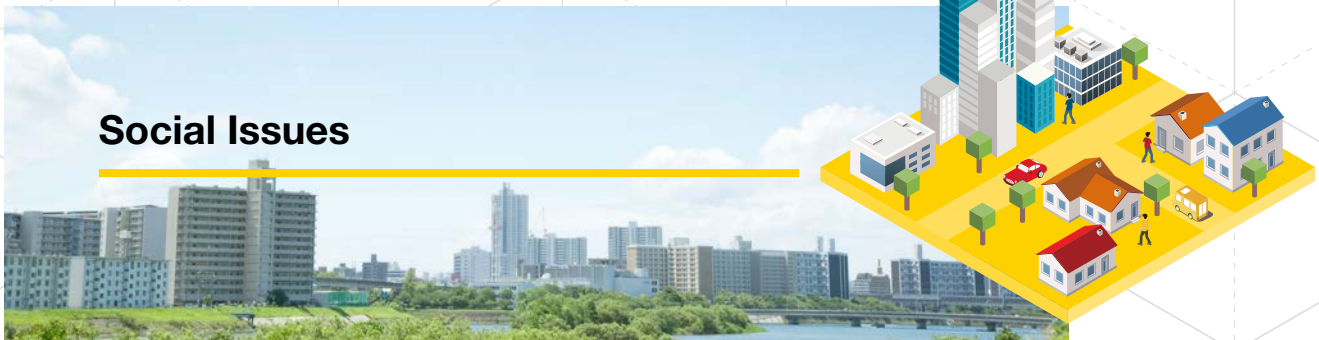


# The Yamato Group's Business Environment

The business environment surrounding the Yamato Group is experiencing significant and rapid changes. Carrying out business activities in a similar manner as we have in the past will not lead to sustainable growth. Moreover, as a company that serves as a crucial part of social infrastructure, the Group must reinforce its initiatives for realizing a sustainable society in order to address social issues, which are becoming increasingly critical. Based on the awareness of the following social issues, the Group will pursue further reform of its management structure.



**Diversification of customer needs**



**Rapid growth of EC market**



**Declining population & decaying regional infrastructure**



**Declining working population**



**Climate change and resource scarcity**



## Challenges for the Yamato Group

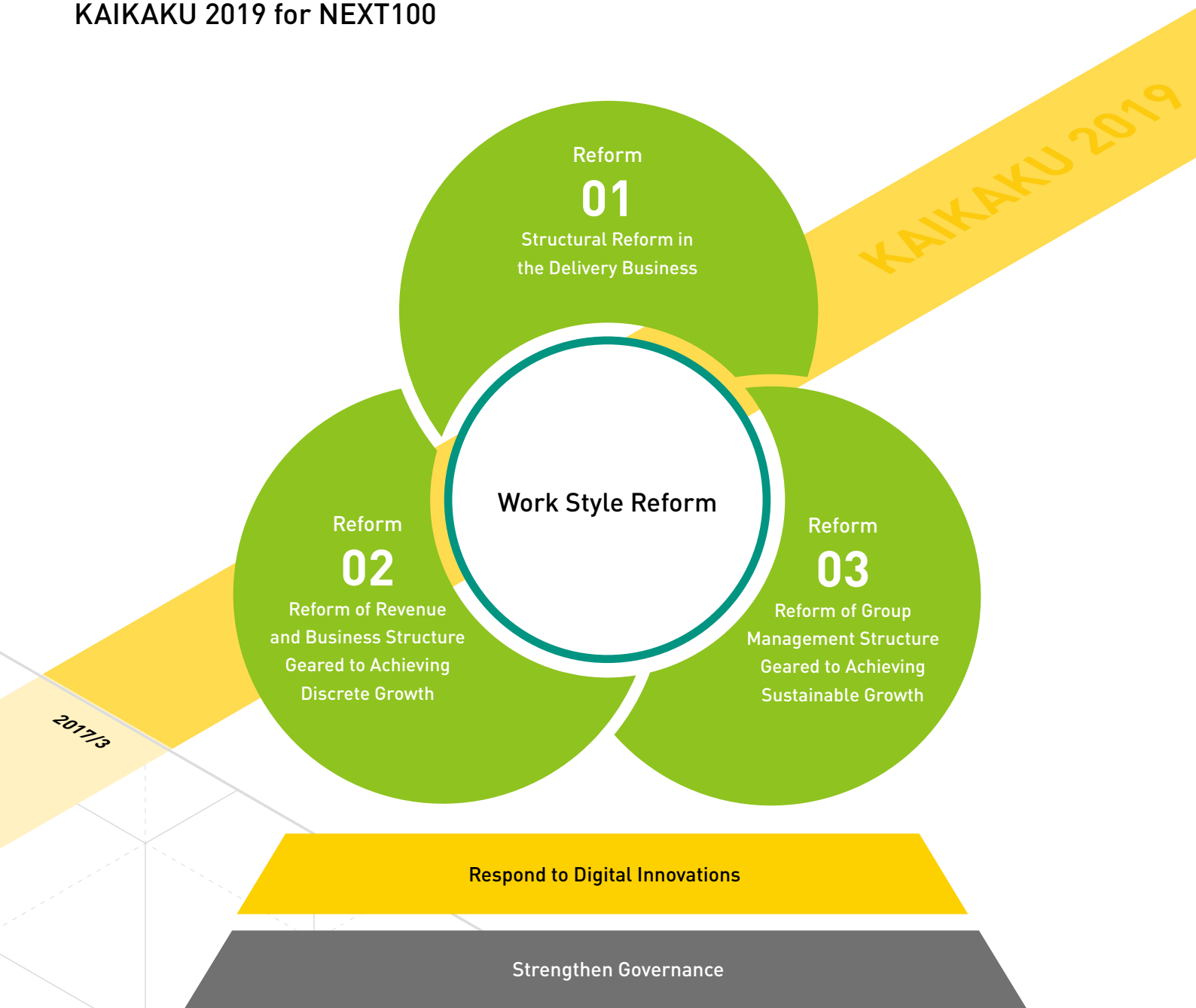


- ▶ **Deepen the understanding of customers to create new services in addition to diversifying package delivery method**
- ▶ **Actively position Yamato at the forefront of the rapidly growing EC market, in view of opportunity for high growth. To that end, restructure management structure and shift to data-driven management**
- ▶ **Build a supply chain as regional infrastructure to contribute to the sustainability of local communities in which Yamato is deeply rooted**
- ▶ **Achieve “minimal workforce personnel in response to growing workload” through thorough mechanization**
- ▶ **Fulfill responsibilities for sustainability as a crucial part of social infrastructure**

## A Look Back at KAIKAKU 2019 for NEXT100

The Yamato Group moved forward with its three-year medium-term management plan, “KAIKAKU 2019 for NEXT100,” which concludes in the fiscal year ending March 31, 2020, the 100th anniversary of its founding. With the aim of reinforcing our management foundation that will allow us to realize sustainable growth we pursued three reforms: “Structural Reform in the Delivery Business,” “Reform of Revenue and Business Structure Geared to Achieving Discrete Growth,” and “Reform of Group Management Structure Geared to Achieving Sustainable Growth,” while also placing “Work Style Reform” at the center of management. We are now beginning to notice the results and issues through these reforms.

### KAIKAKU 2019 for NEXT100



### ➤ Work Style Reform

- Improved working environment with rewarding job opportunities through stringent management of work rules, reducing total working hours, and encouraging better work-life balance, which led to positive results in employee awareness survey.
- Further pursue employee-friendly working environment and levels of job satisfaction that lead to better service for our customers.

• Please see Work Style Reform to Implement "Inclusive Management" on page 26.

### ➤ 01 Structural Reform in the Delivery Business

- Promoted adequate pricing initiatives, delivery capacity redevelopment and growth initiatives such as strengthening corporate sales enhancing and sorting system.
- Advancing toward recovery with delivery amount. There is certainly room for further improvement in productivity of sorting and administrative work as well as the "Last Mile Network." Pursue drastic increase in productivity through digitalization and robotics under YAMATO NEXT100.

• Please see Structural Reform in the Delivery Business on page 28.

### ➤ 02 Reform of Revenue and Business Structure Geared to Achieving Discrete Growth

- Promoted account management in solution sales for a corporate logistics business, which included the integration of sales organizations within the Group. However, need more time for concrete outcomes.
- Aim for growth through customer-oriented logistics solution under YAMATO NEXT100 by combining the Group's management resources for a corporate logistics business.

• Please see Reform of Revenue and Business Structure Geared to Achieving Discrete Growth on page 32.

### ➤ 03 Reform of Group Management Structure Geared to Achieving Sustainable Growth

- Reexamined essential management issues and moved certain items into execution phase.
- Pursue drastic transformation under YAMATO NEXT100 to increase corporate value.

• Please see Management Structure Reform Plan YAMATO NEXT100 on page 36.

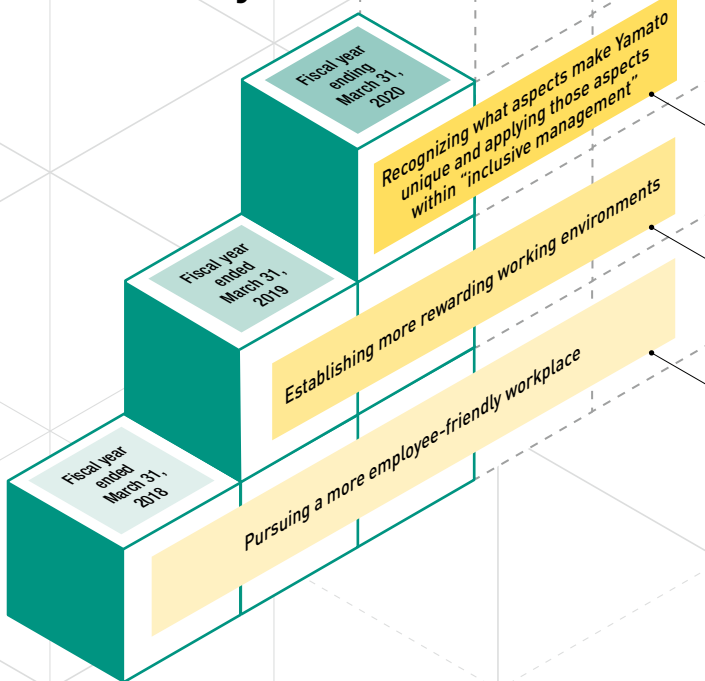
KAIKAKU 2019 for NEXT100

# Work Style Reform to Implement “Inclusive Management”

The Yamato Group has made “Work Style Reform” a top priority in order to continue to provide high-quality services. To that end, we are creating even more employee-friendly and rewarding working environments across the entire Group as part of our approach toward implementing “inclusive management” – a Yamato Group founding principle. At the same time, we have joined the White Logistics Movement and are promoting efforts to improve the logistics industry as a whole together with our business partners and other relevant parties. In these ways, we aim to realize the sustainable growth of the Group and society.



## Progress and Results of “Work Style Reform”



## Targets and Major Initiatives in Each Fiscal Year

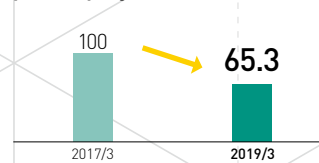
- Fiscal year ending March 31, 2020**  
Concentrated on improving certain areas where working environments were not up to sufficient standards while at the same time promoting efforts to maximize “individual capabilities” and invigorate communication between employees
- Fiscal year ended March 31, 2019**  
Accelerated reforms to our organization and personnel systems, including the introduction of “Anchor Cast” and a system for transitioning to permanent employee contracts, with a view to establishing new working styles
- Fiscal year ended March 31, 2018**  
Focused efforts on establishing employee-friendly and rewarding working environments where employees can work with high levels of enthusiasm through such efforts as thorough labor management and the introduction of work systems catered to the life stages of our employees

## Status of Each Management Indicator

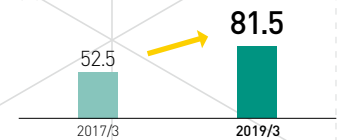
In the two years since the fiscal year ended March 31, 2018, we steadily improved the rate of reducing overtime hours and the rate of annual paid-vacation acquisition. Furthermore, in our employee surveys, we increased the percentage of employees who answered that they believe the workplace environment is employee-friendly and that they find their work rewarding.

Meanwhile, locally, there are still service areas and offices with indicators such as the number of working hours that fall below Groupwide averages. Accordingly, in the fiscal year ending March 31, 2020, we will further accelerate efforts to establish working environments that are employee-friendly and offer all Group employees a sense of reward.

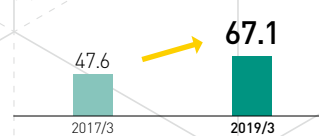
Decrease in overtime hours per employee\*1



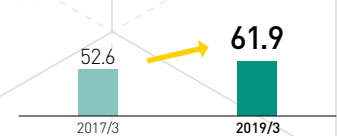
Percentage of annual paid vacation days taken per employee\*2 (%)



Percentage of employees who find their working environment “employee-friendly”\*\*3 (%)



Percentage of employees who find their working environment “rewarding”\*\*3 (%)



\*1 Figure based on actual results for 2017/3 as 100 (Scope: Full-time employees of Yamato Group companies in Japan)

\*2  $\frac{\text{Number of annual paid vacation days taken per employee in respective fiscal year}}{\text{Number of annual paid vacation days granted per employee in respective fiscal year}} \times 100$  (Scope: Full-time employees of Yamato Group companies in Japan)

\*3 We administer awareness surveys regarding working styles on an annual basis in order to come up with more effective “Work Style Reform” initiatives centered on management. (Scope: Full-time and part-time employees of Yamato Group companies in Japan)



## Evolving Our Working Styles Starting from the Front Lines

To realize new working styles, each employees on the front lines engage in a broad range of creative efforts on a daily basis in accordance with local characteristics and working environments. By horizontally expanding ideas created on the front lines within the Group, our employees will be able to mutually improve one another, which in turn will enable them to provide even better services to our customers. We will continue to put this kind of virtuous cycle into motion in order to remain a corporate group that is chosen by our customers for the next 100 years.



**Example** (Yokohama Main Branch Office and Kamakura Ofuna TA-Q-BIN Center)

### Improving the sales capabilities of the entire center through collaboration between young and veteran sales drivers



- Issues**
  - Lack of progress with adequate pricing initiatives
  - Lack of time to engage in sales due to increasing number of TA-Q-BIN deliveries
- Mission**
  - Establish an environment in which sales can be better conducted
- Initiatives**
  - Create time for sales through the establishment of a neat and orderly workplace, and the introduction of “Anchor Cast,” and the review of operational design
  - Strengthen collaboration between young and veteran sales drivers to boost sales capabilities of young sales drivers
- Results**
  - Realized profitability at the center in terms of income and expenditures
  - Increased number of new customers
  - Significantly reduced operating rate during nighttime hours

## “Work Style Reform” across the Entire Logistics Industry— Participating in the “White Logistics Movement”

Yamato Transport Co., Ltd. has endorsed the “White Logistics Movement,” which is promoted by the Ministry of Land, Infrastructure, Transport and Tourism; the Ministry of Economy, Trade and Industry; and the Ministry of Agriculture, Forestry and Fisheries. Supported by the mutual understanding and cooperation of its business partners and other relevant parties within this movement, Yamato Transport is working to improve the entire logistics industry in order to realize highly productive logistics operations and work style reforms.

### Main Items from Yamato Transport’s Declaration of Independent Actions (Excerpts)

- We will clarify the details of our business operations, including the separation between transport and cargo handling work, and promote the exchange of written contracts.
- We will actively adopt a modal shift for long-distance sections of routes, thereby contributing to the reform of working styles of our drivers.
- In addition to promoting written transport contracts, we will build digital frameworks that allow for the comprehensive management of contract conditions.
- When handling cargo, we will ensure that safe handling methods are made well-known in order to prevent workplace injury. At the same time, we will clarify handling flow and the extent to which handling work should be carried out.
- In the event that abnormal weather occurs or is forecast, such as typhoons or heavy rains, we will decide on suspending or stopping transport requests, giving the utmost priority to driver safety. In addition, we will respect the decisions made by logistics operators in such situations.



## Promoting Health Management

Based on the Yamato Group Health Declaration, which was established in 2010, the Yamato Group encourages participation in walking events and campaigns to quit smoking at each operating company. Through efforts such as these, the Group is working to improve the health of its employees. As a result, in February 2019 four Group companies\* were recognized under the 2019 Certified Health & Productivity Management Outstanding Organization Recognition Program. Going forward, we will continue to promote “Work Style Reform” as we take steps to maintain and improve the health of our employees and their families.

\* Yamato Logistics Co., Ltd. and Yamato System Development Co., Ltd. were recognized in the 2019 Certified Health & Productivity Management Outstanding Organization Recognition Program’s Large Enterprise Category (the “White 500”) while Express Network Co., Ltd. and Yamato Credit & Finance Co., Ltd. were recognized in the Small to Mid-Sized Enterprise Category.

KAIKAKU 2019 for NEXT100

# Structural Reform in the Delivery Business

In response to rapid changes in the business environment, including the shrinking workforce and the growth of the e-commerce market, we are promoting “Structural Reform in the Delivery Business” to ensure that we continue to provide high-quality services to our customers well into the future. By reinforcing the Delivery Business, which serves as the foundation for the Yamato Group, and restoring its profitability, we will realize further growth across the entire Group.



### Changes in the External Environment

- Tightening labor market conditions
- Increase in delivery amount due to growth of the e-commerce market

### Impact on Management

- Decline in TA-Q-BIN unit price
- Increased costs to secure workforce capacity, including outsourced capacity, to maintain the “last mile” network
- Deteriorating working environment for employees
- Insufficient pickup and delivery capacity

### Response by the Yamato Group

Promotion of “Structural Reform in the Delivery Business” with the aim of restoring profitability and establishing a business foundation that can realize sustainable growth

## Continuing to Promote Adequate Pricing Initiatives

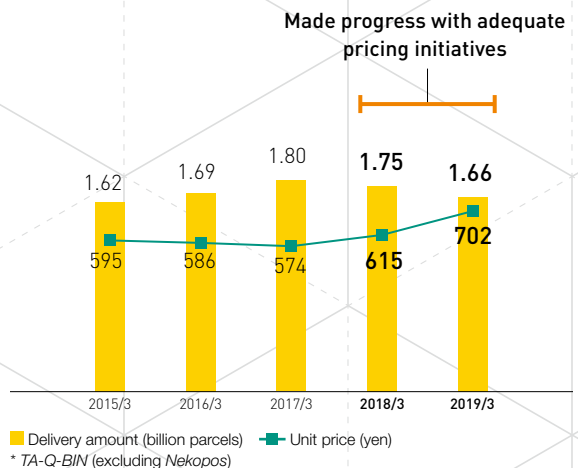
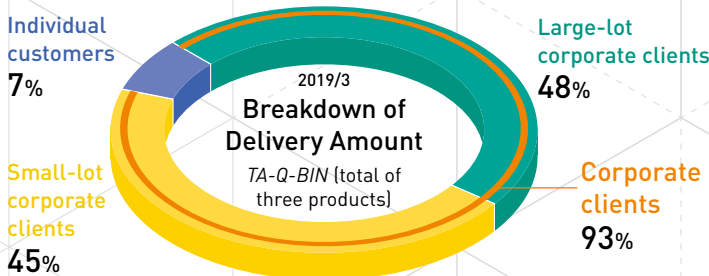
To improve profitability, we have been promoting adequate pricing initiatives since the fiscal year ended March 31, 2018. In October 2017, we revised the basic TA-Q-BIN fees for individual customers for the first time in 27 years. We are also continuing negotiations to revise prices with our corporate clients utilizing the “corporate client pricing system.”\* As a result, we were able to raise the TA-Q-BIN unit price (excluding Nekopos) by ¥128 over a two-year period, from ¥574 in the fiscal year ended March 31, 2017, to ¥702 in the fiscal year ended March 31, 2019.

In the fiscal year ending March 31, 2020, we are pursuing adequate pricing initiatives and promoting sales toward new customers. In addition, we are undertaking efforts to boost productivity in our “last mile” network and our business domains as well as control costs at an appropriate level.

\* A system that reflects not only shipping volumes but also costs related to absence during delivery and cost fluctuations caused by changes in the external environment within TA-Q-BIN fees

### Status of Adequate Pricing Initiatives and Unit Price Fluctuations

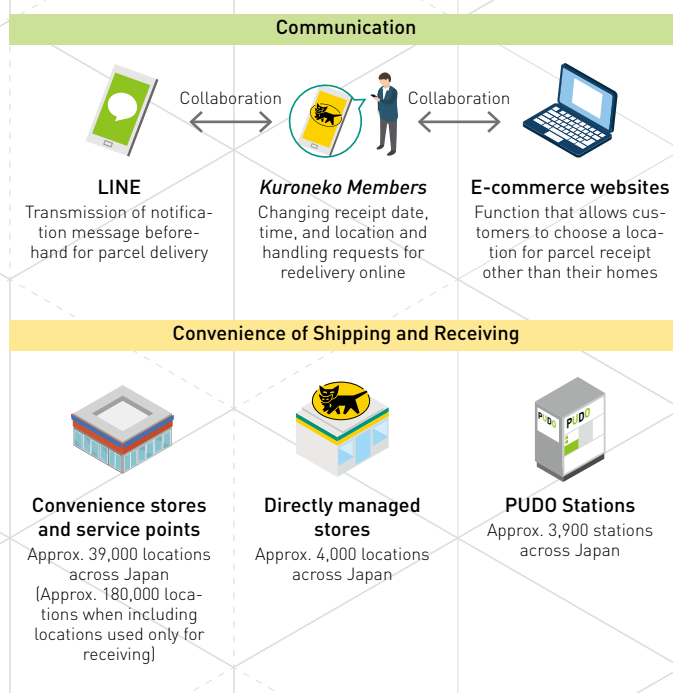
- April 2017** Commenced negotiations to revise prices centered on large-lot corporate customers
- October 2017** Revised basic fees for TA-Q-BIN service (first time in 27 years)
  - A unit-price increase of approximately 15% for individual corporate clients
- October 2017** Gradually revised pricing for corporate clients
- April 2018** Continued to engage in negotiations to revise prices centered on large-lot corporate customers



# Diversifying Touchpoints and Improving Service Convenience

To improve the level of convenience for our customers and increase our pickup and delivery efficiency, we are working to enhance and diversify our touchpoints. In addition to being able to ship and receive parcels from all locations in Japan directly managed by Yamato Transport as well as from convenience stores, our customers can also make use of our open-type parcel lockers, called PUDO Stations, which we are establishing at train stations, supermarkets, and other locations. By doing so, we are making it possible for customers to ship and receive parcels in a manner that better fits their lifestyles.

Additionally, for *Kuroneko Members*, a members-only service for individual customers, we are collaborating with e-commerce websites and the communication app *LINE* to provide additional options for customers to receive parcels at locations other than their homes as well as a function that sends out a notification message beforehand. Through such efforts, we are pursuing even higher levels of convenience for our customers.



	End of March 2017	End of March 2018	End of March 2019
▶ Ratio of deliveries received at other than home	3.8%	4.9%	6.6%
▶ Number of PUDO Station units installed	240	2,637	3,913
▶ Number of <i>Kuroneko Members</i>	Approx. 17 million	Approx. 21 million	Approx. 28 million

## Open-Type Parcel Lockers (PUDO Stations)



### ▶ Merits of PUDO Stations

“Open-type” allows for use by multiple home delivery operators

- Can be used not only by Yamato Transport but also by numerous other major home delivery operators

### Equipped with functions for shipping

- No face-to-face reception, enabling anonymous shipping
- Can ship products purchased on YAHUOKU!, an online auction and flea market app
- Can ship items through the Mercari flea market app
- Can receive and return items from fashion rental services

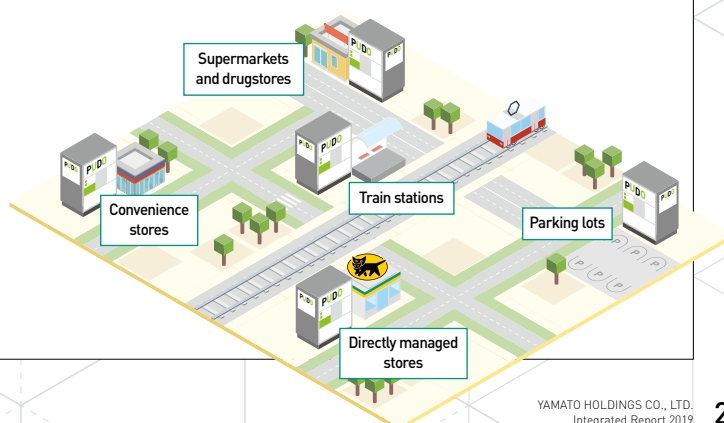
### ▶ Advantages of using PUDO Stations

#### Customer

- Enhanced options for the time and location of receiving or shipping parcels (from apps such as YAHUOKU! and Mercari)

#### Home Delivery Operators

- Improved delivery productivity (enhanced profits)
- Reduction of wasted space caused by establishing separate lockers for each company





## Establishing a New Diversified “Last Mile” Network

To establish an even more efficient “last mile” network, we have introduced a network centered on “Anchor Cast” (drivers who handle TA-Q-BIN delivery during the early evening and nighttime hours). In addition to responding to the rising need for nighttime deliveries, reducing the long working hours of our employees, and establishing a more employee-friendly working environment, the aim of establishing a diversified “last mile” network is to increase the amount of time our sales drivers interact with customers.

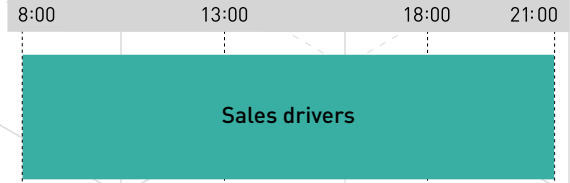
### Before

- Full-day work by sales drivers
- Increase in working hours
- Insufficient time interacting with customers

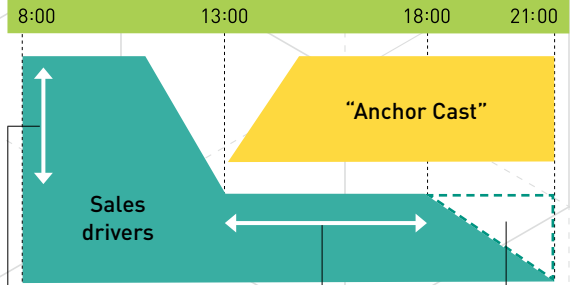
### After

- Response to increasing need for nighttime deliveries
- Creation of employee-friendly working environment
- More time interacting with customers

### Before



### After



Create pickup and delivery capacity

Increase time interacting with customers

Transfer control to “Anchor Cast”

## Progress and Results of Introducing “Anchor Cast”

### ▶ Key Management Indicators (Results from September 2019)

SD: Sales drivers AC: Anchor Cast

#### ■ Number of AC (as of September 30, 2019)

Approx. **6,500** (up roughly 4,700 compared with the same month of the last year)

#### ■ Percentage of deliveries performed by employees (SD, AC, etc.)

**94.3%** (up 6.1 percentage points compared with the same month of the last year)

#### ■ Parcels collected per SD at work

Up **2.5** parcels year on year

#### ■ Number of SD at work in the morning\*

Up **5.6%** year on year

\* Increase in the number of SD at work in the morning reflects the establishment of a highly efficient operating structure



### ▶ Reaction of Our Sales Drivers and Anchor Cast

#### Anchor Cast



■ I did overtime work in my previous job, but since becoming an Anchor Cast I have been able to finish work at the time stipulated in my contract, so I find it very comfortable to be an Anchor Cast.

(Shinshu Kawanakajima Center, Nagano Main Branch Office)

■ Since becoming an Anchor Cast, I have been able to lead a fulfilling life as I can spend time on my hobbies and life's work in the mornings and have a stable income.

(Akatsuka Center, North Tokyo Main Branch Office)

#### Sales Drivers



■ Handing over afternoon package deliveries to Anchor Cast has allowed me to focus on client liaison (sales) and heightened my motivation in pursuit of incentive increases.

(Maebashi-Katakai Center, Gunma Main Branch Office)

■ The addition of Anchor Cast has made it possible for all sales drivers at TA-Q-BIN centers to take a break at the same time, thereby helping to increase interactions between drivers. As a result, workplace communication has improved.

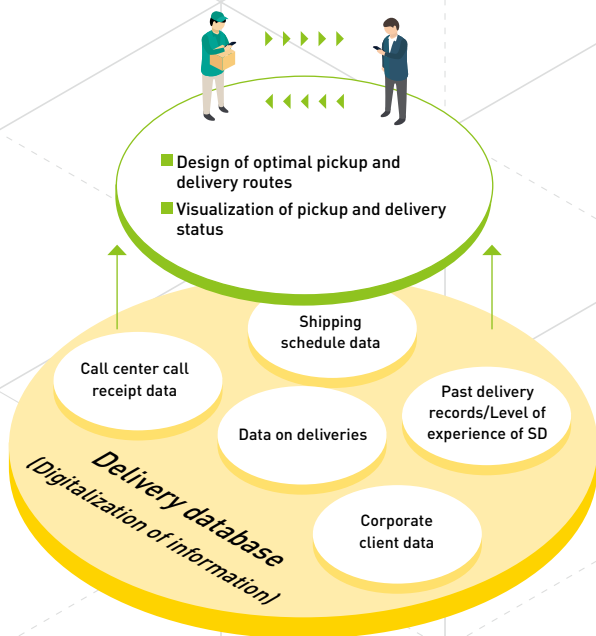
(Narayama Center, Nara Main Branch Office)

■ Working styles have changed from working from morning until night (like a starting pitcher who pitches the entire game) to handing over afternoon and evening deliveries to Anchor Cast. I feel that being able to get home early more often has helped the retention of new sales drivers.

(Minato Office, Osaka Main Branch Office)

#### Issues Going Forward

- Enhancing the proficiency level of Anchor Cast
- Training designed to promote the sales activities of sales drivers



## Streamlining Operations by Leveraging Digital Technology

We will move forward with the digitalization of information by leveraging our core system, the 8th NEKO System. The data we accumulate through this system will be used in such tasks as designing optimal pickup and delivery routes and monitoring pickup and delivery status. The introduction of the 8th NEKO System will not only enhance the operational efficiency of our sales drivers, but it will also lead to an improvement in employee-friendly working environment. Going forward, we will continue to renew the 8th NEKO System with the aim of further increasing our operational efficiency and providing new value to our customers.

### Benefits

- Reduction in rate of absence
- Improvement in productivity
- Improvement in customer satisfaction
- Reduction in CO<sub>2</sub> emissions

## Joint Trunk-Route Transportation That Provides Greater Transportation Efficiency

Amid the increasingly serious shortage of heavy-duty truck drivers who perform trunk-route transportation and the aging of drivers in the logistics industry as a whole, the Yamato Group has commenced the operation of joint transportation that utilizes the Super-Full Trailer 25 for trunk-route transportation between Kanto and Kansai, with a view to providing more efficient trunk-route transportation, in partnership with three other logistics companies.

Under joint trunk-route transportation, trucks belonging to Seino Transportation, Nippon Express, and Japan Post combine with Yamato Transport's trailers at *Kansai Gateway* and *Atsugi Gateway* to carry out trunk-route transportation. Combining the trailers of different service providers to conduct operations using one vehicle results in more efficient transportation that transcends the boundaries of service providers and is expected to be an effective means to resolving the labor shortage issue faced by the logistics industry as a whole.

Furthermore, this initiative has received certification under a law relating to logistics efficiency and a plan pertaining to energy conservation through combined passenger and freight transportation from the Ministry of Land, Infrastructure, Transport and Tourism.

### Issues Facing the Logistics Industry as a Whole

- Shortage of heavy-duty truck drivers who perform trunk-route transportation
- Difficulty in securing human resources due to a decline in the working population and other factors

### Benefits of Introduction

- Increase in load capacity (twice the capacity of previous heavy-duty trucks)
- More efficient transportation that transcends the boundaries of service providers
- Reduction in CO<sub>2</sub> emissions through a reduction in the number of vehicles



Super-Full Trailer 25



Departing ceremony for joint transportations



Realizing joint transportation by combining the trailers of multiple service providers

KAIKAKU 2019 for NEXT100

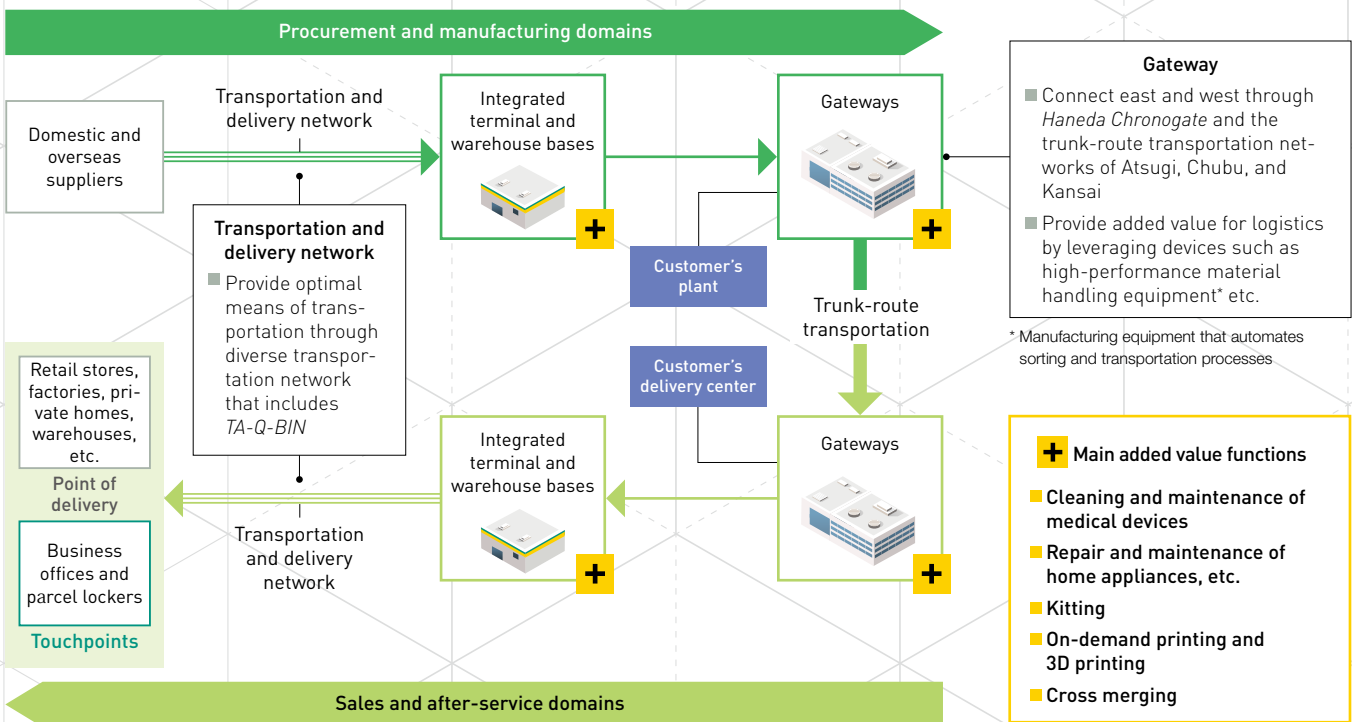
# Reform of Revenue and Business Structure Geared to Achieving Discrete Growth

Further evolving the “Value Networking” design, which we commenced in 2013, we are concentrating our efforts on developing new third-party logistics that provide solutions throughout the entire supply chain of our corporate customers, with the goal of creating the next pillar of our business after *TA-Q-BIN*. In order to provide solutions that contribute to the resolution of issues faced by our corporate customers in Japan and overseas, we will effectively leverage aspects of our network such as *Haneda Chronogate*, the gateways connecting major cities in Kanto, Chubu, and Kansai, our cross-border network extending primarily throughout Asia, in addition to our existing “last mile” network. At the same time, we are working to strengthen account management across the entire Group.



## Supporting the Upstream and Downstream Supply Chains of Our Corporate Customers on an Integrated Basis

Through providing logistics solutions that leverage its more than 100 warehouses across Japan and an advanced transportation and delivery network built up through the *TA-Q-BIN* home delivery service, the Yamato Group provides services designed to optimize the supply chains of its corporate customers. By supporting the supply chains of our corporate customers on an integrated basis, such as cleaning medical devices used at hospitals and maintenance and repairs of home appliances or commercial equipment, we are providing high added value in a variety of ways through reducing logistics processes, lowering logistics costs, and optimizing lead times, while improving inventory turnover and alleviating the stress of end users.





**We will provide solutions to corporate customers by strengthening account management and leveraging the management resources of the entire Group.**



**Yasuharu Kosuge**  
 Managing Executive Officer  
 Responsible for Global Corporate Business Division and President, Yamato Logistics Co., Ltd.

As the next pillar of its business after *TA-Q-BIN*, the Yamato Group is focusing its efforts on developing new third-party logistics that provide solutions for the entire supply chains of corporate customers. What sets our third-party logistics apart from others for the most part is that it proposes a mechanism that creates benefits for all parties by encompassing not only the Yamato Group's corporate customers (clients) but also their supply chain as a whole, including their suppliers and sales channels. We call this "demand perspective" and believe that addressing the requests and issues not only of our clients but also of the customers of our clients, who are the recipients of packages, will help to maximize our clients' revenue.

The Yamato Group's network is a major strength in resolving issues throughout the entire supply chain of its corporate customers. Yamato Transport currently has approximately 70 large-scale logistics terminals and approximately 4,000 business offices that serve as *TA-Q-BIN* pickup and delivery bases in Japan. This network can be broadly divided into three categories. The first is the pickup side of the network, which collects packages and transports them to the terminals; the second is terminal-to-terminal trunk-route transportation; and the third is the delivery side of the network, the "last mile" from arrival terminal to destination.

Previously, *TA-Q-BIN* services were incorporated into this network. However, we can create new solutions for corporate customers by choosing the optimal means of transportation from a variety of methods, not only providing services through *TA-Q-BIN* sales drivers on the pickup side and delivery side. Moreover, since the density of trunk-route transportation increases by combining packages other than those of *TA-Q-BIN*, we can respond to the high-frequency, small-lot transportation needs of corporate

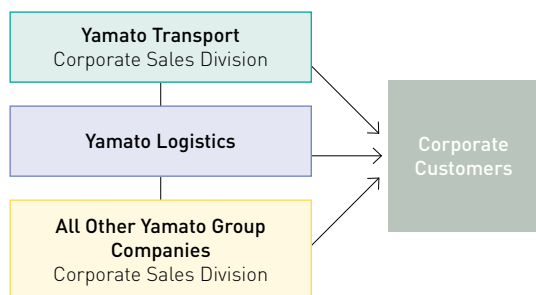
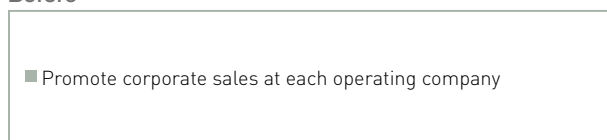
customers while keeping down transportation costs. Furthermore, although the Yamato Group operates warehouses at more than 100 locations across Japan, approximately 30 of these are integrated logistics terminals. At the bases that form our network, we can provide value unique to the Group that helps to revolutionize the logistics operations of our corporate customers by visualizing the entire supply chain through ICT while providing a variety of functions, such as merging, repairing, and cleaning.

In order to promote our solutions business, it is important to form deep relationships with corporate customers and help resolve the issues they face, after becoming an expert in their industries and businesses. This requires the provision of solutions that cover the entire supply chain of corporate customers by comprehensively leveraging the expertise, functions, and other strengths of the entire Yamato Group, rather than the provision of functions by operating companies on an individual basis. Efforts to bolster account management across the entire Group are also essential.

The Yamato Group is developing a mechanism for corporate sales personnel at Group companies to cooperate with one another. At the same time, we are promoting the cultivation of human resources who will lead solution-based sales and establishing a mechanism to enable corporate sales personnel to propose and sell Group products regardless of the Group company to which they belong, as well as implementing training for that purpose. Our goal is to be recognized as a business partner by our corporate customers through providing solutions. To achieve that goal, we will further refine our strengths and services to heighten the value we deliver to customers.

**▶ System for Promoting Corporate Sales**

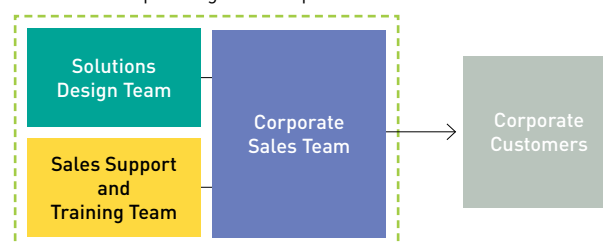
**Before**



**After**

- Integrate the Group's corporate sales functions virtually
- Organize functions in order to promote account management
  - ▶ Promote corporate sales to target clients through "one team"

**Yamato Group's Integrated Corporate Sales Team\***



\* Launched on a full scale as of October 2019



# Performance Highlights (Year Ended March 31, 2019)

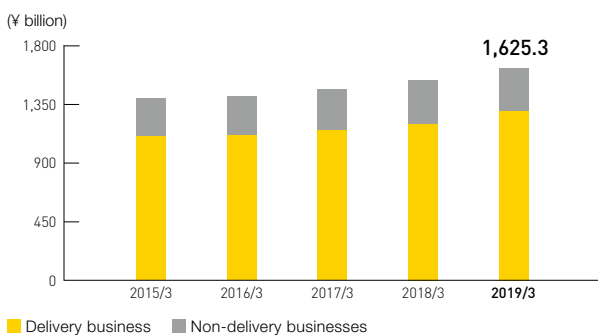
## Financial Information

Operating revenues for the fiscal year ended March 31, 2019 amounted to ¥1,625.3 billion, up 5.6% from the previous fiscal year, largely due to an increase in the *TA-Q-BIN* unit price, despite a decrease in *TA-Q-BIN* delivery amount stemming from the promotion of "Structural Reform in the Delivery Business."

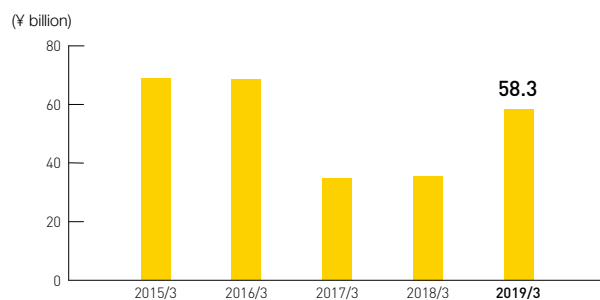
Meanwhile, operating expenses increased mainly due to an increase in personnel expenses, although commission expenses decreased due to an increase the number of employees with a view toward building collection and delivery systems. However, operating revenues exceeded these expenses, resulting in a 63.5% increase in operating profit year on year, to ¥58.3 billion.

Based on these results, profit attributable to owners of parent rose 40.9% compared with the previous fiscal year, to ¥25.6 billion, and return on equity (ROE) increased 1.3 percentage points, to 4.6%.

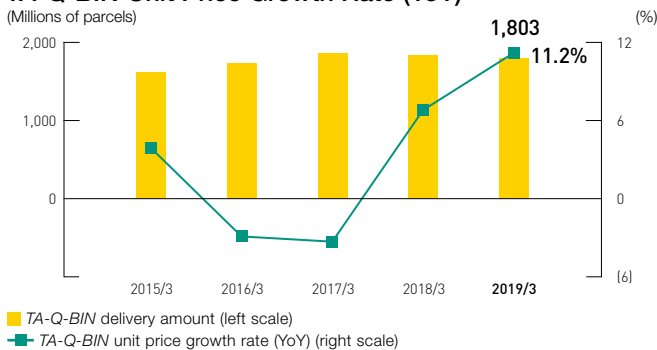
## Operating Revenues



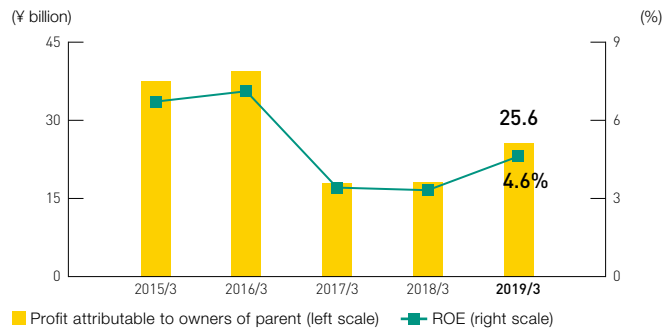
## Operating Profit



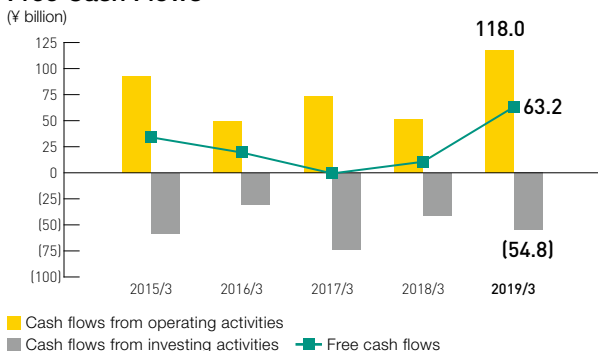
## TA-Q-BIN Delivery Amount / TA-Q-BIN Unit Price Growth Rate (YoY)



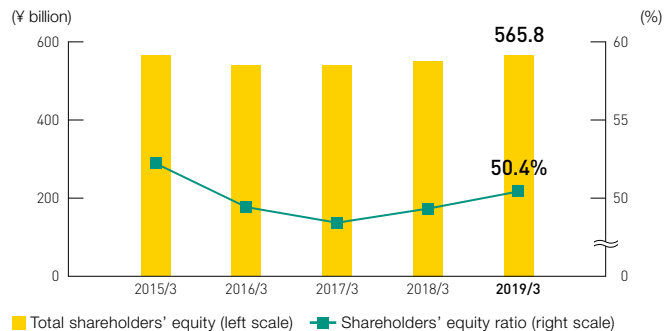
## Profit Attributable to Owners of Parent / ROE



## Operating and Investing Cash Flows / Free Cash Flows\*1



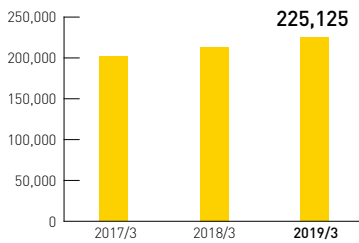
## Total Shareholders' Equity / Shareholders' Equity Ratio



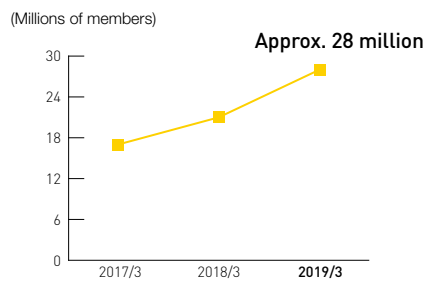
## Non-Financial Information

In order to continue to provide high-quality services, the Yamato Group has made “Work Style Reform” a top priority and is working to create a more employee-friendly and rewarding working environment throughout the Group. Through these initiatives, and by practicing “inclusive management” — one of its founding principles—the Yamato Group aims to achieve sustainable growth. In the fiscal year ended March 31, 2019, the second year of the medium-term management plan “KAIKAKU 2019 for NEXT100,” we made steady progress toward this goal by reducing total working hours and promoting work–life balance. Furthermore, the Company conducts Working Styles Awareness Surveys regularly targeting all employees in which they rate their satisfaction in terms of the employee friendliness of their work environment and sense of fulfillment. The results of these surveys showed an overall increase in satisfaction compared with levels before reforms were introduced, in addition to comparatively low and stable levels of employee turnover.

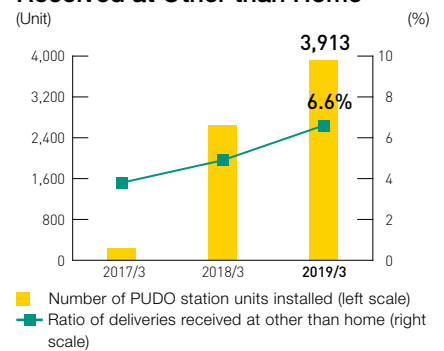
### Number of Employees



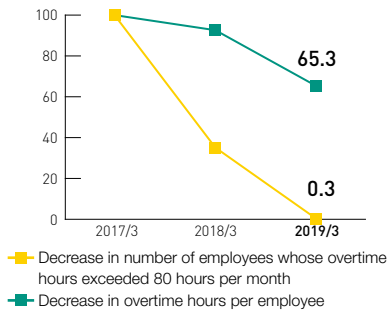
### Number of Members Kuroneko Members Service



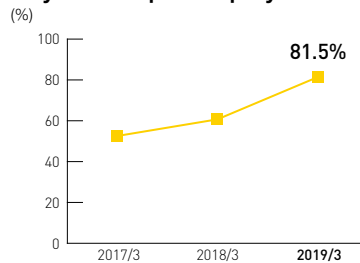
### Number of PUDO Station Units Installed / Ratio of Deliveries Received at Other than Home



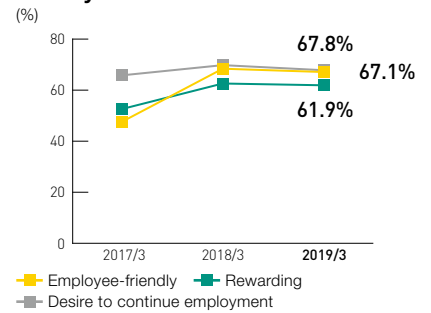
### Implement Status of Total Working Hours of Employees\*2



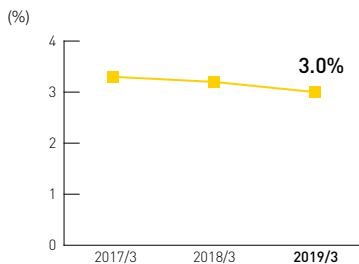
### Percentage of Annual Paid Vacation Days Taken per Employee\*3



### Working Styles Awareness Surveys\*4



### Rate of Resignation\*5



\*1 Free cash flows = Cash flows from operating activities + Cash flows from investing activities

\*2 Figures based on actual results for 2017/3 as 100  
(Scope: Full-time employees of Yamato Group companies in Japan)

\*3  $\frac{\text{Number of annual paid vacation days taken per employee in respective fiscal year}}{\text{Number of annual paid vacation days granted per employee in respective fiscal year}} \times 100$   
(Scope: Full-time employees of Yamato Group companies in Japan)

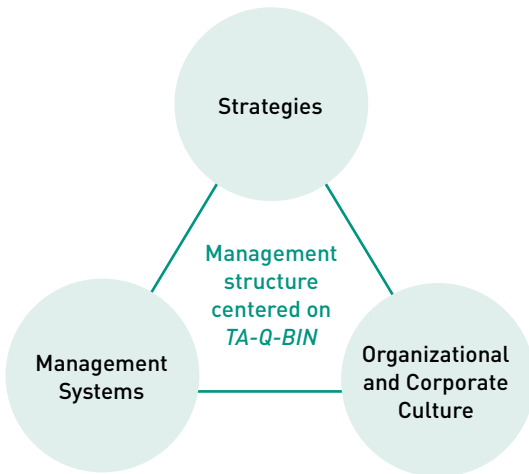
\*4 We administer awareness surveys regarding working styles on an annual basis in order to come up with more effective “Work Style Reform” initiatives centered on management.  
(Scope: Full-time and part-time employees of Yamato Group companies in Japan)

\*5  $\frac{\text{Number of employee resignations in respective fiscal year (on their own accord)}}{\text{Number of registered employees as of respective fiscal year-end} + \text{Number of employee resignations in the respective fiscal year (including those due to retirement, etc.)}} \times 100$   
(Scope: Full-time employees of Yamato Group companies in Japan)

# Management Structure Reform Plan YAMATO NEXT100

Taking into account changes in the external environment and the results and issues associated with the current medium-term management plan, “KAIKAKU 2019 for NEXT100,” the Yamato Group formulated its management structure reform plan, YAMATO NEXT100. Going forward, the plan will serve as a grand design for management of the Group over the medium to long term. We will aim for sustainable growth and increases in corporate value by steadily advancing the three business structure reforms designed to promote the digital transformation (DX) of TA-Q-BIN, establish an e-commerce (EC) ecosystem, strengthen business involving logistics for corporate customers, and carry out the three infrastructure reforms that comprise YAMATO NEXT100: the renewal of the Group’s management systems, transition to data-driven management, and sustainability initiatives.

## Issues for the Yamato Group



▶ <b>Strategies</b>	TA-Q-BIN alone unable to accommodate all rising demand from the EC market and corporate logistics
▶ <b>Management Systems</b>	Weak management structure for quick decision-making due to dependence on individual skills based on intuition and experience
▶ <b>Organizational and Corporate Culture</b>	The Yamato Group’s sound culture, “Participatory Management,” no longer practiced

The Yamato Group’s strategies, management systems, and organizational and corporate culture centered on TA-Q-BIN do not fully address customer and social needs.

## The Purpose of YAMATO NEXT100

**As a social infrastructure provider, Yamato will confront social issues and continuously contribute to the realization of a prosperous society in the next era by creating a “new logistics ecosystem”, meeting the needs of customers and society.**



**Yamato will offer innovative solutions to customers by combining its various management resources throughout the Yamato Group.**

Delivery services help make our lives prosperous.

Developing new delivery services and innovating existing ones change people's lifestyles, and even society as a whole.

Yamato is a company of innovation.

As a social infrastructure provider, the Yamato Group's mission is to contribute to the creation of a prosperous society by innovating delivery services.

This mission is an integral element of the Group's corporate philosophy.

With the recent rapid growth of the e-commerce market, delivery volumes have dramatically risen and now exceed the current capacity of the Group's delivery network. At the same time, customer needs have become increasingly diverse and Japan faces serious social issues such as a shrinking population and a decline in local communities.

Solutions to these social issues have yet to be found, while the delivery services of the future, which will serve as a foundation in the next era, require further innovation. In light of this situation, the Yamato Group will strive to innovate its delivery services and contribute to the realization of a sustainable and prosperous society going forward.

## **Evolving from a “Delivery Business” to a “Delivery Innovation Business”**

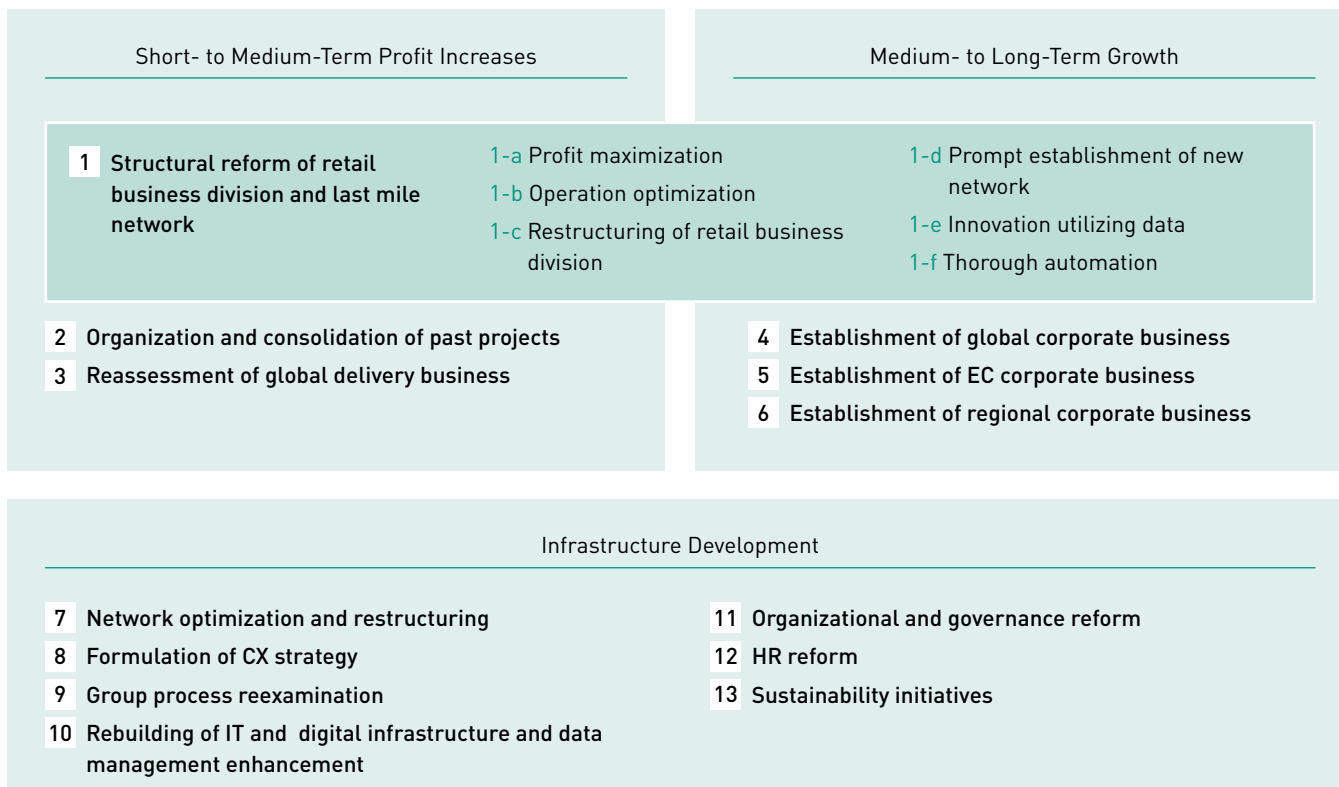
As a social infrastructure provider and the pioneer of the *TA-Q-BIN* service, the Yamato Group's mission is to create a sustainable and prosperous society through innovative delivery services. By optimizing our delivery methods and working as a united group, we will transform ourselves into the Yamato of tomorrow.



## Management Structure Reform Plan YAMATO NEXT100

### Addressing 13 Challenges through Management Structure Reform

Through repeated discussions involving all executives of Yamato Holdings, including outside directors, we identified 13 challenges affecting all aspects of the Yamato Group’s management. In response to these challenges, we have commenced initiatives geared toward reform, having designed key performance indicators (KPIs), time frames, and specific actions.



### The Basic Strategy of YAMATO NEXT100

Based on the awareness that we will not be able to meet the expectations and needs of our customers and society through our *TA-Q-BIN*-centered strategy, management systems, and organizational and corporate culture, we will promote reform of our management structure under the following new basic strategy.

#### 1 Update the Group’s management systems to boldly address customer and social needs

- Address customer needs on a customer segment basis
- Transform management systems (expedite decision-making process)
- Reduce the distance between management and the front lines and unify all Group efforts: One Yamato

#### 2 Transition to data-driven management

- Through the digitalization and optimization of logistics operations, strengthen customer relationships by building an environment where sales drivers can devote more time to serving customers
- Optimize the allocation of management resources by improving accuracy of demand and business volume forecasts
- Visualize management and achieve objective and scientific decision-making

#### 3 Evolve into a management that facilitates an open logistics ecosystem through co-development

- Create new delivery partnerships with third parties in addition to maintaining the existing company delivery channels —Evolving from a “Delivery Business” to a “Delivery Innovation Business” —

## Overview of Structural Reform

We will promote the stabilization of our revenue base hinging on *TA-Q-BIN*, the three business structure reforms aimed at new growth in the e-commerce and corporate logistics domains, and the three infrastructure reforms that will enhance our potential to realize and sustain said stabilization and new growth.

### 3 Business Structure Reforms

- ▶ 1 Digital transformation (DX) of *TA-Q-BIN*
- ▶ 2 Establishment of an EC ecosystem
- ▶ 3 Strengthening of corporate logistics business

### 3 Infrastructure Reforms

- ▶ 1 Renewal of the Group's management systems
- ▶ 2 Translation to data-driven management
- ▶ 3 Sustainability initiatives under the theme "management focused on the environment and society"

## 3 Business Structure Reforms

### ▶ 1 Digital transformation (DX) of *TA-Q-BIN*



Create an environment where frontline sales drivers can dedicate more time to communicating with and proposing solutions to customers to heighten customer satisfaction (such solutions include creating a new delivery service other than *TA-Q-BIN* as a response to various needs, optimizing the amount of deliveries via *TA-Q-BIN*, and reducing administrative and indirect operations.)



Improve the accuracy of demand and delivery amount forecasts using data analytics and optimize staffing, vehicle allocation, delivery routes, sales driver operations, etc., to improve productivity



Expand logistics operation productivity significantly through the digitalization and automation of sorting systems, etc.

### ▶ 2 Establishment of an EC ecosystem

- Newly establish an EC Business Division to serve the continuously rising and evolving EC industry
- Establish a sustainable EC ecosystem capable of meeting the needs of society, senders, consumers, deliverers, etc.
- Aim for the launch of an open digital platform in April 2021

### ▶ 3 Strengthening of corporate logistics business

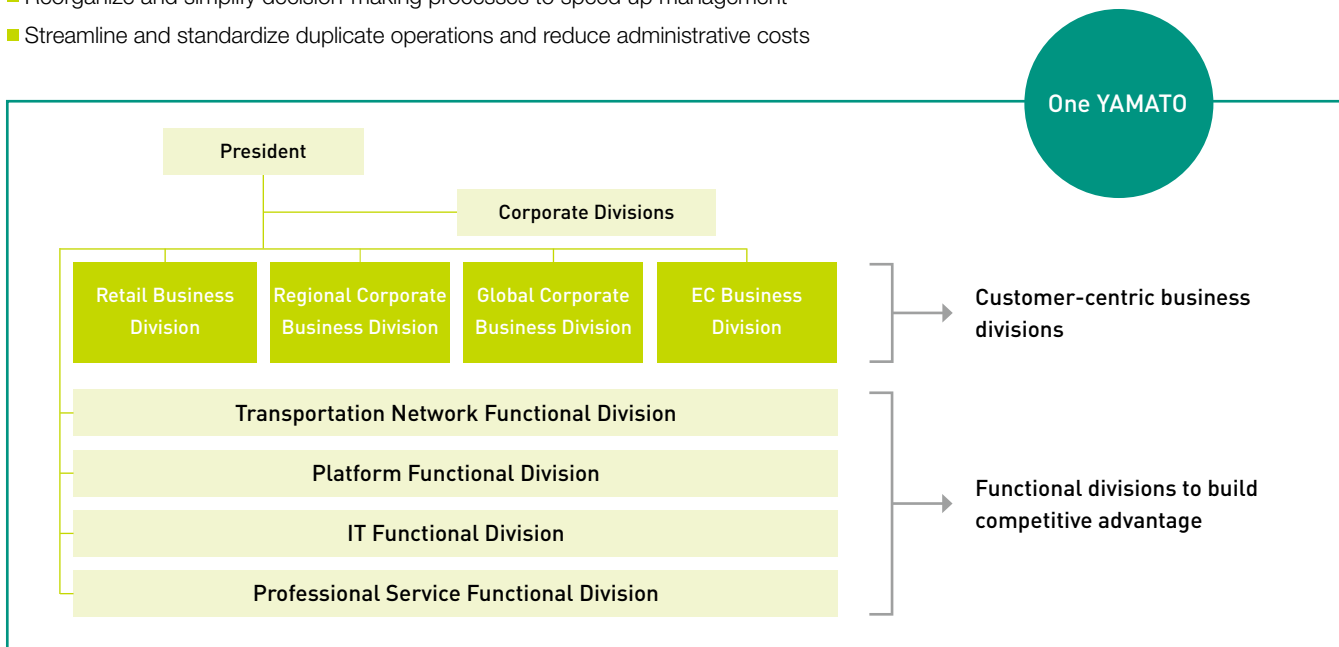
- Promote account management by consolidating Group sales organizations and management resources in the corporate logistics business domain
- Build a database (Yamato Digital Platform [YDP]) and provide logistics solutions based on highly accurate, real-time information
- Connect customers and Yamato with data to optimize the entire customer supply chain in the future

# Management Structure Reform Plan YAMATO NEXT100

## 3 Infrastructure Reforms

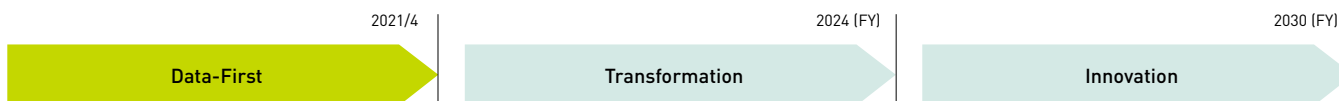
### ▶ 1 Renewal of the Group's management systems

- Reorganize and simplify decision-making processes to speed up management
- Streamline and standardize duplicate operations and reduce administrative costs



### ▶ 2 Transition to data-driven management

- Invest approximately ¥100 billion in the digital field over the next four fiscal years
- Launch a new digital organization with 300 personnel in fiscal 2021
- Execute five measures to launch a new organization



- 1: Implement data-driven, forecast-based decision-making and measures
- 2: Integrate corporate customer data to strengthen account management
- 3: Improve service levels through real-time freight flow data
- 4: Optimize and advance resource allocation by visualizing operations and costs
- 5: Begin the construction of the Yamato Digital Platform (YDP) by incorporating cutting-edge technologies and updating existing core systems

### ▶ 3 Sustainability Initiatives under the theme “management focused on the environment and society”

▶ Please see The Yamato Group's ESG on P44.

## Numerical Targets

In regard to investments, over a period of four years beginning in the fiscal year ending March 31, 2021, we will invest ¥100 billion in IT and digital infrastructure and in innovating our logistics network, including the introduction of robotics. Combined with our investments in the shift to electric vehicles, we anticipate our investments to amount to ¥400 billion. Furthermore, aside from this ¥400 billion, we are setting our sights on M&As and alliances with external partners to obtain the functions necessary for ensuring the Group's growth.

We will target operating revenues of ¥2 trillion by incorporating the growth of e-commerce and the logistics business for corporate customers into *TA-Q-BIN*'s stable revenue base. We will also aim for operating profit of ¥120 billion through fundamental improvements to our cost structure in tandem with business growth and for ROE of over 10%.

### Investments (Fiscal year ending March 31, 2020 to fiscal year ending March 31, 2024)

Growth investments	IT and digital infrastructure investments	¥100 Billion
	Logistics network improvement investments	¥100 Billion
Current investments		¥200 Billion
Total		¥400 Billion



### Targets for fiscal year ending March 31, 2024

Operating revenues	¥2 Trillion
Operating profit (Ratio)	¥120 + Billion (6%)
ROE	over 10%

## Capital Policies

Under YAMATO NEXT100, we will improve our business growth and cost structure while pursuing management that puts greater emphasis on both capital efficiency and financial strategies. Going forward, we will examine our capital policies in a timely and appropriate manner based on the following basic stance and capital policies.

### 1. Basic stance

In consideration of **growth, profitability, a sound financial position, investment progress, and capital efficiency**, Yamato will conduct timely and appropriate capital policy measures to realize stable dividends and flexibly provide returns to shareholders.

### 2. Capital policies (key indicators)

ROE of over **10%**

Dividend payout ratio of over **30%**

Total return ratio of over **50%**  
(cumulative ratio of four-year fiscal term ending March 31, 2024)



## Management Structure Reform Plan YAMATO NEXT100

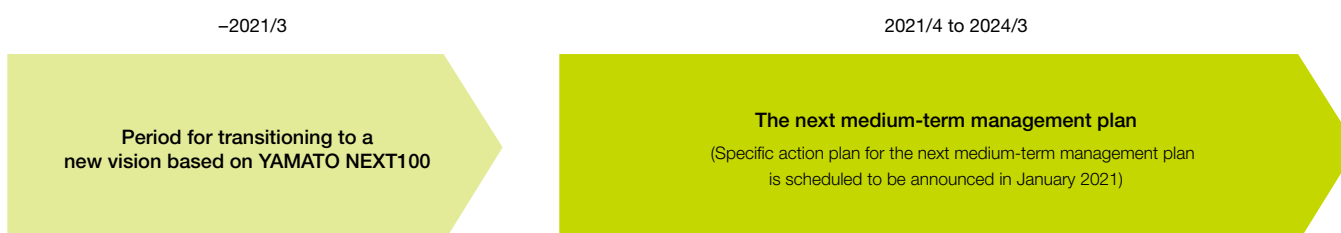
### Road Map for YAMATO NEXT100

YAMATO NEXT100, the grand design for our management over the medium to long term, is organized into three periods: the short term, running up to March 31, 2021; the medium term, running through the three-year period from April 1, 2021 to March 31, 2024; and the long term, running from April 1, 2024 and on. Determining priorities for each period, we will push forward with efforts to transform the Group.

Business structure reforms	Short Term (-Mar. 2021)	Medium term (Apr. 2021-Mar. 2024)	Long term (Apr. 2024-)
<b>Digital transformation (DX) of TA-Q-BIN</b>	Stabilize profit base by eliminating inefficiency and significantly improving forecast model accuracy using data analytics and AI	Achieve stable growth under new management structure	
<b>Establishment of an EC ecosystem</b>	<ul style="list-style-type: none"> <li>Start dedicated EC delivery service</li> <li>Begin collaboration with major EC companies</li> </ul>	<ul style="list-style-type: none"> <li>Expand dedicated EC delivery service</li> <li>Collaborate extensively with major EC companies</li> <li>Launch new EC platform</li> </ul>	Operate open platform at full-scale utilizing both real and digital infrastructures
<b>Strengthening of corporate logistics business</b>	Develop Yamato-specific solution based on sales force consolidation and account management	Expand developed solution  Further expand global business	Establish extensive corporate business

Infrastructure reforms			
<b>Renewal of the Group's management systems</b>	Promote construction and maintenance of One Yamato management structure	Establish and operate One Yamato management structure <ul style="list-style-type: none"> <li>Scale back decision-making structure and define responsibilities</li> </ul>	
	Dramatically improve cost structure		
	Integrate individual HR system and talent pool	Establish a new HR system that supports "YAMATO NEXT100"	
<b>Transition to data-driven management</b>	Build data-first infrastructure <ul style="list-style-type: none"> <li>Establish foundation and organization</li> <li>Begin updating the existing core systems</li> </ul>	Promote digital transformation <ul style="list-style-type: none"> <li>Revenues and profits by leveraging infrastructure and organization</li> </ul>	Accelerate innovation <ul style="list-style-type: none"> <li>Implement latest cutting-edge technology and accelerate innovation</li> </ul>
<b>Sustainability initiatives under the theme "management focused on the environment and society"</b>	Build structure linked to businesses and capable of executing sustainability initiatives	Execute sustainability initiatives <ul style="list-style-type: none"> <li>Progress toward "green logistics for a sustainable future"</li> <li>Start "contribution to the co-development of a fair society that leaves no one behind"</li> </ul>	

### Activities going forward based on YAMATO NEXT100



## YAMATO NEXT100—Evolving from a “Delivery Business” to a “Delivery Innovation Business”

Fundamentally revising the Yamato Group’s *TA-Q-BIN*-centered management structure from a digital perspective, we will strike a balance between achieving high levels of growth and increasing our profit margins through the creation of new delivery innovation founded on data-driven management.



Please refer to our corporate website for further information on YAMATO NEXT100.

[https://www.yamato-hd.co.jp/investors/financials/briefing/pdf/E\\_3q\\_yamatonext\\_2020\\_03.pdf?20020601](https://www.yamato-hd.co.jp/investors/financials/briefing/pdf/E_3q_yamatonext_2020_03.pdf?20020601)

We also plan to provide more details on this plan in *Integrated Report 2020*, which will be published in the fiscal year ending March 31, 2021.