

Medium-term Management Plan

"One Yamato 2023"

(FY March 2022～FY March 2024)

～Based on "YAMATO NEXT100"～



YAMATO HOLDINGS CO., LTD.

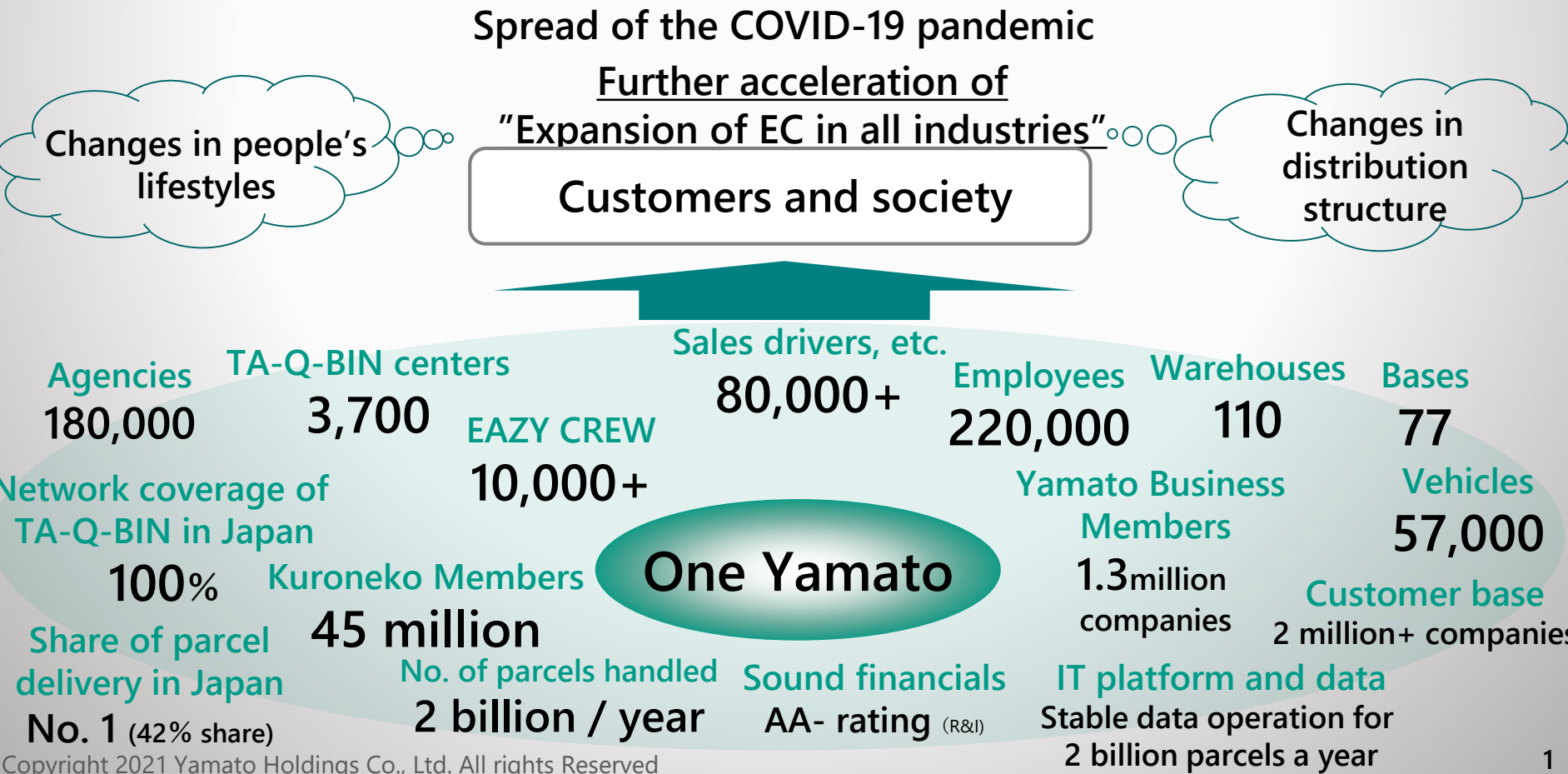
February 1, 2021

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1. Progress and results of "YAMATO NEXT100"

Made progress in the structural reform of the Group as "One Yamato", by bringing together and making the best use of the Group's management resources, together with Group-wide efforts to solve challenges faced by customers and society



1. Progress and results of "YAMATO NEXT100"

Basic strategy and progress of "YAMATO NEXT100"

(1) Transform into a management that can boldly address customer and social needs

⇒ Bring together management resources which were dispersed within the Group, centered around the heads of each business and functional division, and transform into a management that can solve challenges faced by customers and society

(2) Shift to a data-based digital management

⇒ Promote optimal allocation of management resources, through business volume forecasts based on data analysis

⇒ Improve efficiency of pickup & delivery, as well as trunk-route transportation
 ☞ Progress in productivity improvement and cost optimization

(3) Evolve into a management that creates a logistics ecosystem openly through co-development

⇒ Coping with the "Expansion of EC in all industries"

☞ Release of and adding features to EAZY, establishing and reinforcing EC delivery network through collaboration with partners

☞ Co-development with EC operators etc. (Z Holdings, Doddle, etc.), in order to establish an EC ecosystem

⇒ Reinforcing logistics solutions for corporate clients

☞ Promote account management, while making use of strengths in last-mile deliveries, and expand the scope of value-provision to areas other than delivery itself

2. Views on the business environment underlying "One Yamato 2023"

Rapid acceleration of changes in lifestyles (consumption activities) and distribution structure, triggered by the spread of the COVID-19 pandemic

- Consumption activity ⇒ Further growth of EC, and shift to omni-channel including non-face to face interactions
- Distribution structure ⇒ Total optimization of inventory and supply routes

Social issues	Challenges for Yamato Group	Impact of COVID-19
Customers' "expectations" and "needs" becoming more diverse	Cope with more diverse ways of delivering and receiving parcels, while also interacting with customers at a deeper level and create new services	Acceleration of changes in lifestyles (consumption activities) and distribution structure
Rapid expansion of EC in all industries	Actively position Yamato at the center of the rapidly proliferating EC, and seize opportunity for strong growth. Re-build management structure, as well as shift to data-driven management	Sharp acceleration of "Expansion of EC in all industries"
Decline in population, and deterioration of local infrastructure	Re-establish supply chain as part of the local infrastructure, and contribute to making local societies which Yamato is based in more sustainable	Challenges faced by local communities becoming more serious
Shrinking of labor population	Reduce the number of people needed, by thoroughly automating the processes, and pursue "Management which does not require head count increase to cope with higher volumes"	Need to establish operations to cope with volume growth due to EC expansion, while minimizing infection risk
Climate change and constraint on natural resources	Fulfil responsibility in areas related to sustainability, as a social infrastructure company	Higher importance of sustainability in corporate management

3. The thinking behind "One Yamato 2023"

- With "YAMATO NEXT100" as the base, and in response to the extremely rapid "Expansion of EC in all industries", driven by sharp changes in "lifestyles" and "distribution structure" over the past year, and cope with further growth in EC-related demand
- In BtoB logistics, expand and sophisticate Yamato's value-provision to the entire supply chain, by utilizing the strength of having the last-mile network, as well as the logistics network including warehouses that can respond to changes in the supply chain (reform supply chain as the logistics player that is most suited to the "New Normal" brought about by COVID-19)
⇒ Proactively face the needs of customers and society as a truly "One Yamato", make the lives of individual customers more convenient, while supporting the overall management of corporate clients, thereby becoming the "Best partner of both individual and corporate customers"

"One Yamato 2023"

Improve corporate value

Optimal allocation of management resources through data analysis

Reinforcement of Group infrastructure

Corporate business

EC ecosystem

Data strategy, innovation strategy

Organization and governance

HR strategy

Financial strategy

Sustainable management

YAMATO NEXT100

4. Main initiatives

- (1) Optimal allocation of management resources, based on data analysis
- (2) Reinforcement of Group infrastructure
- (3) Strengthen corporate business
- (4) Creating the best solution for the "EC ecosystem"
- (5) Promoting data and innovation strategies
- (6) Reforming management structure and reinforcing governance
- (7) HR strategy which supports "Innovating Delivery Business"
- (8) Improving capital efficiency
- (9) Strengthening sustainable management

4. Main initiatives

(1) Optimal allocation of management resources, based on data analysis

Improve accuracy of business volume forecasting, based on data analysis ∼ Productivity improvement

⇒ Achieve business growth by increasing the time spent and contact points with customers

TA-Q-BIN centers

- Improve productivity of delivery, and create time for sales activities
- Reduce the number of processes, such as loading onto trucks

Bases

- Optimal allocation of personnel and vehicles, and improve efficiency of operations
- Optimization of trunk-route transportation

4. Main initiatives (2) Reinforcement of Group infrastructure

① Reallocate and expand functions of facilities to strengthen value-provision and improve productivity

Pick-up & delivery facilities

- Reallocate on the TA-Q-BIN network facilities owned by various Group companies
 - Optimal location for improving service levels
 - Consolidation of transportation between facilities and other operations

Sorting facilities

- Through automation by digitalization, as well as consolidating operations in certain facilities, strengthen functions while improving productivity
 - Expand sorting capacity by as much as 50%

4. Main initiatives (2) Reinforcement of Group infrastructure

② Optimization of and adding functions to transportation functions, and expanding an open delivery network

- Reallocate trunk-route, middle mile and last-mile transportation functions of various Group companies on the network, and further promote the total optimization of transportation and delivery processes
- Utilize local networks that can cope with small-to-middle lot high-frequency deliveries, and develop Yamato's original TMS (Transport Management System), and thereby expand transportation functions that cater to the diverse needs of each region
- Make pick-up & collection tools sophisticated to further strengthen the collaboration with partners, such as "EAZY CREW", which caters to diverse customer needs related to EC. Expanded support to partner companies, such as building portal sites for drivers, providing leased vehicles, as well as enriching safety training and welfare

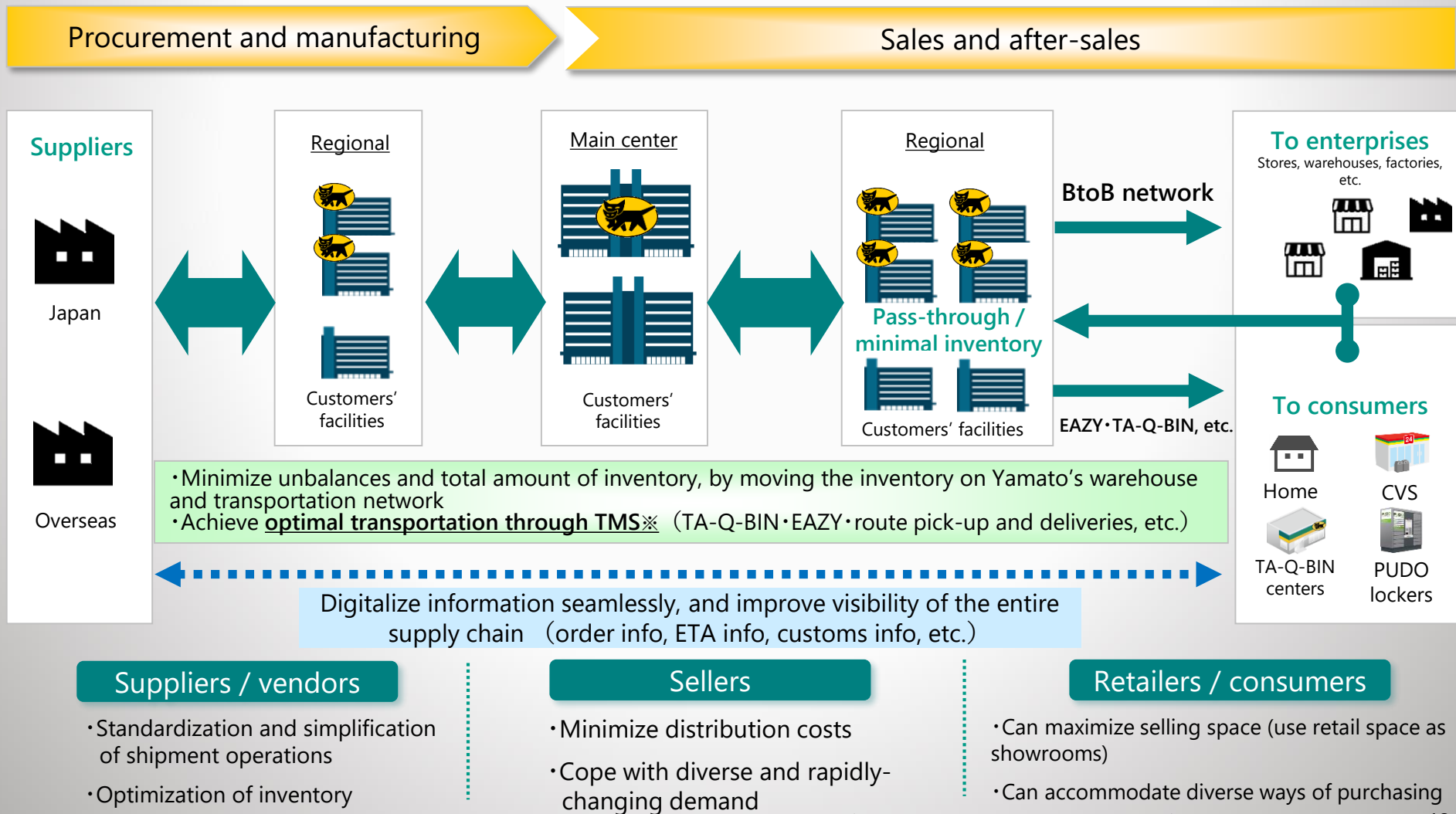
4. Main initiatives (2) Reinforcement of Group infrastructure

③ Promotion of BPR (Business Process Re-engineering)

- Make a firm-wide effort to promote operational efficiency, through standardization and digitalization of administrative operations, with the Professional Service Function Division taking the lead
 - Cut down on administrative work (by approx. 40%)*
 - ⇒ Create time and contact points for employees in the front-line to face customers
- * Rough estimate of effects of initiatives at the end of March 2024 (compared to FY March 2021)
- Optimization of Group sourcing and procurement
 - ⇒ With a focus on fair and sustainable trading practices, consolidate sourcing and procurement at the Group level, and thereby optimize costs

4. Main initiatives (3) Strengthen corporate business

Become a partner that supports the reform of the entire supply chain
～ Provide optimal solutions, utilizing management resources as "One Yamato"



4. Main initiatives (4) Creating the best solution for the "EC ecosystem"

Creating a new "Deliver" which connects EC operators and consumers

~Create new value in EC logistics, using digital technologies

EC operators /
sellers

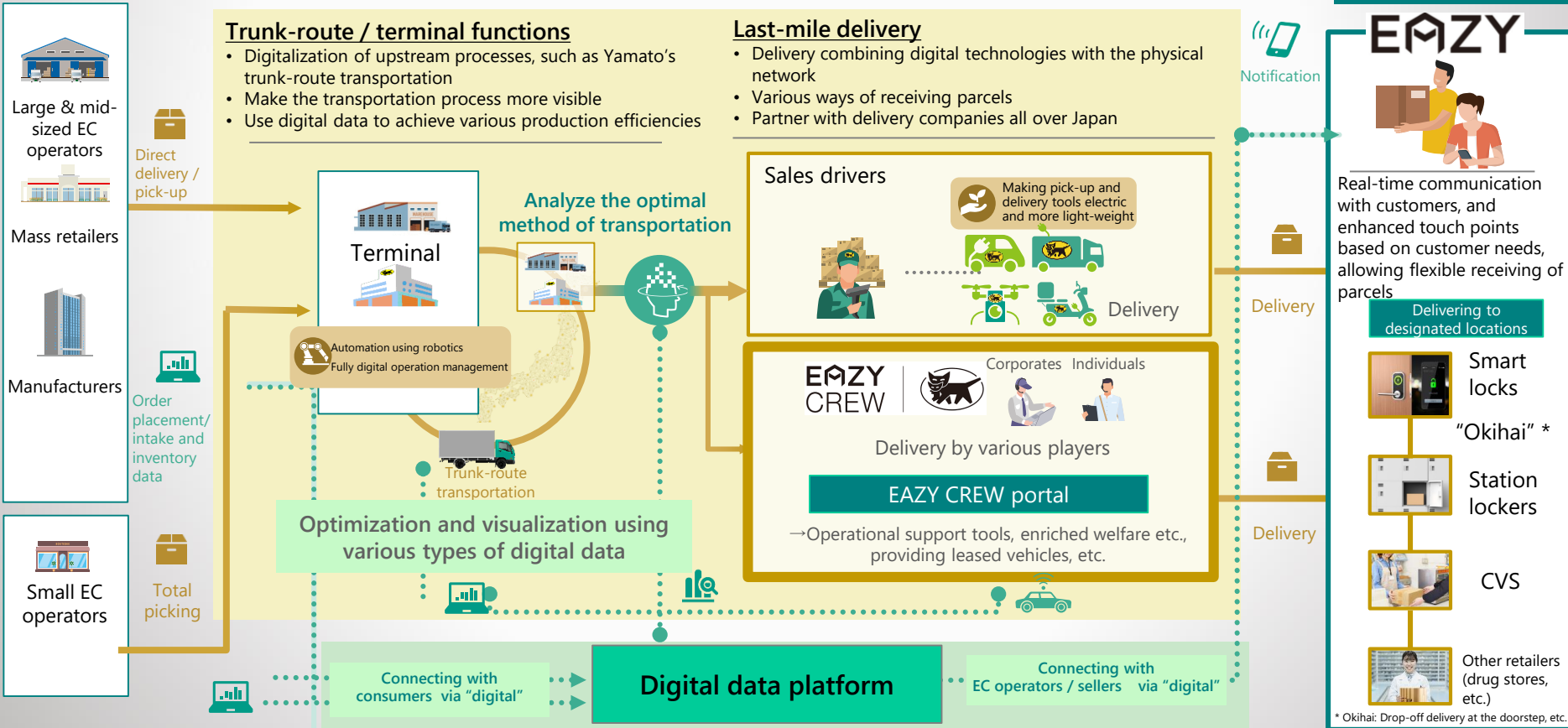
Consumers

Trunk-route / terminal functions

- Digitalization of upstream processes, such as Yamato's trunk-route transportation
- Make the transportation process more visible
- Use digital data to achieve various production efficiencies

Last-mile delivery

- Delivery combining digital technologies with the physical network
- Various ways of receiving parcels
- Partner with delivery companies all over Japan



Benefits for EC operators

- Increase in sales opportunities
- Customer satisfaction improvement through various value-adds
- Digital communication with clients

Benefits for consumers

- Real-time communication about deliveries
- Shorter lead times between order and arrival
- Wide range of options available for receiving parcels

Benefits for delivery companies

- Can forecast business volume (allowing resource optimization)
- Robust support measures in place
- Efficient deliveries using operational support tools

* Okihai: Drop-off delivery at the doorstep, etc.

4. Main initiatives (5) Promoting data and innovation strategies

① Maintaining digital data and establishing a digital platform

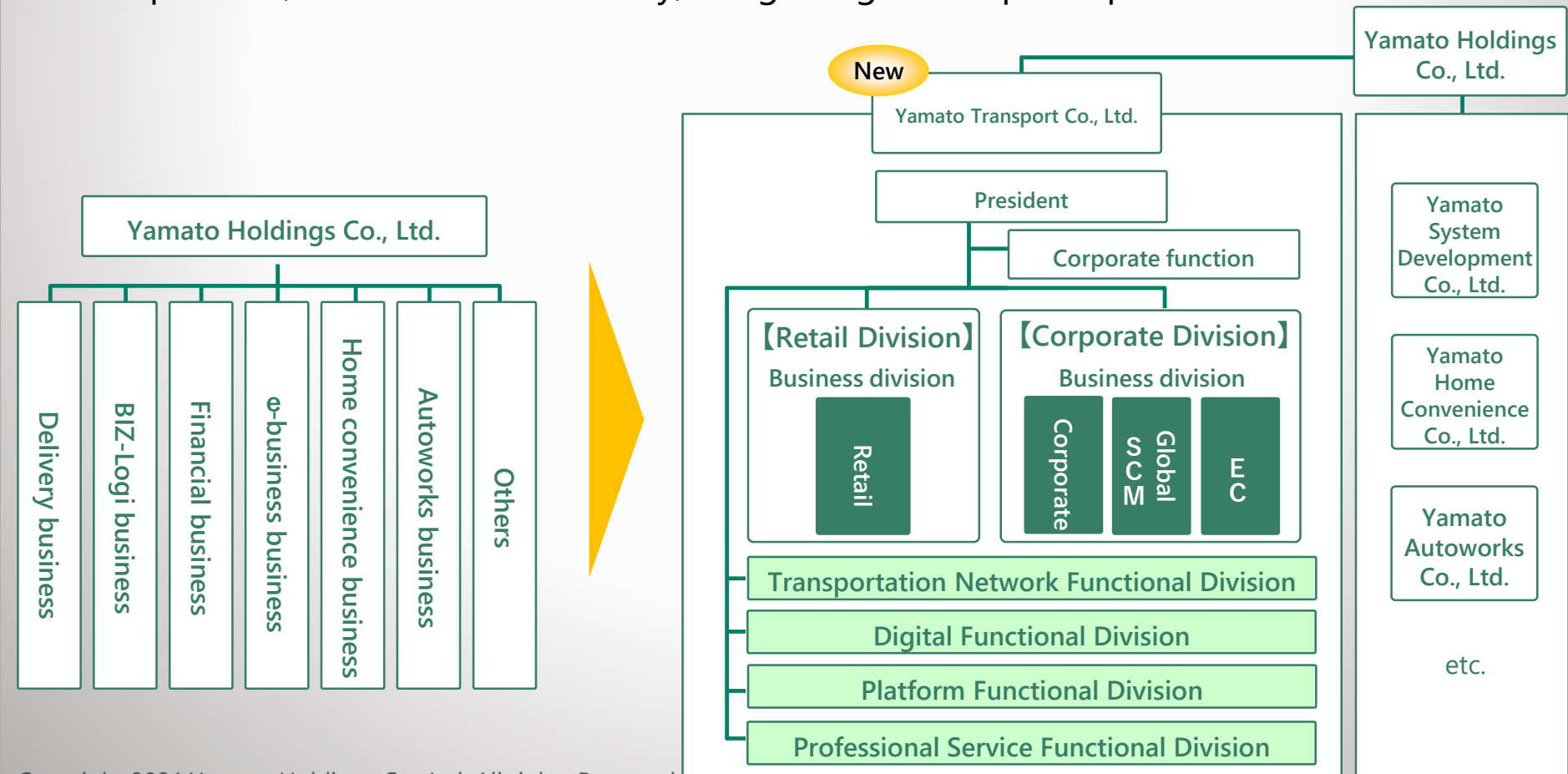
- Promote to maintain digital data and reinforce the digital platform, in order to make Yamato's "Digital data management" more sophisticated and accurate
- Strengthen measures to collect digital data using the latest technologies, as well as the "Yamato Digital Platform" focusing on cloud technologies, and support the 9 "Main initiatives" through digitalization

② Promotion of innovation strategy

- Open innovation, to create new businesses
- Corporate innovation, to reform the entire company

4. Main initiatives (6) Reforming management structure and reinforcing governance

- Shift to the “One Yamato” management structure in April 2021
- Yamato Holdings Co., Ltd. will continue to exist, in order to separate management supervision and execution, and to maintain and further improve management transparency
- Establish a governance structure that speeds up decision-making, with the new “Yamato Transport Co., Ltd.” as the core entity, integrating 7 Group companies



4. Main initiatives (7) HR strategy which supports "Innovating Delivery Business"

Under the new management structure, renew the HR system in order to clarify the roles and responsibilities of each employee in the front-lines, thereby improving the evaluation process, and to train specialized personnel in the business and functional divisions, who will grow to become top performers and leaders of the Yamato Group

- Strengthen the organization and train specialized personnel through "Kuroneko Academy", the training organization to help employees learn and grow
- Additional focus on mid-career hires
- Reinforce sustainability measures, focusing on human rights issues
 - Train employees on human rights
 - Promote "Decent work"

4. Main initiatives (8) Improving capital efficiency

■ Financial strategy ~Basic policy~

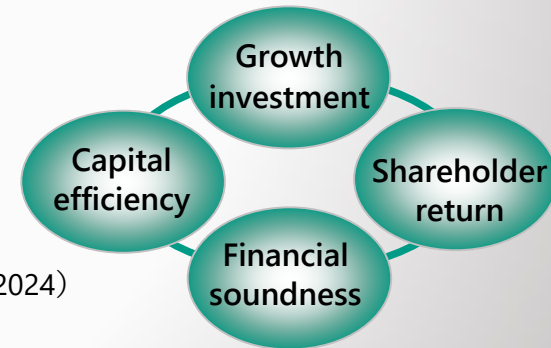
In consideration of growth (operating revenue), profitability (operating profit margin), financial soundness (cash generation, balance of cash & deposits, level of equity ratio), progress of investments, capital efficiency, etc., improve shareholder value through a timely and adequate capital policy, based on stable dividends (use DOE※ as benchmark)

※Dividend on equity ratio

ROE : 10% or above (FY March 2024)

Dividend payout ratio : 30% or above

Total payout ratio : 50% or above
(cumulative ratio for FY March 2021~FY March 2024)



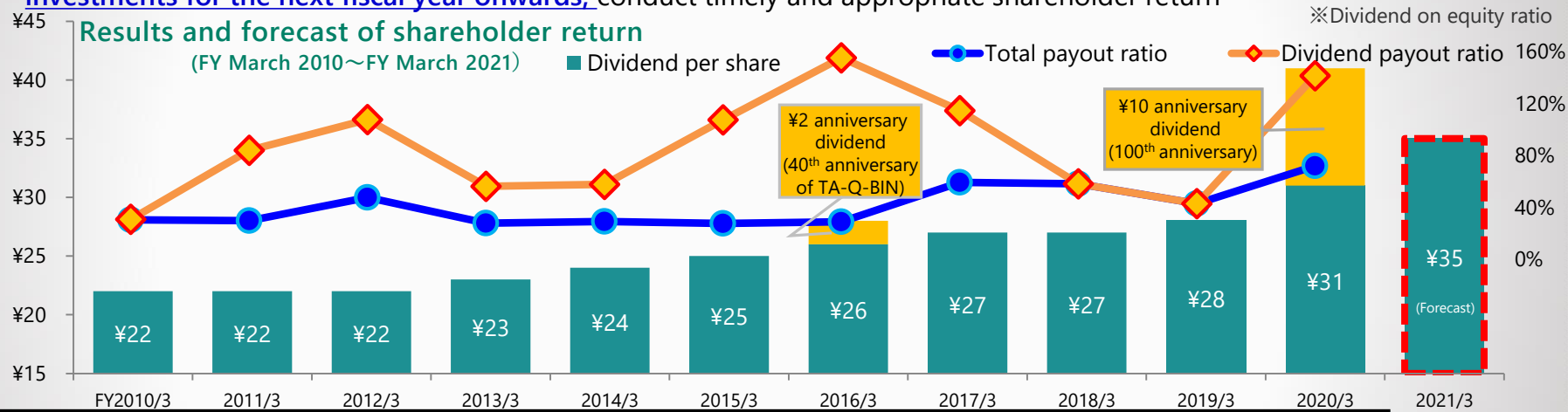
Securing financial soundness

- Adequately control liquidity on hand (cash and deposits), including preparation for making flexible responses to various situations
- Will control capital, considering factors such as capital efficiency, ratings, BCP (business continuity planning) as a social infrastructure company, etc. (equity ratio of 45~50% to be used as a benchmark)

4. Main initiatives (8) Improving capital efficiency

Shareholder return

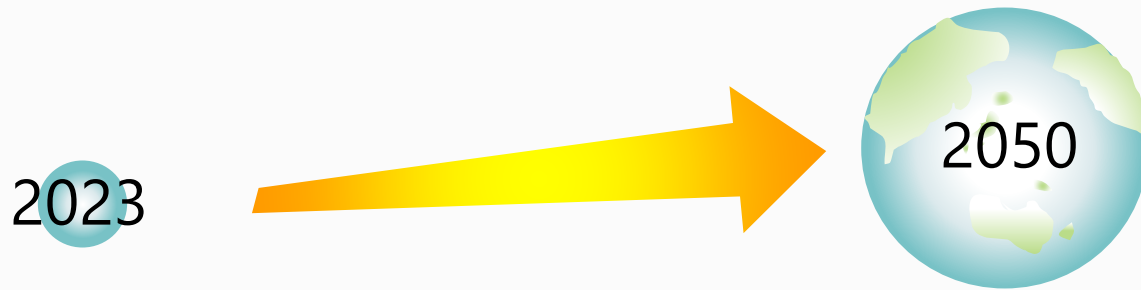
- With the maintaining of stable dividends as the basic stance (using DOE※ as the benchmark), and comprehensively considering the cash generation of each fiscal year, progress made in investments, outlook on performance and investments for the next fiscal year onwards, conduct timely and appropriate shareholder return



	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Net profit of parent company (¥100 MM)	322	332	197	351	347	375	394	180	182	256	223
EPS (¥)	71.84	73.42	46.00	81.85	82.22	90.41	96.45	45.37	46.24	65.14	56.78
Dividend payout ratio (%)	30.6	30.0	47.8	28.1	29.2	27.7	29.0	59.5	58.4	43.0	72.2
Total dividend (¥100 MM)	99	98	94	98	101	104	112	107	106	110	159
Acquisition of own shares (¥100 MM)	0	181	118	99	99	299	499	99	0	0	156
Total payout amount (¥100 MM)	99	279	213	198	201	404	612	207	106	110	316
Total payout ratio (%)	30.9	84.1	107.9	56.4	57.8	107.7	155.4	114.7	58.4	43.0	141.6

4. Main initiatives (9) Strengthening sustainable management

Establish plans and targets through fiscal year ending March 31, 2024 with the aim of realizing our two visions for a sustainable future.



Sustainable Medium-Term Plans 2023

- Medium-Term Environmental Plan 2023
- Medium-Term Social Plan 2023

2023 Targets

(Fiscal year ending March 31, 2024)

Environmental Vision

“Connect. Deliver the future via green logistics”

Social Vision “Through co-creation and fair business activities, help create a society that ‘leaves no one behind’”

(Long-Term Targets)

4. Main initiatives (9) Strengthening sustainable management

Environment Moving Forward, "Connect. Deliver the Future via Green Logistics". Yamato Group's Individual-Driven Environmental Reforms.

Materialities	Main Fiscal 2023 Targets (Fiscal year ending March 31, 2024)	Main Initiatives
Energy & Climate	Mitigate Climate Change • Reduce greenhouse gas emissions by 10% compared to fiscal year ending March 31, 2021*¹ • Reduce greenhouse gas emission intensity by 10% compared to fiscal year ending March 31, 2021*² • Use 30% of electricity generated via renewable energy sources	• Reduce greenhouse gas emissions through using electricity generated via renewable energy sources, enhancing transportation efficiency by utilizing digital technology, and reducing use of dry ice, etc.
Atmosphere	Clean Up the Skies (Prevent Air Pollution) • Reduce NOx and PM emissions from vehicles by 25% compared to fiscal year ending March 31, 2021*³ • Introduce vehicles that emit fewer air pollutants	• Introduce low-carbon vehicles, and carry out investigations and collaborative research into automated mobility with the aim of realizing low-carbon transportation and preventing air pollution
Resource Conservation & Waste	Promote Resource, Conservation and Reduce Waste • Use 55% renewable resources and recycled materials for paper materials*⁴ • Reduce landfill disposal rate (final disposal rate) to 5% or less*⁵ • Provide products utilizing recycled materials and resource-saving materials	• Use renewable resources, recycled materials • Reduce and reuse resources, including water, and waste • Develop reusable materials and provide framework for material sharing usage
Resilience of Companies & Society	Support a Society That Combats Environmental Changes • Green logistics in collaboration with our business partners • Collaborate with society to improve environmental resilience • Provide environmentally friendly products and services	• Understand partner's greenhouse gas emissions, provide environmental certification and support improvement, etc. • Conduct tests to increase resilience and engage in environmental communication, etc. • Develop products and services

*1: In-house emissions of consolidated companies in Japan and Swan Co., Ltd. (Scope1 & Scope2). *2: In the same range as *1. tCO₂e /operating revenues of ¥100 million.

*3: The range refers to Yamato Transport Co., Ltd. *4: Paper material refers to cardboard for shipping, pickup and delivery materials, etc. *5: Equivalent to reduction by half compared to the past.

4. Main initiatives (9) Strengthening sustainable management

Social

Through Co-Creation and Fair Business Activities, Help Create a Society That “Leaves No One Behind.”

Materialities	Main Fiscal 2023 Targets (Fiscal year ending March 31, 2024)	Main initiatives
Labor	Create a work environment where employees can thrive • Improve operating revenue per employee (through high-value-added work) • Overtime per employee ⇒ Reduce by 20% compared with fiscal year ending March 31, 2021 • Ensure annual paid leave utilization rate is 90% (achieve work-life balance)	• Consider a high-value-added model for labor by promoting optimization and labor-saving and improving the work environment through the utilization of digital transformation • Create a work environment where employees can thrive and play an active role by developing individual skills and placing the right person in the right position (promote decent work)
Human Rights & Diversity	Create a corporate culture that respects human rights and diversity • Ensure 100% attendance rate in human rights training for all employees • Ensure percentage rate of employees with disabilities is 2.5% • Number of female managers (executives) ⇒ Double compared with fiscal year ending March 31, 2021 / Ensure 10% of all managers are female	• Implement human rights training for all employees • Carry out human rights risk assessments and improvement (periodic) • Reinforce harassment prevention measures • Implement horizontal development of good practices regarding employment of people with disabilities • Implement LGBT training and develop LGBT-related consultation • Reinforce recruitment of foreign employees, labor management, and training
Safety & Security	Create initiatives to carry out business in a safe and secure manner • Achieve zero serious traffic accidents (fatal traffic accidents where the Company is responsible) • Number of traffic accidents (where bodily injury occurs) ⇒ Reduce by 50% compared with fiscal year ending March 31, 2020 • Achieve zero serious occupational diseases (work-related deaths) • Frequency of lost workday injuries* ⇒ Reduce frequency of lost workday injuries by 20% compared with fiscal year ending March 31, 2020	• Reinforce management system • Nurture mentors and reinforce safety training based on mentors • Implement safety measures utilizing technology • Implement occupational health and safety training (periodic)

*Number of casualties per actual 1 million total working hour due to work-related injuries resulting in 1 or more lost days, or loss of a part or function of the body

4. Main initiatives (9) Strengthening sustainable management

Social

Through Co-Creation and Fair Business Activities, Help Create a Society That “Leaves No One Behind.”

Materialities	Main Fiscal 2023 Targets (Fiscal year ending March 31, 2024)	Main initiatives
Data Utilization & Security	Create an information security infrastructure • Develop an infrastructure for creating businesses that utilize data to resolve social issues • Achieve zero serious information security incidents • Ensure 100% deployment of information security managers at major organizations and 100% implementation of training for information managers	• Improve data governance • Put data management into practice • Deploy information security managers and reinforce training
Supply Chain Management	Develop a common understanding with stakeholders • Complete creation and demonstration of monitoring framework	• Create monitoring framework • Create a system to manage our business partners • Reinforce communication with our business partners
Local Community	Create corporate citizenship activities that are rooted in local communities and create a framework for business creation • Complete creation of a framework to measure effectiveness of corporate citizenship activities and business in resolving social issues	• Complete creation of new business development system aimed at resolving social issues • Create a framework to measure effectiveness

5. Quantitative targets

	FY March 2021	FY March 2024		
	Forecast	Plan	Growth	Growth rate (%)
Consolidated operating revenue	1,680 bn yen	2,000 bn yen	+ 320 bn yen	+ 19.0%
Consolidated operating profit	82 bn yen	120 bn yen	+ 38 bn yen	+ 46.3%
Consolidated operating margin	4.9%	6.0%	+ 1.1%	—
Consolidated ordinary profit	82 bn yen	120 bn yen	+ 38 bn yen	+ 46.3%
Profit attributable to owners of parent	43 bn yen	72 bn yen	+ 29 bn yen	+ 67.4%
ROE	7.8%	10%	+ 2.2%	—

6. Investment plan

■ FY March 2022～FY March 2024

Period of active investment, in order to complete “Main initiatives”, such as Optimal allocation of management resources, based on data analysis, Reinforcement of Group infrastructure, Strengthen corporate business, Establishing an EC ecosystem, and Reinforcing data and innovation strategies

Growth investment : 200 billion yen

- Digital investments, including the renewal of the core IT system, and adding new functions to EAZY: 100 billion yen
- Automating the logistics operations, and opening buildings and facilities in which operations will be consolidated: 50 billion yen
- Deployment of automated warehouses, equipment related to supply chain solutions for pharmaceuticals distribution, etc.: 50 billion yen

Current investment : 200 billion yen

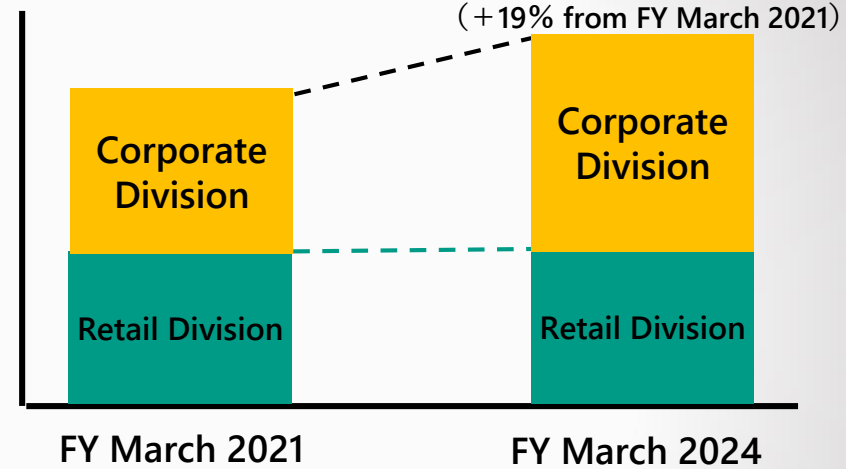
- Renovations and extensions of logistics facilities, etc. 60 billion yen
- Replacement of vehicles, and introduction of environment-friendly vehicles, etc. 60 billion yen
- Expansion and replacement of management systems for existing services and HR, safety etc. 50 billion yen
- Parcel sorting equipment, replacement of equipment for service provision, etc.: 30 billion yen

Total : 400 billion yen

7. Image of future growth

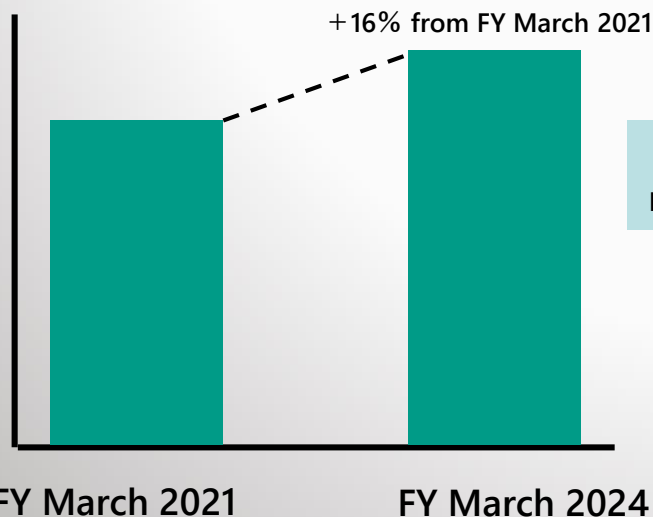
【Operating profit target】
120 billion yen
in FY March 2024
(+46% from FY March 2021)

Operating revenue
2 trillion yen
(+19% from FY March 2021)



Operating revenue per employee*

*Number of employees which is converted



Head count to remain almost flat

Composition of operating expenses

