



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

Rather than focusing on self-reliance, evolve into a company that co-develops open logistics infrastructure and grows together with various stakeholders, including customers and logistics companies.

## **3. 3 business transformations**

### **(1) Digital transformation (DX) of TA-Q-BIN**

Through digitalization and automation, Yamato will make the TA-Q-BIN business a stable income base for the Group, and further strengthen customer relationships by building an environment where Sales Drivers can devote more time to serve the customers.

Yamato will improve its pickup & delivery productivity by optimizing and standardizing the transportation & delivery process and operations, through initiatives such as improving the accuracy of demand and business volume forecasting through the use of thorough data analytics and AI and robotics, to optimize staffing, vehicle allocation, and delivery routes.

Additionally, stable business structures that provide continuous profits regardless of parcel volume fluctuation will be introduced, such as a unique revolutionary sorting system that can improve sorting productivity of the entire network by 40%.

### **(2) Establishment of EC ecosystem**

A newly established EC Business Division will work on creating logistics services specialized in serving the continuously rising and evolving "EC industry."

For the first step, from April this year, Yamato will start a new delivery service for EC in limited regions by cooperating with EC companies and logistics companies. By combining external delivery resources and Yamato's bases and digital platform, optimal solutions for last-mile EC delivery, such as bundle delivery, shortened delivery distance, pickup lockers, store pickup, secure delivery to designated locations, etc., that meet various needs of EC companies, consumers, and deliverers will be established nationwide.

In addition, Yamato will build an open digital platform that can comprehensively manage orders, transportation, inventory, payment, returns, etc. to serve various commercial transactions of EC market, starting from April 2021.

The Group will establish an EC ecosystem that meets the needs of society through initiatives such as streamlining EC supply chain and creating an open transportation and delivery market.

### **(3) Strengthening of corporate logistics business**

Yamato will assemble the management resources for corporations scattered throughout the group, including specialized talents, logistics functions such as distribution systems and sorting systems, trunk-route transportation connecting distribution bases, etc. to promote account management from the customer's perspective.

Yamato will establish a real-time data platform "Yamato Digital Platform" (hereinafter referred to as YDP) to support corporations, such as those in manufacturing and distribution industries, facing Sales & Logistics and reverse logistics challenges. We will strengthen our ability to propose corporate logistics solutions that optimize the entire supply chain including manufacturing, procurement, delivery, inspection, billing, and payment.

The Group already offers these solutions for the healthcare industry and agriculture industry. In the future, we will aim for additional growth by integrating the Group's strengths in frequent small-lot delivery and data infrastructure, platforming and providing logistics solutions in a wider range of industries.

## **4. 3 infrastructure transformations**

### **(1) Renewal of group management system**

In April 2021, the company will reorganize its management structure by an absorption-type merger and absorption-type company split of the 8 group companies, to shift the current pure holding company structure into a business company structure, which consists of 4 Business Divisions (Retail, Regional Corporate, Global Corporate, and EC) and 4 Functional Divisions, in order to accelerate management speed and to transform the current sub-optimal functional units into an overall optimized organizations based on customer segmentation.

Transportation Network Functional Division, Platform Functional Division, and IT Functional Division will be responsible for the sourcing, development, and operation of Business Divisions' competitive advantages, such as overall optimization of the transport and delivery process including group-wide network/bases/vehicles, enhancement of IT, development of IT talents, promotion of platform functions such as YDP and Kuroneko Members, etc. In addition, Processional Service Functional Division will consolidate overlapping indirect administrative operations and procurement operations, identified through reorganization, to promote thorough standardization and optimization.

Even after the transition to an operating business company structure, Yamato will strive to further enhance the corporate and shareholder value by continuing to strengthen governance for transparency and soundness of management by clarifying the separation of management supervision and execution.

For execution, the operating business company system will reduce the distance between management and the field, simplifying and speeding up the decision-making process, and clarifying the authority and scope of responsibility.

Through the above measures, Yamato aims to bring back the original principle of "participatory management," freeing the field from the burden of operational tasks in order to make resources to strengthen customer relationship building

\*For details on the reorganization of the management system, please refer to "Notice Regarding the Decision to Reorganize the Management Structure of the Group (Simplified Absorption-type Merger and Simplified Absorption-type Company Split Involving Consolidated Subsidiaries)"

## **(2) Shift to data-driven management**

Over the next four years, Yamato is looking into investing approximately 100 billion yen in the digital field and in sourcing digital / IT talents both internally and externally in order to establish a new digital organization consisting of 300 employees in April 2021.

The following five actions will be executed in FY ending March 2021 to prepare for the new digital organization

- (1) Implement data-driven, forecast-based decision-making and measures
- (2) Integrate corporate customer data to strengthen account management
- (3) Improve service level by real time freight flow data
- (4) Optimize and advance resource allocation by visualizing operation and costs
- (5) Begin the construction of YDP incorporating cutting-edge technology and renovating existing core systems

In addition, preparations are already underway to establish a CVC fund with an initial investment of 5 billion yen, and networking with startups and major technology companies are being done in our Silicon Valley base to further accelerate open innovation.

## **(3) Focus on sustainability initiatives ~ Management embodying the environment and society ~**

Under the 2 visions of "Green logistics for a sustainable future" and "Contribution to co-develop a fair, LNOB (Leaving No One Behind) \*1 society," Yamato will achieve the next level logistics friendly to the environment, society, and economy, by attentively connecting people, resources, and data.

Yamato will strive to solve social issues as a leading company through fare business and co-development with partners. The Group will aim for virtually zero CO2 emissions\*2 by 2050, introducing the use of EV, renewable energy, etc. In addition, the Group will focus on initiatives such as use of sustainable resources, smart mobility, and contribute to achieving Decent Work (aspirational, humane workplace)\*3 through creating a pleasant working environment and a resilient and sustainable supply chain that respects human rights and diversity.

\*1 : Leaving No One Behind: Basic sustainability philosophy of the SDGs

\*2 : Emission by Yamato: Scope 1 (direct emission) and Scope 2 (indirect emission from electricity usage, etc.)

\*3 : A goal set by the ILO (International Labor Organization), also implemented in the SDGs and the Japanese government's strategy.

## 5. Financial targets of YAMATO NEXT100

Investment (FY ending March 2021-2024)		Target for FY ending March 2024	
Growth investment	IT / digital investment 100 Billion	Operating revenue	2 Trillion
	Logistics network renewal investment 100 Billion		
Current investment	200 Billion		
Total	400 Billion	Operating profit (ratio)	120 Billion + (6%)
		ROE	10%+

Unit: Japanese Yen

Along with executing the financial strategy, Yamato will fundamentally improve its cost structure by putting a strong emphasis on capital efficiency and growing the businesses.

In addition, timely and appropriate capital policies will be set to achieve stable and flexible shareholder returns; policies will be based on growth potential (operating revenue), profitability (operating profit), soundness (cash generation status, cash, deposit, capital ratio), investment status, and capital return, etc.

The main indicator for the capital policies are to be ROE of 10% or more, dividend payout ratio of 30% or more, and total return ratio of 50% or more (cumulative from FY ending March 2021 to FY ending March 2024).

End.

[Accompanying document: "YAMATO NEXT100 Grand Design"]

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