

## Message from the Chief Financial Officer



Based on the newly formulated medium-term management plan “One Yamato 2023,” we will further accelerate the advancement of structure reform. By optimally allocating management resources and promoting Companywide initiatives in growth domains, we will aim to improve corporate value over the medium to long term.

### Atsushi Kashimoto

Executive Officer  
Responsible for Finance and  
Investor Relations Department

## Progress and Outcomes of Management Structure Reform

In January 2020, we formulated the Transformation Plan “YAMATO NEXT100” as a grand design for our management over the medium to long term. The purpose of this plan is for the Yamato Group to continuously contribute to the realization of a prosperous society by creating a “new logistics ecosystem,” meeting the needs of customers and society.

Based on this plan, in the first three quarters of the fiscal year ending March 31, 2021, the Yamato Group has been centralizing management resources in advance of the new management structure commencing in April 2021. We have also been promoting the three business reforms, the digital transformation of *TA-Q-BIN*, the establishment of an EC (e-commerce) ecosystem, and the strengthening of our corporate logistics business, as well as its three infrastructure reforms, the renewal of the Group management system, the shift to data-driven management, and sustainability initiatives. There have been changes in lifestyle and the distribution structures, such as promoting teleworking; making services, such as medical care, education, and other services, available online; and expanding the user base for EC, as well as an acceleration in EC adoption in all industries due to the spread

of COVID-19. Amid these changes, we have increased revenues as a result of our ability to meet the rapidly increasing demand by promoting various initiatives in advance of the next medium-term management plan. Furthermore, we achieved a substantial increase in profit by optimally allocating management resources based on data analysis and demand forecasting to improve the efficiency of pickup and delivery and trunk-route transportation, and by creating a new delivery network in cooperation with our delivery partners to expand pickup and delivery capacity and optimize costs. In addition, with a focus on the future growth of the lease service business, we strove to increase the efficiency and profitability of the entire Group, including commencing joint ventures with partner companies.

We feel we have a solid response regarding the direction of management structure reform based on “YAMATO NEXT100.” Under the medium-term management plan “One Yamato 2023,” beginning from the fiscal year ending March 31, 2022, we will aim for sustainable growth and improved corporate value over the medium to long term while further accelerating the promotion of structure reform. The targets for the fiscal year ending March 31, 2024 (the final year of the plan) are consolidated operating revenues of ¥2,000 billion, consolidated operating profit of ¥120 billion, a consolidated operating profit margin of 6%, and ROE levels of 10%.

## Financial Strategy and Investment Aimed at Creating Future Cash Flows

Investment decisions are made based on whether or not they will increase corporate value over the medium to long term. We are already implementing growth investments in the transition toward data-driven management, such as the digital transformation of *TA-Q-BIN* and the creation of the Yamato Digital Platform, based on “YAMATO NEXT100.” So, in order to rapidly promote the main initiatives set forth in “One Yamato 2023,” we expect to invest a total of ¥400 billion in the three-year period between the fiscal years ending March 31, 2022 and 2024.

Of this amount, we plan to invest a total of ¥200 billion in growth. This includes ¥100 billion for digital investments to revamp core systems and expand the functions of the new delivery service *EAZY*, which is geared toward e-commerce companies; ¥50 billion to invest in buildings, such as automating logistics operations and establishing work consolidation centers; and ¥50 billion in developing automated warehouses and equipment for supply chain solutions, such as the distribution of pharmaceuticals.

In addition, as current investments to maintain the business, we expect to invest ¥60 billion in the extension and structural alteration of logistics facilities, ¥60 billion in the replacement of vehicles and introduction of environmentally friendly vehicles,

¥50 billion in the expansion and replacement of management systems related to existing services and internal personnel safety, and ¥30 billion in the replacement of sorting equipment for parcels and equipment related to service provision.

Through these investments, we aim to increase growth potential and profitability by achieving growth in the EC and corporate logistics business divisions and improving productivity in the areas of transport and delivery services, sorting, and administrative work through the optimal allocation of management resources based on data analysis and the strengthening of Group infrastructure.

## Basic Stance on Capital Policies and Shareholder Returns

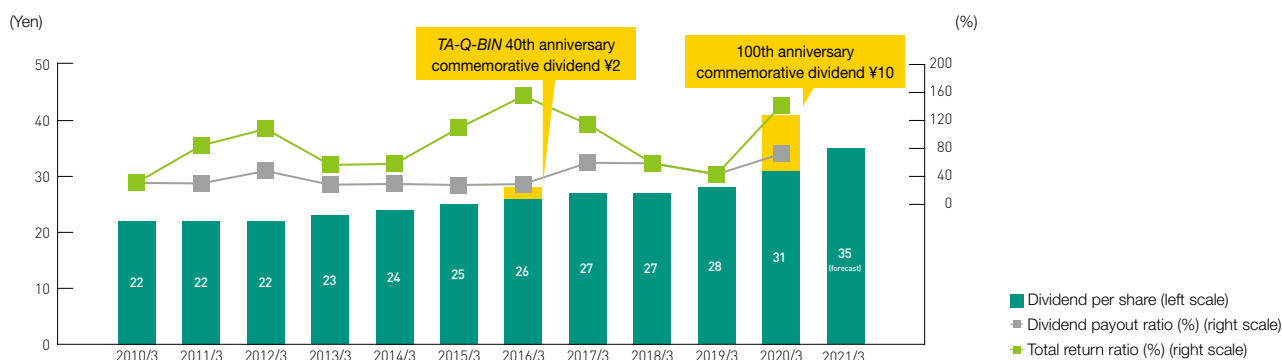
In regard to capital policy and shareholder returns, we will consider timely and appropriate measures based on the future growth potential (operating profit) and profitability (operating profit margin) of our businesses, financial soundness (status of cash creation, cash and cash equivalents, and capital adequacy ratio levels), investment progress, capital efficiency, and other factors, with a basic policy of stable dividends (with an awareness of the ratio of dividends to shareholders' equity). The key indicators for capital policies will be ROE of 10% or more, a dividend payout ratio of 30% or more, and a total return ratio of 50% or more (cumulative for the period from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2024).

In regard to financial strategy, as a company responsible for social infrastructure, our basic policy is to maintain and improve financial soundness for business continuity in light of the worsening impact of COVID-19 and increasingly severe disasters, while promoting the optimal reallocation of management resources to businesses with high profitability for improved capital efficiency. In terms of fundraising, we will do so with an awareness of financial soundness and efficiency. Further, we will strive to maintain our credit rating (AA-, Rating and Investment Information, Inc.) while keeping in mind an optimal capital structure from the perspective of financial stability.

During the fiscal year ended March 31, 2020, in November 2019, the Company celebrated its 100-year anniversary. We paid a dividend of ¥41 per share, including a commemorative ¥10 dividend to show our appreciation to our shareholders, resulting in a payout ratio of 72.2%. In the fiscal year ending March 31, 2021, we plan to pay out an interim dividend of ¥16 per share (already paid), a final year dividend of ¥19 per share (planned), and a full-year dividend of ¥35 per share. As a result, the full-year dividend is expected to have increased ¥4 per share compared with the ordinary dividend of ¥31 per share of the previous fiscal year (¥41 per share including the commemorative dividend).

Furthermore, in the period between February and September 2020, the Company repurchased 22.76 million shares of its own stock (¥50 billion) and canceled all such shares.

### Shareholder Return Results and Forecasts (Fiscal Year Ended March 31, 2010 to Fiscal Year Ending March 31, 2021)



## Improving Corporate Value over the Medium to Long Term

The Yamato Group has positioned ROE as a key indicator for improving shareholder value. We will strive to improve ROE by increasing profitability through optimizing the allocation of management resources and implementing growth strategies while remaining cognizant of an optimal capital structure. At the same time, we will continue to strengthen corporate governance to achieve sustainable growth and a sustainable

society. We will also promote Groupwide efforts to achieve the sustainable targets for society and the environment established in "One Yamato 2023," based on our sustainability vision and materiality (important material issues) as laid out in "YAMATO NEXT100." In addition to disclosing such non-financial information in an honest and fair manner, reported from a medium- to long-term perspective, we also engage in active IR and SR initiatives that include maintaining constructive dialogues with shareholders and investors with the goal of improving corporate value.