | 25.4 | 26.0 | 25.8 | 26.5 | 33.3 |
| | 109.9 | 105.7 | 103.5 | 107.3 | 110.0 | 99.8 | 99.8 |
| | (7.6) | (5.4) | (2.1) | (1.5) | (4.7) | (2.9) | 1.8 |

Non-Financial Highlights

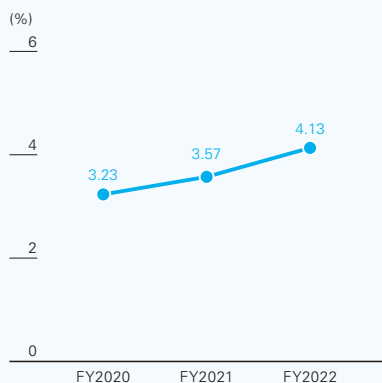
| Item | Unit | FY2020 | FY2021 | FY2022 | |
|---|-------------------|---------------------------|------------|-------------------|--------------------------------|
| Power consumption | kWh | 11,349,175 | 11,779,372 | 12,004,746 | |
| CO₂ emissions (Scope 1) | t-CO ₂ | 2,819 | 2,411 | 2,253 | Graph 1 |
| CO₂ emissions (Scope 2) location-based | t-CO ₂ | 5,182 | 5,181 | 5,302 | Graph 1 |
| CO₂ emissions (Scope 2) market-based | t-CO ₂ | 5,273 | 5,493 | 5,194 | Graph 1 |
| Vehicle fuel consumption | kℓ | 1,112,485 | 952,166 | 863,975 | |
| CO₂ emissions arising from logistics operations | t-CO ₂ | 14,100 | 15,907 | 9,616 | Graph 1 |
| Amount of waste produced | t | 171 | 197 | 184 | |
| Number of Green Ball Project participants/ Tons of emissions reduced | Projects | Number of participants | 689 | 682 | Graph 2 |
| | t-CO ₂ | Tons of emissions reduced | 34,319 | 40,701 | |
| Number of employees (consolidated) | People | 3,149 | 3,157 | 3,215 | Graph 3 |
| Number of employees (non-consolidated) | People | Total | 1,736 | 1,712 | |
| | | Male | 1,182 | 1,171 | |
| | | Female | 554 | 541 | |
| Average years of service | Years | Total | 13.5 | 13.8 | |
| | | Male | 15.6 | 15.8 | |
| | | Female | 9.0 | 9.6 | |
| Percentage of women among core human resources (next-generation management) | % | 3.23 | 3.57 | 4.13 | Graph 4 |
| Percentage of persons with disabilities | % | 2.21 | 2.33 | 2.27 | |
| Percentage of non-Japanese employees | % | 33.3 | 33.9 | 34.4 | Graph 3 |
| Number of new graduates hired | People | Total | 91 | 59 | Graph 5 |
| | | Male | 51 | 39 | |
| | | Female | 40 | 20 | |
| Number of career-path hires | People | Total | 15 | 19 | Graph 5 |
| | | Male | 12 | 18 | |
| | | Female | 3 | 1 | |
| Percentage of paid leave taken | % | 59.7 | 61.0 | 62.0 | |
| Number of employees taking parental leave | People | Total | 46 | 52 | Graph 6 |
| | | Male | 3 | 6 | |
| | | Female | 43 | 46 | |
| Percentage of employees returning from parental leave | % | 100.0 | 92.0 | 96.7 | |
| Cumulative number of students assisted by the Takeo Yamamoto Scholarship Fund | People | 113 | 121 | 125 | |
| Number of directors | People | Total | 11 | 10 | |
| | | Outside | 4 | 4 | |
| | | Female | 2 | 2 | |
| Number of employees receiving compliance training | People | 2,631 | 2,401 | 3,545 | |
| Remuneration for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) | Millions of yen | 313 | 320 | 389 | |
| Remuneration for directors who are Audit and Supervisory Committee members (excluding outside directors) | Millions of yen | 24 | 27 | 25 | |
| Remuneration for outside directors | Millions of yen | 23 | 26 | 28 | |

Graph 1

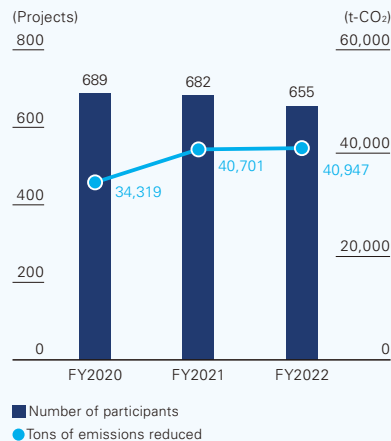
CO₂ Emissions

Graph 4

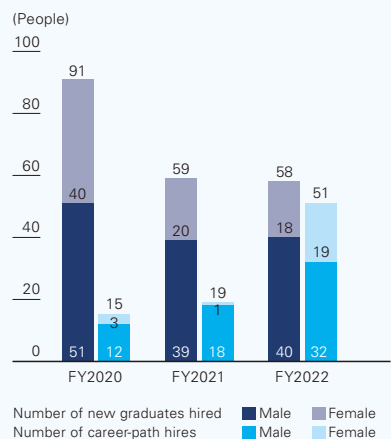
Percentage of Women among Core human Resources (Next-generation Management)



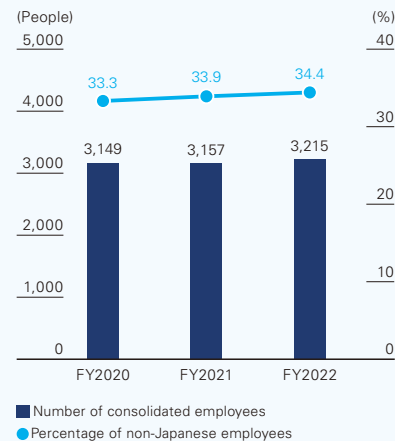
Graph 2

Number of Green Ball Project Participants/
Tons of Emissions Reduced

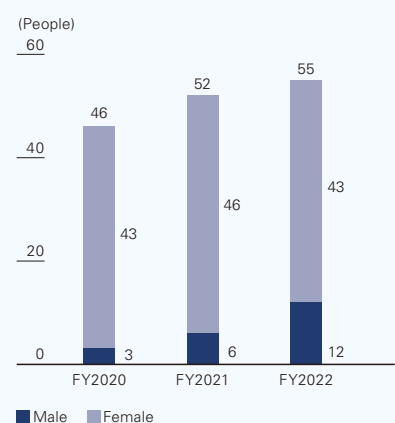
Graph 5

Number of New Graduates Hired/
Number of Career-path Hires

Graph 3

Number of Consolidated Employees/
Percentage of Non-Japanese Employees

Graph 6

Number of Employees Taking
Parental Leave

Highlight

Ramping up Initiatives for Occupational Safety and Health

The Construction Supervision Department in the General Sales H.Q. provides advice on decisions about contracts, assists in creating safety documentation such as work ledgers, and supports engineers through assistance from qualified personnel. In FY2022, the department published a guidebook for salespeople on proper compliance with the Construction Business Act and the Industrial Safety and Health Act, and held three in-house seminars using this guidebook. A total of 1,503 employees attended, as we work to improve employees' knowledge of occupational safety and health. The guidebook has also been useful at safety conferences held by the Yamazen Health and Safety Council, which is composed of our partner companies.



Highlight

Certification as a Health & Productivity Management
Outstanding Organization for 2023

We announced the Yamazen Health Management Declaration and were selected for the 2023 Health & Productivity Management Outstanding Organizations Recognitions Program sponsored by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. Promoting initiatives that contribute to improving physical and mental health within the Company will raise productivity by enhancing the performance of each employee, leading to an increase in corporate value.

Yamazen Health Management Promotion System
https://www.yamazen.co.jp/english/sustainability/society/work-realization.html#section_04

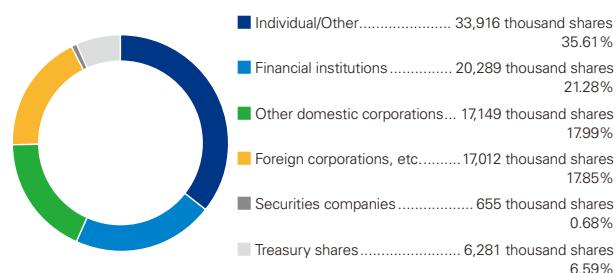


Investor Information/Company Overview/Editor's Afterword

Share Information (As of March 31, 2023)

| | |
|--|--------------------|
| Total number of shares authorized | 200,000,000 shares |
| Total number of issued shares | 95,305,435 shares |
| Number of shareholders | 5,846 |

Distribution of Shares by Shareholder Type



Major Shareholders

| Shareholder name | Number of shares held (thousand shares) | Percentage of shares held (%) |
|---|---|-------------------------------|
| Yamazen Business Partners Shareholders' Association | 8,658 | 9.72% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7,989 | 8.97% |
| Tokyo Yamazen Business Partners Shareholders' Association | 6,387 | 7.17% |
| Yamazen Employees' Investment Association | 3,339 | 3.75% |
| Nagoya Yamazen Business Partners Shareholders' Association | 2,407 | 2.70% |
| Mizuho Bank, Ltd. | 2,290 | 2.57% |
| Resona Bank, Limited | 2,146 | 2.41% |
| Custody Bank of Japan, Ltd. (Trust Account) | 1,760 | 1.97% |
| Hiroshima Yamazen Business Partners Shareholders' Association | 1,612 | 1.81% |
| Kyushu Yamazen Business Partners Shareholders' Association | 1,422 | 1.59% |

Notes:

1. The Company owns 6,281,972 treasury shares, but these have been excluded from the list of major shareholders. The 6,281,972 treasury shares do not include 180,000 shares held by the Board Benefit Trust (BBT).
2. The percentage of shares held is calculated after excluding 6,281,972 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/) (Japanese only) However, in cases when it is not possible to use electronic notification, notification shall be made in the <i>Nihon Keizai Shimbun</i> . |
| Administrator of the register of shareholders | Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo |

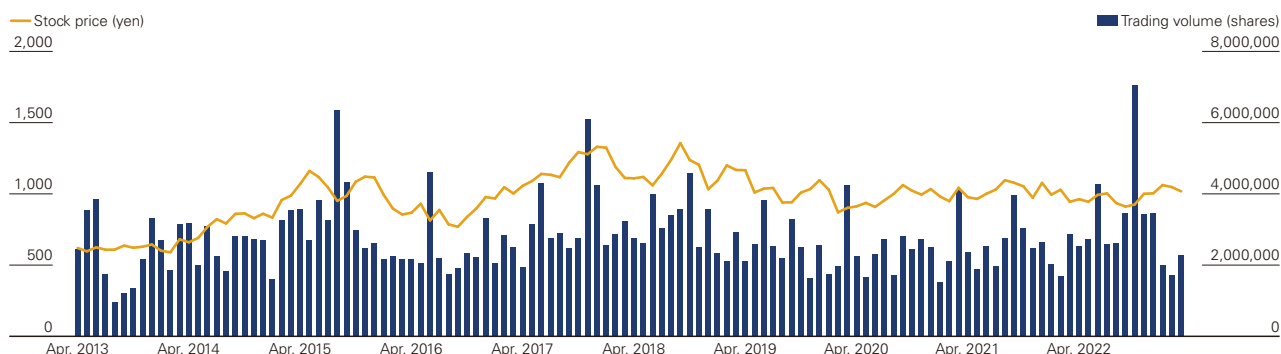
IR Activities

► 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 FY2022

| | |
|--|---|
| Main persons handling dialogue with shareholders and institutional investors | CEO: Two financial results briefings (second-quarter and year-end financial results), CFO: Informational briefing (third quarter); Representative of IR & PR Department: One-on-one meetings (33 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 2023, a discussion was held based on shareholder and investor feedback and concerns obtained from IR activities during FY2022. | |

Stock Price

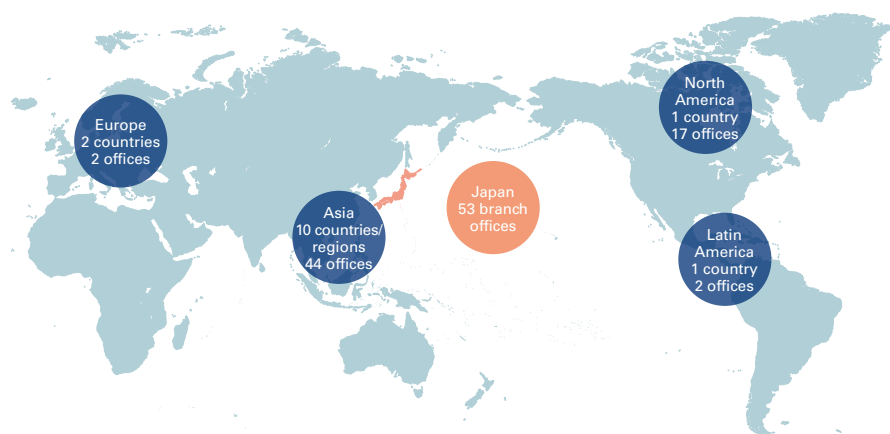


Company Overview

| | |
|-----------------------|---|
| Name | YAMAZEN CORPORATION |
| Established | May 30, 1947 |
| Share capital | ¥7,909 million (as of March 31, 2023) |
| 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: 53 locations Overseas: 16 local subsidiaries (65 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 | 3,215 (consolidated) (As of March 31, 2023) | |

Global Network



Domestic Network

(Excluding Domestic Group Companies)



Domestic Group Companies (Including Non-consolidated Subsidiaries)

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

Note: As of October 31, 2023

Editor's Afterword

This is Yamazen's second integrated report. In preparing it, 11 staff members from the Corporate Marketing Department, Finance and Accounting Department and Corporate Planning Department gathered to discuss Yamazen's equity story—its strengths, the sources of its profits, and the drivers of its growth going forward—with a focus on whether the information was written from an investor's perspective, which was a point raised in a review of the first report. At times, issues were so deep-rooted that they seemed unsolvable, and members took a break from discussion to investigate them in greater depth. However, it was also a meaningful experience for us as “independent and virtuous employees” of Yamazen, enabling us to reconsider its value to society as a company. A company is a living thing. Therefore, it evolves by quickly sensing and adapting to changes in the times and economic environment, sometimes resulting in a new “species” in the form of a business. We believe that Yamazen is still in this process of evolution, and you can look forward to great things ahead.

Hayato Hirata, Manager of IR & PR Department

Pioneering a new future,
with you all

