

Message from the President

The Yamato Group has commenced its Transformation Plan “YAMATO NEXT100.”

From “Maintaining Delivery”
to “Innovating Delivery”

We will spur customer-oriented innovations to create new value for society.

Yutaka Nagao

Representative Director,
President and Executive Officer



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The Group's Response to the Rapidly Changing External Environment

Continuing Business Operations with Customer and Employee Safety as Our Top Priority

I would first like to offer my thoughts and prayers to those who have contracted the novel coronavirus disease (COVID-19) as well as those who have had their businesses and lifestyles impacted by the spread of the virus. In addition, I would like to express my deepest gratitude to those working diligently to maintain the social infrastructure, starting with the medical professionals who are working around the clock to protect people's health on the front lines.

Amid the declaration of the nationwide state of emergency in Japan, the Yamato Group decided to continue its business operations, as a crucial part of social infrastructure, to help people maintain their lifestyles. Of course, the decision to do so was not an easy one as it was made under unprecedented circumstances in the external environment. While the Group is grounded in its Management Philosophy of contributing to society as a crucial part of social infrastructure, ensuring the safety and peace of mind of our employees and their families as well as our business partners and customers was the prerequisite for deciding to continue our business operations.

Based on this prerequisite, we continued our business operations while enacting a broad range of measures to prevent the spread of COVID-19. For our customers, we conducted non-face-to-face home deliveries and worked to ensure social distancing at our sales offices. For our employees, we procured the necessary masks and disinfectant for them to protect themselves against the virus. We also thoroughly monitored the health of employees through measures such as requiring employees to take their temperature before reporting to work. In addition, we asked employees at high risk for severe complications from contracting the virus to refrain from coming to work and offered special paid leave.

Since people began to refrain from going outside toward the end of March, delivery amounts related to e-commerce (EC) have increased due to the impact of consumption from people staying home. In addition, there was an increase in demand related to Mother's Day in May. As a result of such factors, our frontline operations have continued to deal with a high level of pressure. Amid these challenging circumstances, which drastically differ from normal times, the reason we have been able to continue our business operations without once halting the movement of goods has been the unrelenting efforts of our employees who have maintained a high morale. For that, I would like to express my sincere gratitude to each and every one of our employees.

Accelerating Our Response to Social Environmental Changes and Turning These Changes into Growth Opportunities

In regard to the near term, the spread of COVID-19 infections has had both a positive and negative impact on our performance. On the one hand, delivery amounts related to e-commerce have increased, while on the other hand, we have faced sluggish conditions in terms of our businesses aimed at corporate clients and international logistics. Amid these circumstances, it is more important than ever that we focus our attention on the growth opportunities created by the social changes that are occurring.

Over the past several years, there has been a shift to digitalization in various industries, which has dramatically transformed the way products and services are bought and sold. Furthermore, as a result of the spread of COVID-19, medical examinations, education, and other services that were primarily performed face-to-face have been moving to online platforms at an increasingly high rate. Going forward, we believe that such social changes will continue to accelerate. For the Yamato Group, which maintains contact points with a broad range of customers, including individual and corporate clients as well as local governments, these kinds of changes will likely expand the domains in which we can leverage our strengths and management resources over the medium to long term. The Transformation Plan "YAMATO NEXT100," announced in January 2020, clearly signifies the direction the Group needs to head in these times of unprecedented change. Accordingly, if we can accelerate efforts that can steadily lead us in this direction, then I am confident we will be able to turn these social environmental changes into growth opportunities.

Further Enhancing In-House Communication and Productivity

To accelerate our Companywide response to these changes, we must take steps to invigorate in-house communication. As president, I do not rely solely on reports from other top management members or personnel in the managerial ranks. Rather, I place emphasis on obtaining the latest information directly from the parties involved. When information remains confined to our frontline personnel, this leads to delays in the decision-making and implementation of future initiatives, and in turn significantly decreases the speed of our management. To truly accelerate our response to the rapidly changing external environment, it is imperative that the members of our top management, including myself, and personnel in managerial positions actively engage in in-house communication so that

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we can take swift action and expand our outlook toward the Company's businesses.

Furthermore, the spread of COVID-19 infections has actually given us the opportunity to dramatically increase communication via remote methods, in addition to traditional face-to-face communication, and this has had an extremely positive impact on the Group as a whole. We operate roughly 4,000 sales offices and approximately 70 terminals across Japan, and we have employees serving as managers that work in all parts of the country. By making it easier to

communicate with these employees, we are able to gain an understanding of information from the front lines in a timelier fashion. The introduction of these new remote frameworks has not only enhanced communication but also decreased the time needed for meetings and transportation, thereby improving productivity. Also, while maintaining a focus on the so-called "new normal" era, which will come after the COVID-19 pandemic ends, we will utilize digital technologies in a manner that best fits the Yamato Group in an effort to enhance productivity and realize working style reforms.

The Transformation Plan "YAMATO NEXT100"

From "Maintaining Delivery" to "Innovating Delivery" —Creating New Ways of Delivery through Innovation

We were fortunate enough to celebrate our 100th anniversary in November 2019. Looking back on our history, we have consistently spurred innovation while at the same time transforming the nature of our business itself. The first major innovation was launching Japan's first route-based, regular delivery service in 1929. The second was the development and launch of the *TA-Q-BIN* service in 1976. For our third major innovation, we have been promoting "*Value Networking*" since 2013. Currently, we are aiming to offer new value to the corporate domain, however, to be honest, I feel that the current position of the Yamato Group has primarily resulted from the continuation of the expansion phase of the *TA-Q-BIN* service.

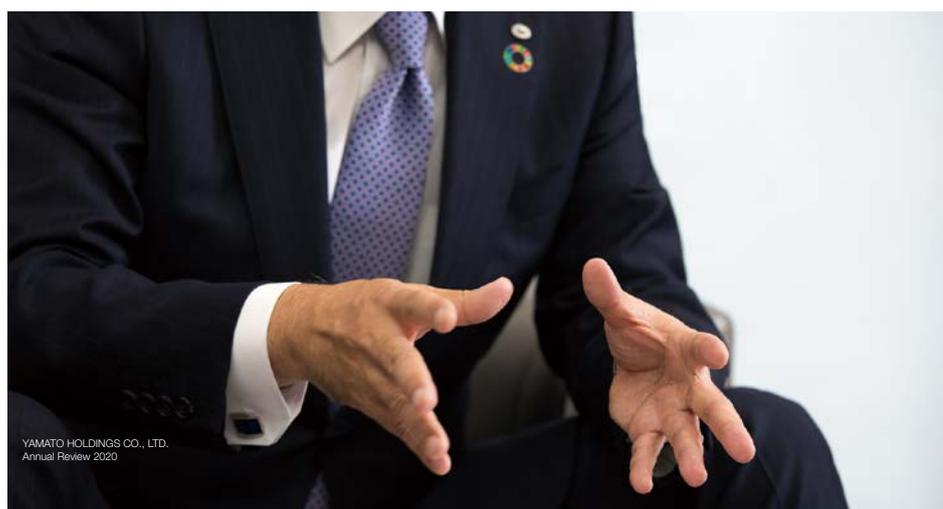
To that end, the Transformation Plan "YAMATO NEXT100," announced on January 23, 2020, lays out a management agenda for spurring innovation once again. Starting with the *TA-Q-BIN* service, we have thus far been committed to providing transport services on our own initiative. While we do not necessarily intend to abandon that commitment, there is only so much value we can offer if we only pursue that approach.

During the formulation of "YAMATO NEXT100," we focused on the concept of evolving from "maintaining delivery" to

"innovating delivery." What will be needed for logistics companies going forward is the ability to manage and tackle the issue of aligning management resources such as human resources, functions, and know-how with customer needs and data. If there are necessary functions and technologies that the Group does not possess, we must either work to incorporate them on our own or pursue them through collaboration with external institutions. In other words, we need to consider not simply "transporting goods" but rather how we can "create new ways of transport" and how we can "create value through transport." This is our vision for the Group going forward, and it is imperative that we swiftly equip ourselves with the capabilities to reach this vision.

Revamping the Group's Management Structure to Return to Our Customer-Oriented Way of Thinking

We are currently proceeding with preparations to revamp the Group's management structure as part of our infrastructure reforms. For the first step in this process, in April 2021 we planned on transitioning to a "One Yamato" management structure by having the current holding company, Yamato Holdings, carry out absorption-type mergers and absorption-type company splits involving eight Group companies.



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However, due to the impact of COVID-19, there would likely be delays to various procedures involved in this process, including receiving government permission. Accordingly, from the perspective of risk management, we have decided to switch to a scheme under which Yamato Holdings remains as a true holdings company while Yamato Transport Co., Ltd. conducts absorption-type mergers and absorption-type company splits involving seven of its subsidiaries. With that said, we intend to steadily execute the infrastructure reforms adopted under “YAMATO NEXT100” without making any substantial changes to them.

Our biggest aim when adopting our current management structure in 2005 was to enhance the independence of our non-delivery businesses and promote further growth. However, in the 15 years since then, the external environment surrounding the Group has undergone dramatic changes. While there are naturally still benefits of maintaining our current management structure, there are also several negative aspects of doing so. For example, although the original purpose of adopting a pure holdings structure was to ascertain customer needs on a Groupwide basis to offer optimal proposals that combined the strengths and management resources of each of our businesses, the division into operating companies provided these companies with a high level of independence, which in turn created barriers between organizations that resulted in a “silo” effect. Accordingly, we have ended up in a situation where we make proposals that are optimized to each individual business and not on a Groupwide basis. In addition, costs are needed to maintain each operating company, and we also have to allocate human resources to back-office divisions in each operating company. This has led to an inability to leverage our management resources in the best way possible.

Above all else, the most significant issue that has arisen from all these factors has been the gradual decline of the Group’s customer-oriented corporate culture. To spur innovation, we need to consider various aspects, including product and service design and IT systems, from a customer-oriented perspective and act accordingly. However, taking a look at our in-house operations, while our frontline employees such as sales drivers, who naturally have contact with the customer, consider and act from a customer-oriented perspective, I feel that the focus on the customer by our personnel in the managerial levels and above is lacking.

Therefore, the main purpose for revamping the Group’s management structure is to once again have all Group employees return to a customer-oriented way of thinking. Reforming our awareness in this manner requires a change in our organizational structure, and we cannot make a genuine change from the ground up simply through training seminars and messages from the top management. By revamping the Group’s management structure and implementing reforms that start with our organizational frameworks, we will once again become a corporate group that thinks and acts from a customer-oriented perspective.

Implementing Three Business Reforms for New Growth

Under “YAMATO NEXT100,” we are promoting three business reforms with the goal of stabilizing our revenue and profit base, strengthening our relationships with customers, and realizing new growth in the EC and corporate logistics domains.

The first business reform is the digital transformation of *TA-Q-BIN*. Tackling this reform as our top priority issue, we are working to revamp our core IT systems. The structure of these core systems has become overly complex as we have been

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expanding these systems on an individual basis, as needed, since the launch of the *TA-Q-BIN* service. In the past, these core systems made full use of the latest technologies, however, with the rise of e-commerce and on-demand service and communication, it is now imperative that we revamp these core systems if we are to truly realize the digital transformation of *TA-Q-BIN*.

The second business reform is the establishment of an EC (e-commerce) ecosystem. In terms of this reform, we have launched the new delivery service *EAZY* in June 2020, which is geared toward e-commerce companies. By connecting customers who use e-commerce platforms with e-commerce companies and delivery service providers in real time using digital information, *EAZY* thoroughly enhances the convenience, safety, and efficiency, of purchasing, delivering, and receiving products. Accordingly, *EAZY* acts as a service that will help realize sustainable growth in the e-commerce domain. This service relies on the linkage of IT systems with information provided to customers in real time, and therefore our core IT systems play a key role in making this service possible. While taking into account the impact of COVID-19, we are accelerating efforts toward the establishment of an EC ecosystem and, going forward, will strive to steadily provide new added value.

The third business reform is the strengthening of our corporate logistics business. In this business domain, we are promoting account management through the consolidation of Group sales organizations and management resources. In October 2019, we began pursuing account management under the “One Team” structure, which seeks to virtually integrate the corporate sales division of Yamato Transport with Yamato Logistics, which specializes in the corporate domain, and the corporate sales division of all other Group companies. From April 2021, we will strive to complete this integration of corporate sales divisions through the revamping of our management structure, thereby cultivating corporate logistics as a new business pillar.

Transitioning to Data-Driven Management by Balancing Digital with Analog

In the spring of 2020, we consolidated the Group’s IT functions with the aim of transitioning to data-driven management, which will serve as our foundation for future growth. We have prepared a state-of-the-art IT office where approximately 60 IT technicians work on a daily basis to compile data and build a data analysis foundation. Revamping our core IT systems

and compiling data will take a considerable amount of time. However, considering the Group’s extensive customer foundation and large amount of data derived from customer contact points, as well as the various aspects of our operations that still rely on analog technologies, I believe we have tremendous potential to spur innovation through digitalization.

The most important issue to address in the promotion of data-driven management is our own understanding of digital characteristics, as we are the ones utilizing the data. I always make it a point to tell our personnel in the managerial ranks and our other employees that IT and digital technologies will not automatically lead us to the optimal answer. From my perspective, it is important that we in management turn our attention to the customers and our employees who interact with the customers and establish a clear path and outlook for what we can accomplish using digital technologies. If we as management can resolve this issue, I believe that data-driven management will become a new strength for the Group.

Promoting Initiatives for Sustainability as a Management Strategy

Under “YAMATO NEXT100,” we have positioned sustainability initiatives as part of our infrastructure reforms, incorporating them for the first time within our management strategies. The background for doing so was our awareness of two issues pertaining to the Group’s sustainability initiatives. The first issue is that we have not been able to quantitatively disclose the status of these initiatives. For example, we use automobiles to conduct our business and therefore place a burden on the environment through the use of fossil fuels, among other factors. On the other hand, we have made contributions to the environment by promptly introducing pickup and delivery methods that do not emit greenhouse gases, such as hand-pushed trolleys and bicycles. Despite this, we have been unable to sufficiently measure the results of such initiatives on a quantitative basis, which would help to support them. As a result, we have had trouble clarifying issues related to these initiatives.

The other issue we became aware of is that our efforts to communicate to the world our vision and commitment to ESG (environmental, social, and governance)-related matters have been lacking. To that end, when incorporating sustainability into our management strategies, we conducted examinations centered on divisions in charge of ESG and held dialogues with stakeholders. We also engaged in thorough discussions while receiving the opinions of external experts. Additionally, to learn from European logistics companies that are leading the

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way in terms of sustainability, members of the Yamato team visited such companies and had the opportunity to interview and discuss with local personnel, thereby acquiring knowledge on various sustainability-related issues.

Based on this experience, we established the two visions of “Connect. Deliver the future via green logistics,” and “Through co-creation and fair business activities, help create a society that leaves no one behind.” We also identified materiality (important issues) that we should address on a Groupwide level. Going forward, as we have positioned sustainability as a management strategy, we will formulate KPIs and specific action plans and promote efforts in a manner that can be better displayed to the outside world.

ESG and sustainability represent fundamental elements that

will be necessary for major logistics companies to survive in the future. I also believe that ESG and sustainability serve as the source for achieving the differentiation and added value needed to achieve sustainable growth. Furthermore, for a corporate group like ourselves, with a network that spans across Japan and overseas, we have the responsibility to protect the lifestyles of our customers, local community members, and our 220,000 Group employees. We will therefore commit to sustainability to a greater extent than ever before and undertake earnest efforts to realize the two visions we have formulated. By doing so, we will realize sustainable growth both for the Group and for society as a whole.

Becoming a Group That Creates Value Beyond Delivery

To date, we have expanded our operations centered on delivery, however, if we continue to focus primarily on the Delivery Business, then we will be unable to create new ways of transport that will support the next generation. To that end, it is important that we focus on our customers and gain an accurate understanding of what they and society as a whole truly need. The vision I have for the Yamato Group going forward is developing a presence as a so-called coordinator, who creates new businesses and lifestyles for its customers by leveraging its strengths and daily contact points with customers. As an extension of that, I hope we can transform into a company that offers a range of value so diverse that it will actually make people question what kind of business Yamato is and why we attach “Transport” to our name.

To accomplish such a transformation, our top management, management personnel, and all employees must turn their attention to the customer so that we can once again become a customer-oriented company. Going forward, to ensure that we become a company that can create new value that leads to new innovation, we will continue to pursue Groupwide efforts to transform our management structure.

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