



NEWS RELEASE

Yamato Holdings Co., Ltd.

January 29, 2021

Medium-Term Management Plan “One Yamato 2023”

Yamato Holdings Co., Ltd. (Headquarters: Chuo-ku, Tokyo; President: Yutaka Nagao) announces that it has formulated “One Yamato 2023,” a medium-term management plan spanning FY 2021 to FY 2023.

On April 1st of this year, Yamato Transport will become the “New Yamato Transport” by bringing the diverse management resources of the Group companies together.

“One Yamato 2023” is a medium-term management plan that aims to provide comprehensive value by meeting the needs of individuals, corporations, local customers, and society to transform the supply chain in response to changing lifestyles and the resulting changes in distribution structures through the One Yamato Structure centered on the New Yamato Transport.

Financial targets for the fiscal year ending March 2024 include an operating revenue of 2 trillion yen, operating profits of 120 billion yen (operating margin of 6%), and an ROE of 10% or more.

1. Goal of “One Yamato 2023”

Even before the announcement of “YAMATO NEXT100,” the medium- to long-term grand design for management announced in January 2020 which clearly outlines the Group’s management challenges and its plan for structural transformation, Yamato Group had been speedily working towards integrating the Group’s management to realize its plan.

The Yamato Group has been able to respond to the rapid changes in lifestyles and businesses, as well as the accelerating surge in cargo, all of which were brought on by the unexpected arrival of the COVID-19 pandemic, by refining demand forecasts based on data analysis, optimally allocating personnel and vehicles based on these forecasts, building a new and open delivery network that can serve “all industries with EC,” and flexibly and mutually utilizing management resources to meet new business needs, in addition to the early introduction of “EAZY,” a new service that responds to customer needs in real time through digital data.

In order to solidify these achievements and become a partner that not only improves the convenience of individual customers but also supports the management of our corporate clients by providing total value towards the transformation of the supply chain that is required in this new age, “One Yamato 2023” addresses nine priority initiatives.

In addition, the Group will further enhance its sustainability initiatives and promote the creation of a logistics ecosystem that solves social issues as a provider of a social infrastructure.

[Nine Priority Initiatives of “One Yamato 2023”]

- (1) Optimally allocate management resources based on data analysis
- (2) Strengthen the Group infrastructure
- (3) Evolve into a business partner that provides total support to the supply chain
- (4) Create an optimal solution for the EC ecosystem
- (5) Improve capital efficiency
- (6) Promote human resource strategies that support the “Creative-Transportation Industry”
- (7) Renew the management system and strengthen governance
- (8) Promote data strategies and innovation strategies
- (9) Strengthen sustainable management

2. Overview of Each Priority Initiative

(1) Optimally allocate management resources based on data analysis

By developing data platforms and sophisticated algorithms, Yamato Group will improve the accuracy of demand and work volume forecasts in each region, and will work to optimally allocate the Group's management resources to meet the changing and diversifying needs of our individual and corporate customers.

Through optimization of personnel and vehicle allocation at each location, transformation of work operations, automation and digitization, in addition to optimization and standardization of the delivery process, including trunk-route transportation, we will improve the productivity of the entire network by increasing the amount of time frontline staff can spend with customers, increasing points of contact, and expanding pickup and delivery capabilities.

(2) Strengthen the Group infrastructure

1) Provide added value and improve productivity by reallocating locations and expanding functions

The various sites owned by the Group, which include approximately 110 commercial warehouses, 77 base locations (sorting terminals), and approximately 3,700 TA-Q-BIN centers, across Japan will be reallocated along its network, and the functions of each base will be integrated and enhanced.

Yamato Group will improve the network's sorting capabilities by a maximum of 1.5-fold (compared with the end of FY 2020) by consolidating collection and delivery options to reduce transportation between locations, automating each location, and deploying new locations that have fulfillment functions.

2) Optimize and multi-functionalize transport functions and expand the open delivery network

The Group's trunk-route, middle mile, and last mile delivery functions will be reallocated along the network to further optimize the overall transportation and delivery process. In addition, by developing intra-regional networks for frequent pickup and delivery of small to medium lots and an original TMS (Transport Management System), we will expand delivery functions to meet the diverse needs of each region.

In order to further expand collaboration with partners, such as through "EAZY CREW" which meets the diverse needs of customers primarily through EC, Yamato Group will expand its partner support system by evolving its delivery and pickup support tools, establishing a portal site for drivers, providing leased vehicles, as well as enhancing its safety training and welfare programs.

3) Promote Business Process Re-engineering (BPR)

Yamato Group will standardize, digitize, and consolidate administration and indirect operations, primarily in the Professional Service Functional Division, to create time and contact points where frontline workers can fully engage with customers.

In addition, we will reduce frontline management and indirect operations by approximately 40% (compared with FY 2020) by having the entire Group engage in joint procurement and purchasing.

(3) Evolve into a business partner that provides total support to the supply chain

1) Strengthen value added across the entire supply chain, from upstream to downstream operations

Yamato Group's aim is to be a business partner that provides total support to the supply chain, from suppliers and manufacturers to stores and consumers, through the seamless integration of commercial warehouses, base locations, trunk-routes, middle mile and last mile delivery, and the new intra-regional delivery functions, as well as through the visualization of digital information.

By transporting commercial products in bulk to base locations that are near the consumption site and responding to demand in the region by quickly making small to medium lot deliveries to stores, we help reduce the number of sale opportunities lost in stores due to shortages and mitigate the uneven distribution of total inventory, which in turn contributes to maximizing sales, streamlining the supply chain, and improving the cash flow of our corporate clients.

In the cross-border domain, Yamato Group provides advanced solutions such as smoothly connecting domestic and overseas networks by digitalizing and visualizing all available information of the global supply chain including order information, shipping and arrival schedule information, and customs clearance information, etc., of small-lot cargo and general cargo such as EC for imports and exports, in addition to minimizing inventory and optimizing lead time by using fulfillment functions.

2) Integrated management of corporate departments that interact with customers

Yamato Group will newly establish a “Corporate Solutions Control Center” to quickly collect customer needs from the front lines, consolidate them, and link them to high-quality proposals.

By centrally managing the solutions, services, and marketing strategies developed by each functional division in addition to information-gathering, data analysis, and issue extraction processes, the Group will support the proposed activities of frontline sales representatives and build a system that enables it to constantly fulfill the optimal proposals made to corporate clients.

(4) Create an optimal solution for the EC ecosystem

Yamato Group will further enhance initiatives to establish a sustainable “EC ecosystem” that will provide benefits to businesses, deliverers, and consumers, given the accelerating push towards serving “all industries with EC.”

For businesses, we will add value to the upstream portion of the supply chain by minimizing inventory and administrative costs, while also enhancing our support system by creating new sales channels, such as live commerce, and supporting physical stores to transition to EC.

For deliverers, we will further expand the EAZY CREW network and enhance our support for streamlining “transport” by enhancing digital delivery and pickup tools.

For consumers, we will continue to propose new types of customer experiences that use digital technology by implementing EAZY’s real-time tracking and dynamic pricing, as well as expanding the number of stores where customers can pick up their products using their smartphones.

Furthermore, we will create a “new type of ‘transport’” and further strengthen our engagement with customers by considering how to better connect our customers, including the more than 45 million Kuroneko Members, with producers, stores, or even the 1.3 million companies that are Yamato Business Members.

(5) Improve capital efficiency

Along with executing the financial strategy, Yamato Group will continue to reform its cost structure and business growth by putting a strong emphasis on capital efficiency. Shareholder value will be increased through timely and appropriate capital policies based on stable dividends (with awareness towards the ratio of dividends to shareholders’ equity) with due consideration of growth potential (operating revenue), profitability (operating profit), financial soundness (cash generation status, cash, deposits, and capital ratio levels), investment status, and capital return, etc.

Specifically, financial targets include an ROE of 10% or more (fiscal year ending March 2024), dividend payout ratio of 30% or more, and a total return ratio of 50% or more (cumulative from fiscal year ending March 2021 to fiscal year ending March 2024).

(6) Promote human resource strategies that support the “Creative-Transportation Industry”

Yamato Group will renew its human resources system into a system that clarifies and evaluates the roles of each of its frontline employees, that also fosters specialized, high-performing human resources that will lead the Group’s Business Divisions and Functional Divisions.

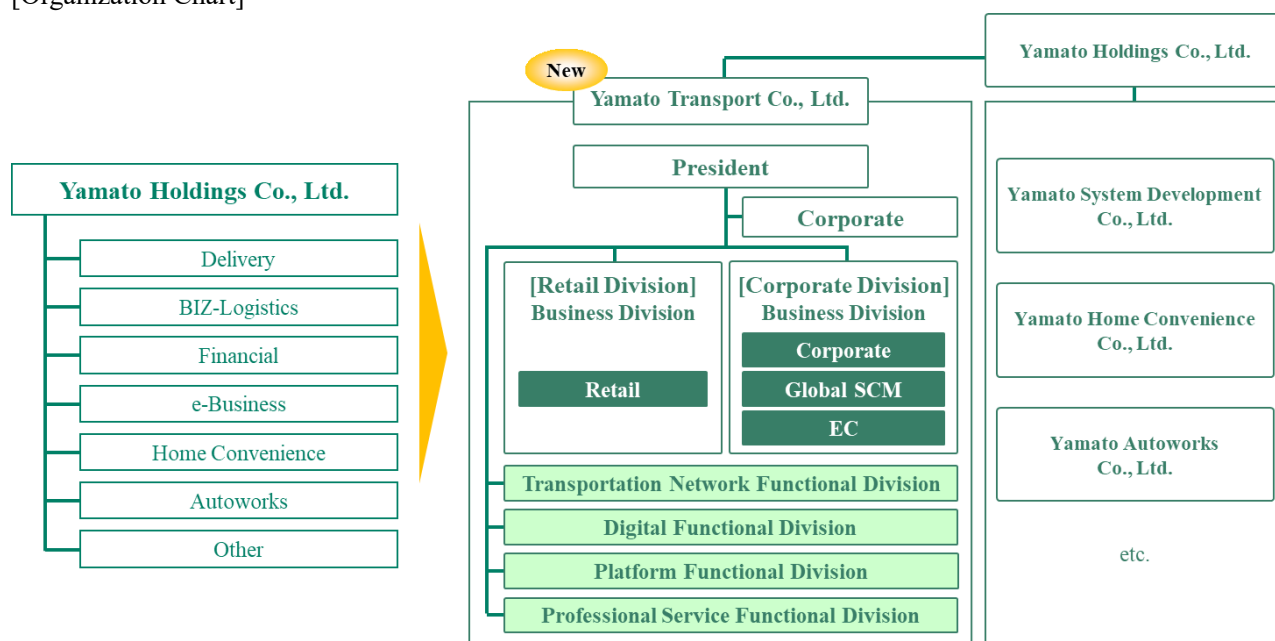
In order to improve the organizational capacity of the Group and help employees to learn and grow, an educational organization called “Kuroneko Academy” will also be established.

Furthermore, digital education programs will be enhanced to raise the digital literacy of all employees, including management, and to promote the early development of digital human resources.

(7) Renew the management system and strengthen governance

On April 1, 2021, Yamato Transport Co., Ltd. and seven Group companies will be integrated into a management structure that consists of the Corporate Division and two other Divisions (Retail Division and Corporate Division), which in turn are made up of four Business Divisions (Retail Business, Corporate Business, Global SCM Business, and EC Business Divisions) and four Functional Divisions (Transportation Network Functional, Digital Functional, Platform Functional, and Professional Service Functional Divisions). While the pure-holding-company system will remain, the post-merger Yamato Transport Co. Ltd. will be the core company of the system, which will establish governance with an emphasis on decision-making speed.

[Organization Chart]



(8) Promote data strategies and innovation strategies

In addition to renovating the existing core systems, digital data facilities and digital platforms will continue to be enhanced with an eye to further advance the use of data. The Group will support the nine priority initiatives by expanding the “Yamato Digital Platform,” which is centered on data acquisition methods that utilize cutting-edge technology as well as cloud technology.

Furthermore, we will promote open innovation even more strongly by discovering, collaborating with, and investing in startups that are looking to create new businesses, using the “KURONEKO Innovation Fund” established in April 2020.

(9) Strengthen sustainable management

In order to realize the vision established in “YAMATO NEXT100” and focus on solving social issues, Yamato Group has formulated medium-term targets for FY 2023 for each materiality (key issue) that will help the Group implement management that considers the environment and society, and by implementing each measure in our business activities, the Group aims for the sustainable development of society and businesses.

* Please refer to the news release titled “[Yamato Group Formulates Sustainable Medium-Term Plan 2023 \[Environment and Society\]](#)” for key medium-term targets for each materiality related to the environment and society.

3. Key Financial Targets for “One Yamato 2023”

(1) Income and Expenditure Plan

	FY 2020 Forecast	FY 2023	
		Plan	Comparison to FY 2020
Operating revenue	1,649.6 billion yen	2,000 billion yen	+350.4 billion yen (121.2%)
Operating profit	68 billion yen	120 billion yen	+52 billion yen (176.5%)
Operating margin	4%	6%	+2%
Consolidated ordinary income	68 billion yen	120 billion yen	+52 billion yen
Net income attributable to the parent company	35 billion yen	72 billion yen	+37 billion yen
ROE	6%	10%	+4%

(2) Investment Plan

In order to steadily implement the nine priority initiatives, a total of 400 billion yen will be invested over the three years, including 200 billion yen towards recurring investments as well as a total of 200 billion yen towards growth investments. Growth investments will include 100 billion yen towards digital investments such as renovating the core systems, strengthening the data platform, and expanding EAZY’s functions, 500 billion yen towards buildings for automating logistics operations and establishing base locations, and 500 billion yen towards cargo-handling equipment.

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