

Message from the President

Becoming a Company That Can Create New Delivery Methods and Value beyond Delivery

Yutaka Nagao

Representative Director,
President and Executive Officer

From the fiscal year ending March 31, 2022, we have been promoting the medium-term management plan "One Yamato 2023" based on the One Yamato management structure that focuses on the new Yamato Transport, which centralizes the management resources of nine Group companies. We are engaging in structural reforms with the aim of evolving from an operating structure centered around our *TA-Q-BIN* service to a company that can provide value covering the entire business process of our customers. In the first year of "One Yamato 2023," the fiscal year ending March 31, 2022, we have been implementing new strategies aimed at medium- to long-term growth, while at the same time responding to increasing demand, particularly in EC, where growth is accelerating. In anticipation of growth in the future, we are flexibly responding to issues and quickly implementing the strategies set out in "One Yamato 2023."

Centralizing Management Resources and Providing End-to-End Value for Customers

Up to now, the Yamato Group's business has focused on its *TA-Q-BIN* service, which is its main point of contact with customers' businesses and their day-to-day lives. Looking at this in terms of the supply chain for our corporate clients, it means that services were focused on last mile logistics. Over the three years of the medium-term management plan, we will be expanding our provision of value to the upstream domains of the corporate clients who have been using our services to date.

Currently, approximately 90% of the total *TA-Q-BIN* delivery amount comprises pickup from our corporate clients and, out of these, approximately half by sales drivers. The remaining half are shipments from relatively large corporate clients and are handled by the account sales representative. To expand the scope of our value provision for these clients we

must deepen our knowledge and understanding of our customers' businesses and embed ourselves into their businesses. We aim to reinforce the account management system for One Yamato, which centralizes management resources, and to be chosen by companies as a partner that solves management issues for customers by bringing together our sales representatives, managers, and executive personnel through the utilization of the knowledge of specialized personnel who have been invited from outside the Company.

Furthermore, we will accelerate the provision of logistics solutions that meet the needs of customers and promote initiatives to achieve One Yamato management on a regional basis and become closer to our customers. This will enable us to optimally allocate management resources more effectively.

Prioritizing the Creation of an EC Logistics Network

In recent years, the rate of online shopping has been increasing at an ever growing pace due to changes to lifestyles and consumption behavior. As the EC (e-commerce) user base expands, the sales methods of our corporate clients and their businesses themselves have been changing. We must promote the creation of a new EC logistics network to realize Yamato's sustainable growth and continue responding to expanding EC needs.

The existing *TA-Q-BIN* network was created as an optimal framework for meeting the transportation needs of an unspecified number of customers throughout Japan. Meanwhile, responding to EC needs by shipping large volumes from specific locations through the existing network is not an optimal solution from both a functional and cost standpoint.

Accordingly, we are promoting the creation of a new network that meets the demands of major EC operators, particularly in urban areas where cargo is focused. Through these efforts, we will achieve profit growth for Yamato, while supporting the growth of EC, by reducing costs through the simplification of the operation process for EC freight.

This new EC logistics network has been created to handle over 10% of the overall *TA-Q-BIN* delivery amount during the fiscal year ending March 31, 2022 and approximately 20% in the final year of "One Yamato 2023."

Furthermore, we will change the existing network into one that more effectively meets the needs of consumers and corporate clients.

Responding to Corporate Clients through Account Management under One Yamato

Responding to corporate clients through One Yamato and providing value in the upstream domains of the wide range of customers who use our *TA-Q-BIN* service are vital when strengthening corporate business. From April 2021, we launched our new account

management structure and are working to provide value to our customers.

Our sales drivers face small-lot corporate clients on a daily basis. By enhancing our strengths of pickup and delivery and developing of an

Message from the President

environment in which sales drivers can focus on pickup and sales activities, we will interact more closely with customers' lifestyles and businesses and provide value that has roots in the needs of regional customers.

Additionally, to provide value to customers through One Yamato, it is vital that account sales representatives make proposals that contribute to solving our customers' issues based on customer feedback obtained by sales drivers. In the fiscal year ended March 31, 2021, society changed rapidly due to the impact of the spread of COVID-19, creating numerous issues for our customers' businesses. Under these circumstances, the Yamato Group was able to rapidly provide solutions based on information from sales drivers, such as support for our customers who have been focusing their businesses on physical stores to start up EC businesses. In the fiscal year ending March 31, 2022, we

Promoting Data-Driven Management

The data-driven management that the Yamato Group is aiming to develop will enable us to visualize management through the utilization of data and make management decisions in a more objective and scientific manner. If our management resources are insufficient to meet demand and our workload exceeds capacity, our frontline employees will be unable to fully respond, which will lead to a drop in quality. Conversely, if we over-allocate management resources for the workload, Company profits will suffer. To carry out management based on this principle, we must have a data-driven response for all of our decisions.

Rebuilding a Customer-Oriented Network and Utilizing Facility Strategies for Improving Productivity

We are promoting initiatives to appropriately reallocate our network of approximately 110 business

began operation of this process as a system across the entire organization.

At our overseas businesses, we previously promoted the expansion of *TA-Q-BIN* in Asia as a strategy, but it was difficult in some respects to be self-reliant. Over the past few years, we have discontinued our overseas *TA-Q-BIN* service and created circumstances that enable us to make a new start. Based on the One Yamato management structure, the Group companies we have developed in each country are promoting initiatives to provide supply chain solutions to customers both domestically and overseas, rather than promoting business locally.

We will maximize the value we provide to customers through initiatives including reviewing our organizational structure to further refine account management, continuously developing sales personnel, and strengthening our ability to design and provide solutions that meet customers' needs.

To date, we have increased our understanding of the digital field and made progress with the organization of our data by considering how we can realize the management we envisage and what data we need to collect to achieve this. By analyzing customer demand for each segment based on this data, keeping in close communication with customers who have a particularly high shipping amount, and increasing the accuracy of demand forecasts that reflect recent information, we will allocate management resources effectively, increase the quality of our service, further improve the working styles of our employees and business partners, and enhance profitability.

warehouses, 70 sorting facilities, and 3,500 *TA-Q-BIN* centers* across Japan based on demand and workload forecasts through data analysis. This is the biggest goal of this initiative for rebuilding a customer-oriented network.

Furthermore, we will reconsider the functions of logistics facilities, as well as their reallocation, with the aim of achieving high profitability. For example, we currently carry out manual procedures, particularly sorting operations, at the current *TA-Q-BIN* centers. To promote laborsaving measures, we must first redesign operations at sorting facilities, not as an extension of what we have done in the past but

under a new concept. This is an area that we will examine by utilizing outside knowledge.

Redefining the functions of bases that are suitable for the future by, for example, considering the introduction of new facilities and automated equipment, developing a

Reinforcing Sustainable Management and Changing Risks into Growth Opportunities

The Yamato Group, which operates together with various stakeholders, including shareholders and investors; a diverse range of customers, from businesses to consumers; and over 220,000 employees, as well as the external partners and business partners we work with on a daily basis and local communities, is naturally responsible for addressing social issues. Furthermore, ESG and sustainability initiatives are fundamental elements of a logistics company's competitive strategies and are seen as not only risks that can have

working environment that ensures an even higher level of safety, and creating a pleasant space for customers and employees, will lead to the medium- to long-term improvement of productivity.

* As of September 30, 2021

a major impact on the business but also as differentiators and sources of added value for achieving sustainable growth. The Yamato Group formulated Sustainable Medium-Term Plans 2023 to realize its environmental and social visions as set out under "YAMATO NEXT100" and achieve virtually zero greenhouse gas emissions* by 2050. First, we will promote initiatives for each important material issue (materiality) in our business activities to achieve our targets for the next three years. * In-house emissions (Scope 1 and Scope 2)

Responding to Climate Change and Energy Management

In recent years, disasters caused by abnormal weather have become more frequent. For the Yamato Group, which has a wide customer base and a logistics network that covers the whole of Japan, climate change is a serious risk that could have a negative impact on our customers' businesses, damage the logistics network, and even affect business continuity.

To reduce our environmental burden, we have been promoting the switch to vehicles that emit fewer greenhouse gases; the introduction of methods for pickup and delivery that do not emit greenhouse gases, such as hand-pushed trolleys and bicycles; and the use of electricity generated via renewable energy sources. To further accelerate initiatives to achieve virtually zero greenhouse gas emissions by 2050, as set out in our long-term targets, we are actively engaging in the introduction of small, commercial-use EVs, the implementation of field tests for the next generation of modes of pickup and delivery that do not

emit greenhouse gases, and the development of vehicles in collaboration with car manufacturers. While there are issues surrounding commercialization, we expect to introduce next-generation vehicles into our last mile pickup and delivery operations in the near future.

Additionally, looking toward the future, we must develop specific plans and initiatives for solving issues regarding the procurement and storage of renewable energy. This is a topic that is strongly connected to the previously mentioned strategies for facilities, and we must reevaluate the purpose of facilities in terms of overall energy management. To achieve this mission, Yamato Transport established the new Green Innovation Development Department in October 2021. This department is focused on promoting environmentally friendly initiatives to achieve our long-term targets and to realize our environmental vision, which will have a positive effect on not only Yamato but also the logistics industry and society as a whole.

Becoming a Company That Further Contributes to the Achievement of an Enriched Society

Due to the spread COVID-19 and the progress of digitalization, changes to people's lifestyles have accelerated alongside the significant changes to the flow of business, services, and goods. The Yamato Group's Management Philosophy states that it will contribute to the creation of an enriched society. In line with this philosophy, we want to become a Group that contributes even more to achieving an enriched society as a company that works closely with consumers and businesses.

We are proud of the value that logistics services can offer society. To maximize this value, we are working to thoroughly reinforce our logistics domain as a professional

in the field during the three-year period of "One Yamato 2023." We will achieve further growth and the improvement of corporate value in the medium to long term by meeting the needs of our diverse customers, becoming a company that provides extensive end-to-end value for our customers' businesses, deepening our knowledge of consumers and our customers' businesses throughout this process, and creating new delivery methods and value beyond delivery.

February 2022


