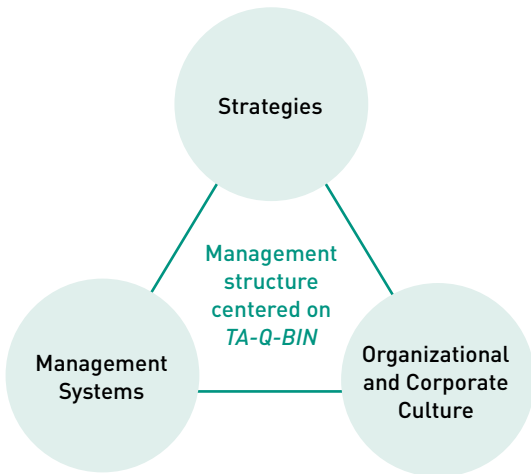


# Management Structure Reform Plan YAMATO NEXT100

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.

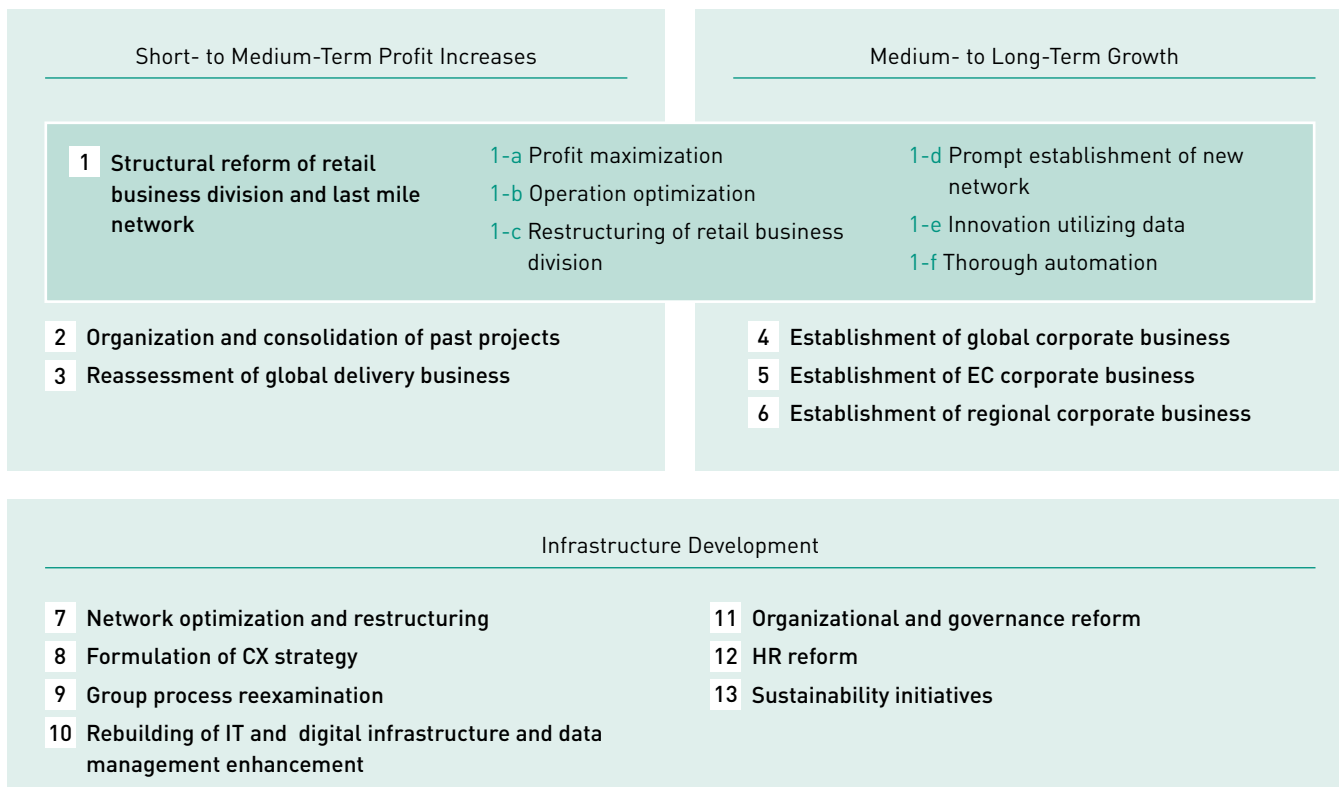
## **Evolving from a “Delivery Business” to a “Delivery Innovation Business”**

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

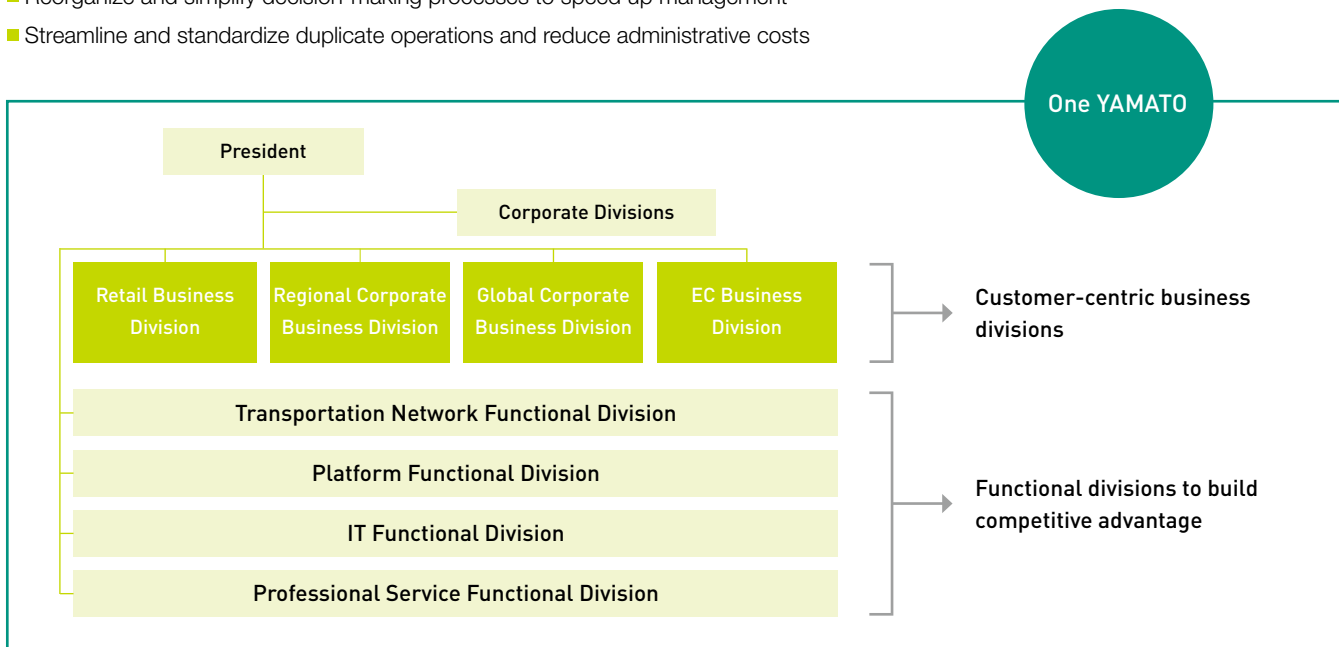
- Promote account management by consolidating Group sales organizations and management resources in the corporate logistics business domain
- Build a database (Yamato Digital Platform [YDP]) and provide logistics solutions based on highly accurate, real-time information
- Connect customers and Yamato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

# Management Structure Reform Plan YAMATO NEXT100

## 3 Infrastructure Reforms

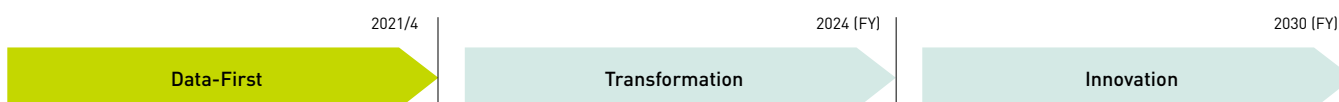
### ▶ 1 Renewal of the Group's management systems

- 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

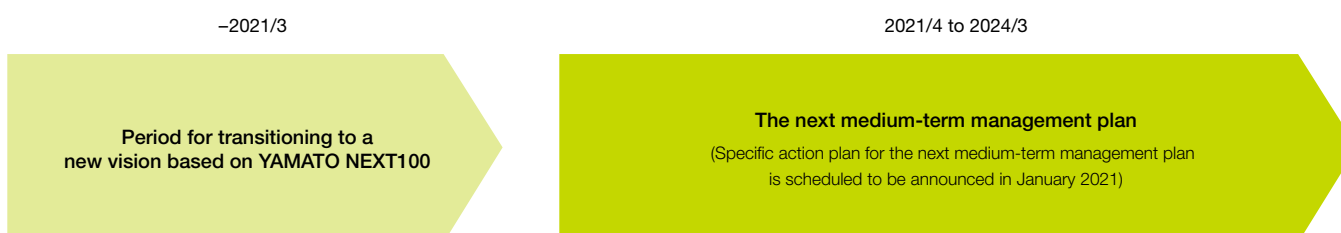
### Road Map for YAMATO NEXT100

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.