

Roundtable Discussion between the Board of Directors and Outside Directors

The Function of Management Structure Reform and the Board of Directors in Achieving Sustainable Enhancement of Corporate Value

The Yamato Group is promoting its grand design for its management over the medium to long term, the Transformation Plan “YAMATO NEXT100.” Amid the rapidly changing business environment, six directors exchanged opinions, from a variety of perspectives, on which path the Group should take and the role of the Board of Directors in spurring new innovations and achieving sustainable enhancement of corporate value.

Management Structure Reform Aimed at Achieving Sustainable Enhancement of Corporate Value

Background to the Formulation of “YAMATO NEXT100” and Discussions at the Board of Directors Meeting

Yamauchi In recent years, the business environment surrounding the Group has experienced significant changes, including EC adoption within various industries, the declining population and rural depopulation within Japan, and a number of global issues, such as climate change. Within such an environment, following the previous medium-term management plan “KAIKAKU 2019 for NEXT100” (hereinafter “KAIKAKU 2019”), which focused on work style reform, we announced the launch of the Transformation Plan “YAMATO NEXT100” in January 2020. The plan

began in earnest before the start of the fiscal year ending March 31, 2021. Under the slogan “From ‘Maintaining Delivery’ to ‘Innovation Delivery,’” we are implementing various initiatives to achieve our aim of sustainably contributing to the creation of an enriched society through innovation.

First, I would like to hear the opinions of the outside directors regarding how the Board of Directors functioned in the formulation and decision-making process of “YAMATO NEXT100.”

Mori During the formulation of “YAMATO NEXT100,” the Board of Directors repeatedly discussed a great number of topics; however,



Shiro Sugata
Outside Director



Mariko Tokuno
Outside Director



Masaki Yamauchi
Chairperson of the Board of Directors (Chairman of the Board)

three issues in particular became the focus of these discussions. The first issue was, as a continuation of “KAIKAKU 2019,” how to create an environment where our more than 220,000 employees can perform their duties while maintaining high motivation. The second issue was our response to the continued growth of the EC domain. Compared with Europe and the U.S., EC use in Japan is still particularly low. As EC is expected to grow significantly in the future, how the Yamato Group should respond to EC is important. The third issue is our response to digitalization. The Yamato Group has built a robust transportation and delivery network, and the promotion of digitalization is essential to effectively operating this network. With these issues in mind, and after many discussions, we arrived at the formulation of the Transformation Plan “YAMATO NEXT100.”

Tokuno | By promoting work style reform and adequate pricing to improve employee-friendly working environments and levels of job satisfaction, in “KAIKAKU 2019” we recognize that we are on the cusp of further reforms based on “YAMATO NEXT100.” Assuming changes to the business environment, such as further growth of the EC domain and the progression of digitalization, growth under the current labor-intensive business model is limited. Therefore, the basis for formulating “YAMATO NEXT100” was to increase productivity in the workplace and develop new pillars of business for future growth. The role of

the Board of Directors in formulating this plan was to bring to light what we are lacking as a Group and solidify the plan drafted by the executive members by exchanging opinions. Since the background of each director is varied, we were able to hold meaningful discussions while utilizing their diverse expertise.

Kobayashi | I was appointed as a director in June 2018, and by that time structural reform had already been discussed many times. As Ms. Tokuno said, the Yamato Group has a particularly labor-intensive operating structure, while also taking on the role of a social infrastructure provider. In this context, the Board of Directors identified that while we are fulfilling our social mission, our awareness of profitability is somewhat lacking. We have over 220,000 employees working for the Yamato Group, and even a slight increase in personnel will lead directly to a substantial increase in costs. It is important to always manage with a strong awareness of costs, and we spent a long time discussing the topic of cost structure reform, including the shift to labor-saving methods of production, a minimal workforce, and data-driven management. We are deeply mindful that in order to improve our awareness, it is also necessary to change our corporate culture and climate and clarify the chain of command and where responsibilities lie. The Board of Directors held frequent discussions and was able to bring management issues to light and decide on a new direction by exchanging opinions.



Masakatsu Mori
Outside Director

Yoichi Kobayashi
Outside Director

Noriyuki Kuga
Outside Director

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Data-Driven Management to Achieve Future Growth

Yamauchi | As a major part of our strategy to respond to changes, we are working to establish our EC ecosystem to continue future growth in the EC domain. In addition, with the aim of shifting to data-driven management, we have begun making the status of management and business more visible by setting clear and quantitative indicators. Following the formulation of “YAMATO NEXT100” in January 2020, concrete initiatives are already underway; based on those, I would like to ask for your current assessment of this.

Kobayashi | Around the time of the formulation of “YAMATO NEXT100,” we set a direction for a minimal workforce and digitalization, and I highly appreciate the fact that we can already see the effects and outcomes of these efforts. In addition, in response to the labor shortage issue, which is a problem when responding to digitalization, we are not only utilizing the knowledge of our external partners but also gathering our in-house digital talent, as well as hiring and training personnel who can implement supply chain reforms from downstream to upstream in order to realize the next generation of logistics as a Lead Logistics Partner (LLP). I also greatly appreciate this effort.



Sugata | The changes to work style reform and adequate pricing initiatives that we promoted under “KAIKAKU 2019” were attempts to improve management without making any significant changes to the framework for our service and business. In other words, they were minor changes. On the other hand, the structural



changes in “YAMATO NEXT100” are closer to a full model redesign. In recent years, both the quality and quantity of luggage have changed significantly, and these changes have accelerated rapidly due to the impact of the COVID-19 pandemic. By promoting initiatives based on “YAMATO NEXT100,” I feel that we were able to respond appropriately to the changing needs of our customers.

Furthermore, in the shift to data-driven management, we made effective use of the large amount of data we possess and launched initiatives to improve management efficiency. We hope to create new products and services by advancing data use and want to support these new challenges.

Mori | I have always said that the Yamato Group is operating in one of the few growth industries. Since the EC domain is expected to grow further in the future, we have been advising the Board of Directors that we should promptly create a structure that can respond to this growth. Owing to the progress of initiatives based on “YAMATO NEXT100,” we are preparing a foundation for EC, including new forms of employment and delivery methods. Furthermore, regarding digitalization, by combining our physical and digital networks, as well as optimally allocating management resources based on forecast demand from data analysis, we have been able to increase the volume of luggage we can handle without increasing the number of employees. As a result of this fusion of physical and digital, I am confident that we will be able to create an even more superior transportation infrastructure in the future. Additionally, by promoting data-driven management, we expect to

realize multifaceted, efficient services that go beyond conventional delivery services if we utilize the various data we have collected from customers.

Approaches to Sustainability as a Management Strategy

Yamauchi Companies need to carry out measures to solve social issues in order to realize a sustainable society. Under “YAMATO NEXT100,” we are carrying out sustainability initiatives as a management strategy. Do you think how the Yamato Group addresses sustainability from the perspective of opportunity and risk is important? What should the Board of Directors discuss and what kind of role should it play? I would like to hear your opinions.

Kuga It goes without saying that sustainability is an extremely important factor in management. Achieving sustainable corporate growth is all about how we develop the business that is our livelihood. The Yamato Group’s livelihood is the logistics industry, so we believe sustainability for us means integrating social issues faced by the logistics industry, such as the energy issue and labor shortages brought on by the falling birth rate and aging population, into our business model and responding to them, specifically through realistic countermeasures such as decarbonization in response to the energy issue and work–life balance and diverse work styles in response to labor shortages. However, while there are some issues that are visible and can be measured quantitatively, many issues can only be understood qualitatively. I believe that as the Board of Directors, it is important to visualize these qualitative issues whenever possible.

We should also consider the time frame. Not all issues can be solved in a short time and there are many issues that should instead be considered over the long term. The solving of these issues is integrated into the Group’s management policies and medium-term management plan, and the periodical monitoring of progress is an important duty of the Board of Directors.

Sugata Further, there was a trend for these environmental and human rights issues to be

perceived primarily as political issues. Now, however, companies are expected to play a role in solving these issues as well. These are issues that cannot be avoided, especially for a company the size of the Yamato Group, which takes on the role of a social infrastructure provider. As a company developing the logistics business, we should perceive reducing dependence on oil and carbon as the main energy issue. In the future, we believe that means of transportation themselves will undergo significant changes, so responding to this shift is an important issue.

In addition, another major issue is improving efficiency through energy conservation and a minimal workforce in anticipation of the declining birth rate and aging population. Furthermore, the impact of the current COVID-19 pandemic is a major risk for us as a company since, historically, pandemics have a high chance of reemerging. Moreover, in the case of Japan, it is also necessary to sufficiently consider how to cope with damage from disasters, including wind, water, and earthquakes.

Tokuno Regarding sustainability management, from the perspective of our Group’s philosophy, we exist on the premise of realizing a sustainable society. Because we are a company that provides society with essential infrastructure, we should consider that, by becoming sustainable ourselves, it will lead to the sustainability of society. Our business is closely related to people’s lives and we receive attention from many people, so you could say that we have a major impact on society. However, as a company, we cannot achieve sustainability if we do not generate profits, so keeping both of them in balance is important, and it is necessary for the Board of Directors to pay attention to both sides.



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Evaluation of and Issues Regarding the Practicality of the Board of Directors

Yamauchi Currently, the majority of the Board of Directors comprises outside directors, and we have been reinforcing the governance structure and frameworks year by year. In regard to the efficiency of the Board of Directors, every year we receive opinions and evaluations from each outside director as we implement measures to increase practicality, and we will continue to further improve without ceasing. Amid the rapid changes to the management environment, what kind of matters should be discussed by the Board of Directors or should be mutually understood in the future?

Mori The Board of Directors is extremely active in exchanging opinions. At companies in Europe and the U.S., oversight and monitoring functions are at the center of the role of boards of directors, whereas at Japanese companies, boards of directors are responsible for decision-making on important management issues. However, due to today's corporate governance requirements, boards of directors of Japanese companies are also becoming less involved in executive decision-making and are shifting toward oversight and monitoring functions. We are acutely aware of this shift, and we have been establishing changes so that the president will be the central figure in the functioning of the Company, rather than the supervisors becoming involved in detailed executive issues. In this context, the Nomination and Compensation

Committee plays a role in overseeing the management system by maintaining their independence through means such as the majority of members being outside directors. The Nomination and Compensation Committee discusses the reappointment of the president. They also consider the inside and outside directors while mutually evaluating the roles they are fulfilling, rather than automatically reappointing them. In addition, the Nomination and Compensation Committee scrutinizes the qualities of new candidates for directors. I believe that promoting efforts to strengthen this style of corporate governance has enabled us to create a board of directors that is guaranteed to function as oversight over the executive side.

Sugata It is often said that the role of the Board of Directors is the "separation between management oversight and business execution." However, considering that both shareholders and management are in a position to enhance corporate value, I believe that "restraint" and "catalyst" are more appropriate words to describe the role of outside directors, rather than "oversight." My reason for selecting "catalyst" is because, as outside directors, our mission is to be the catalyst for change in existing businesses and encourage those changes. Furthermore, in terms of new businesses and M&As, since it is extremely important that we obtain external perspectives as well as those in charge of executing existing businesses, it is necessary for both inside and outside directors to tackle this together.

The Board of Directors should be a place where changes to society as a whole are perceived more quickly and with a higher level of sensitivity, and where discussions and decisions are made on what kind of changes to make to corporate management. We can only respond to major changes or sudden changes from the top down. I believe that the role of the Board of Directors is to support top management so that they can make good decisions.





Kuga | In the six months since I accepted this position, I have been surprised at how active everyone is in asking questions and giving opinions. The opinions of all the outside directors are extremely diverse, and my assessment is that the Board of Directors is functioning soundly.

Beyond this point, there is no mistake that management speed will accelerate further due to the progression of digitalization and digital transformation (DX). In response to these changes, we need to keep an eye out for information from both inside and outside of the Company and improve our sensitivity to the social landscape and changes in technology. When changes occur rapidly, it is difficult to foresee three or five years into the future. The key is to quickly correct course if you make an incorrect prediction and, in some cases, take a fresh look at the business itself. It is necessary for the outside directors to act as the brake and calmly express their opinions when people within the Company, including those in charge of execution, get ahead of themselves when pushing the business forward. I believe that it is important for the Board of Directors to respond flexibly when plans do not go as expected.

Tokuno | I would like to say a few words regarding the recent trends of “separation between management oversight and business execution.” I feel that, for large-scale projects, it is preferable that executive officers with executive responsibility also participate in Board meetings and directly explain business strategies and agenda items. Board meetings are where important corporate decisions are made. Executive officers have the opportunity to explain their agendas in advance

of Board meetings; however, if executive officers attend these meetings, explaining in their own words and accepting questions and suggestions from various angles from directors, it will lead to the growth of executive officers themselves. I would like to see executive officers attend Board meetings, since their growth will strengthen the future Board of Directors and the Company itself.

Yamauchi | Thank you very much. Much like Board meetings, I received various opinions and suggestions from everyone today. The spread of COVID-19 accelerated the adoption of EC across all industries and caused significant changes to lifestyles, consumer behavior, and the distribution structure. Under the new medium-term management plan “One Yamato 2023,” which has been formulated based on the progress and results of initiatives under the Transformation Plan “YAMATO NEXT100” and in light of the accelerated adoption of EC across all industries, the Yamato Group will centralize the Group’s management resources to meet the needs of customers and society and aim to offer total value to consumers, corporations, and society. I believe that it is important for the Board of Directors to monitor the progress of this new plan and spur new innovations, as well as deepen discussions on important issues for sustainable management, such as the strengthening of corporate governance, climate change, and labor, which you shared opinions on today. Please continue to share your diverse and unreserved opinions so that we can hold active discussions and make the right decisions that will lead to sustainable enhancement of corporate value.

