

Impact of COVID-19 Infections and the Company's Strategy

In January 2020, we formulated the Transformation Plan “YAMATO NEXT100” as a grand design for our management over the medium to long term. This plan is a management agenda that responds to social changes in the course of and after the adverse effects of the COVID-19 pandemic. In order to respond to the needs of customers and society and continuously contribute to the creation of a prosperous society in the next era, we are advancing management structure reforms while paying maximum attention to the safety of our customers, employees, and business partners.

Impact of COVID-19 Infections and the Transformation Plan “YAMATO NEXT100”

Medium-Term Impact of COVID-19 Infections

Opportunities

- Rapid progression in the shift to EC in response to lifestyle changes in the course of or after the adverse effects of COVID-19
- Emergence of new needs, as medical care, education, and other services which have conventionally involved face-to-face meetings, become available online
- Increase in external outsourcing needs for logistics from the perspectives of EC expansion and BCP
- Improvement in pickup and delivery productivity by responding to the need for sending and receiving parcels without face-to-face interaction
- Improvement in productivity due to the progression of diverse work styles, such as teleworking, and enhancements to operational efficiency through the use of technologies

Risks

- Rise in operational costs due to the establishment of a system that prioritizes safety and to the response to changing work volumes
- Delays in work and difficulty with business continuity in the event that COVID-19 spreads to an employee or business partner
- Decline in demand due to self-restraint, the suspension of operations at stores, factories, and other business sites, and the postponement and cancellation of events
- Decline in BtoB demand due to global stagnation in production activities in the manufacturing industry and trade (automotive-related, electronic devices, etc.)
- Decrease in demand caused by reduced consumption from inbound tourism following travel restrictions (department stores and other stores)

Awareness of Issues under “YAMATO NEXT100”

Awareness of Issues at the Time “YAMATO NEXT100” Was Formulated

Social Issues

Challenges for the Yamato Group

Impact of COVID-19 Infections

Diversification of customer expectations and needs

▶ **Deepen the understanding of customers to create new services in addition to diversifying package delivery methods**

◀ Acceleration of changes to lifestyles and the business environment

Rapid progress of EC adoption in various industries

▶ **Actively position Yamato at the forefront of the rapidly growing EC market, in view of opportunity for high growth. To that end, restructure management structure and shift to data-driven management**

◀ Acceleration in the progress of EC adoption in various industries

Declining population and decaying regional infrastructure

▶ **Build a supply chain as regional infrastructure to contribute to the sustainability of local communities in which Yamato is deeply rooted**

◀ Increased severity of issues facing local communities

Declining working population

▶ **Achieve “minimal workforce personnel in response to growing workload” through thorough mechanization**

◀ Emerging need for operational structure that considers increased workloads due to EC expansion and the risk of infection

Climate change and resource scarcity

▶ **Fulfill responsibilities for sustainability as a social infrastructure company**

◀ Growing importance of sustainability in corporate management

“YAMATO NEXT100” is a management agenda that will respond to social changes in the course of and after the adverse effects of COVID-19

Overview of “YAMATO NEXT100”

Purpose

As a social infrastructure provider, Yamato will confront social issues and continuously contribute to the realization of a prosperous society in the next era by creating a new logistics ecosystem, meeting the needs of customers and society.

Basic Strategy

1. Update the Group's management systems to boldly address customer and social needs
2. Transition to data-driven management
3. Evolve into a management that facilitates an open logistics ecosystem through co-development

Structural Transformation

Three Business Reforms

1. Digital transformation of *TA-Q-BIN*
2. Establishment of an EC ecosystem
3. Strengthening of corporate logistics business

Three Infrastructure Reforms

1. Renewal of the Group's management systems
2. Shift to data-driven management
3. Sustainability initiatives under the theme “Management embodying the environment and society”

Road Map for “YAMATO NEXT100”

Business reforms	Short term (–Mar. 2021)	Medium term (Apr. 2021–Mar. 2024)	Long term (Apr. 2024–)
Digital transformation of <i>TA-Q-BIN</i>	Stabilize profit base by eliminating inefficiency and significantly improving forecast model accuracy using data analytics and AI	Achieve stable growth under new management structure	
Establishment of an EC ecosystem	Launch new delivery service for EC market Begin collaboration with major EC companies	Expand new delivery service for EC market Collaborate extensively with major EC companies Launch new EC platform	Operate open platform at full-scale utilizing both real and digital infrastructures
Strengthening of corporate logistics business	Develop Yamato-specific solutions based on consolidating group sales organizations and account management	Expand developed solution Restore growth in global businesses	Establish extensive corporate business

▶ Please see  pages 16–21 for details on efforts toward our three business reforms.

Infrastructure reforms

Renewal of the Group's management systems	Promote construction and maintenance of One Yamato management structure	Establish and operate One Yamato management structure ● Scale back decision-making structure and define responsibilities	
	Dramatically improve cost structure		
	Integrate individual HR system and talent pool	Establish a new HR system that supports “One Yamato” management structure	
Shift to data-driven management	Establish data-driven management foundation ● Establish foundation and organization ● Begin updating the existing core systems	Promote digital transformation ● Expand revenue and profit by leveraging infrastructure and organization	Accelerate innovation ● Implement latest cutting-edge technology and accelerate to create new business
Sustainability initiatives under the theme “Management embodying the environment and society”	Build structure linked to businesses and capable of executing sustainability initiatives	Execute sustainability initiatives ● Progress toward “connect. Deliver the future via green logistics” ● Start “through co-creation and fair business activities, help create a society that leaves no one behind”	

Digital Transformation of TA-Q-BIN

To implement “inclusive management,” which helps our employees provide a thorough response to customers, we are working to enhance the efficiency of logistics operations and standardize them by promoting a digital transformation (DX). At the same time, we are striving to forecast demand and workloads based on data analysis and pursuing the optimal allocation of management resources. In these ways, we are working to transition to data-driven management that realizes objective and rational decision-making.

Infrastructure Reforms to Realize DX

Transition to Data-Driven Management

- Invest roughly ¥100.0 billion in digital fields over the four-year period starting from the fiscal year ending March 31, 2021
- Launch a new digital organization with 300 personnel in 2021
- Execute five actions to launch a new organization with the aim of achieving results in the near term
- Launch CVC fund with a size of ¥5.0 billion to accelerate open innovations



Initiative

Establishment of CVC Fund KURONEKO Innovation Fund

In April 2020, we launched the corporate venture capital (CVC) fund, KURONEKO Innovation Fund, together with the major independent venture capital fund corporation, Global Brain Corporation.

The basic stance of the KURONEKO Innovation Fund is to “Always think from a long-term perspective, provide start-up companies with all the assets that the Yamato Group has to offer, and grow together with them.” Rooted in this basic stance, this CVC fund strives to achieve the following three goals: (1) Create new growth models, (2) Realize outstanding operational efficiency, and (3) Promote open innovation through consistent management of funds. To that end, the fund will invest in start-up companies both in Japan and overseas that possess innovative technologies and business models that can transform logistics operations and supply chains. At the same time, the fund aims to create growth models in the logistics market and other related markets by opening up the Yamato Group’s management resources.

Fund Overview

Name (registered name)	KURONEKO Innovation Fund L.P. (YMT-GB Investment Limited Partnership)
Fund size	¥5.0 billion
Operation period	10 years
Investment target	<ul style="list-style-type: none"> Start-up companies with innovative technologies and business models that can transform logistics operations and supply chains Start-up companies that have potential as Yamato Group partner companies
Target stage	Seed, early, and middle, in principle
Target area	Mainly focus on Japan, but also invest in North America, Europe, and Asia
Unlimited Liability Partner	Global Brain Corporation
Limited Liability Partner	Yamato Holdings Co., Ltd.

Initiatives for TA-Q-BIN DX



Optimizing Operations through Data Analytics

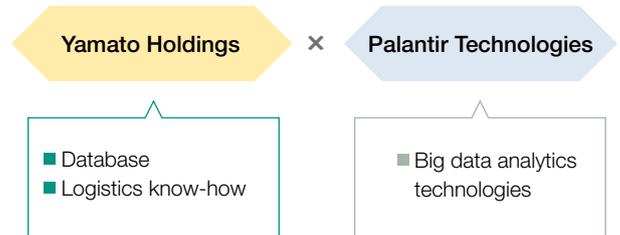
Through detailed data analysis and the utilization of AI, we will enhance the accuracy of our demand and workload forecasts. Based on these forecasts, we will better allocate personnel and vehicles and improve delivery routes. Through such efforts, we will aim to boost pickup and delivery productivity by optimizing and standardizing transportation and delivery processes as well as our overall operations.

Initiative

Collaboration with Palantir Technologies to Accelerate DX

In July 2020, we initiated efforts aimed at accelerating the operational reform of the Yamato Group and the DX of the logistics industry in collaboration with the U.S.-based Palantir Technologies, Inc., a leading company in the global market for big data analytics.

Leveraging the technologies of Palantir, we will build a digital platform that creates new added value for our customers. At the same time, we will aim to optimize resource allocation, streamline the supply chain, and enhance the level of service we offer customers. Furthermore, through operational innovation, not only will we transform the Yamato Group itself, we will also lead the way with innovations in the overall logistics industry in Japan.



Provide optimal supply chain solutions for customers through innovations to logistics operations using sophisticated data analysis

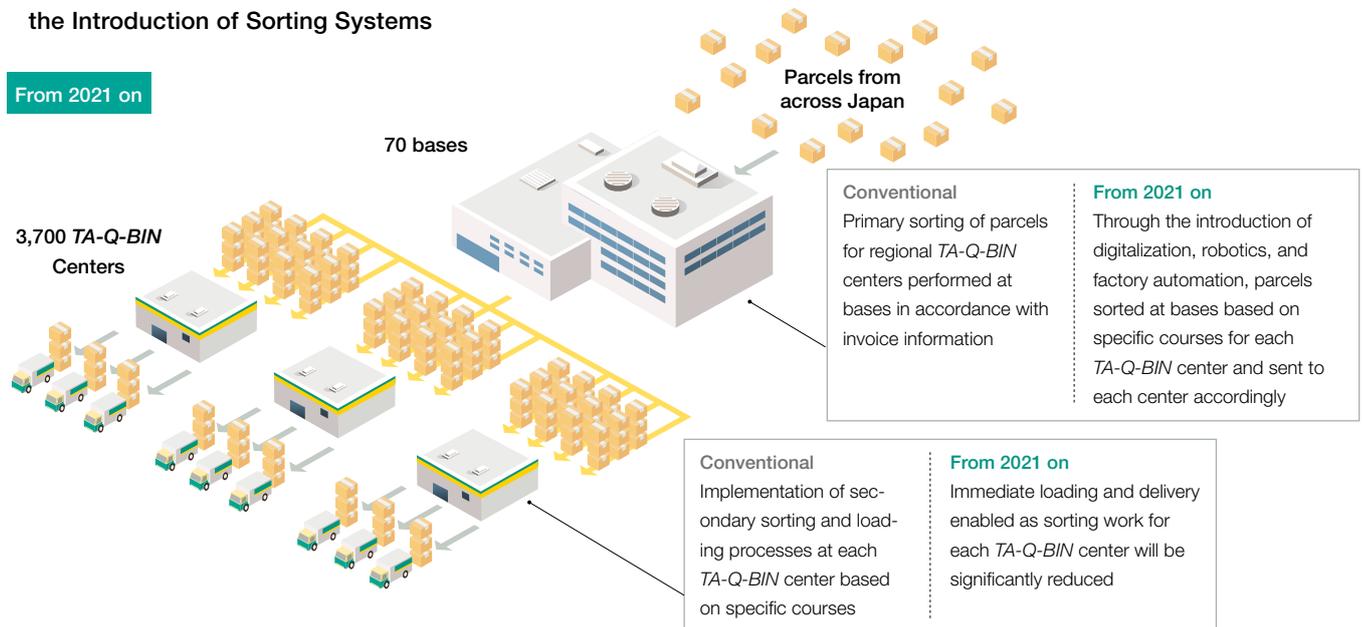


Enhanced Productivity in Logistics Operations through the Introduction of Sorting Systems

We will improve the productivity of sorting operations across our entire network by 40% through the introduction of unique sorting systems that innovate conventional sorting processes. Through such efforts, we will significantly enhance the productivity of our logistics operations.

Overview of Enhancing Productivity through the Introduction of Sorting Systems

From 2021 on

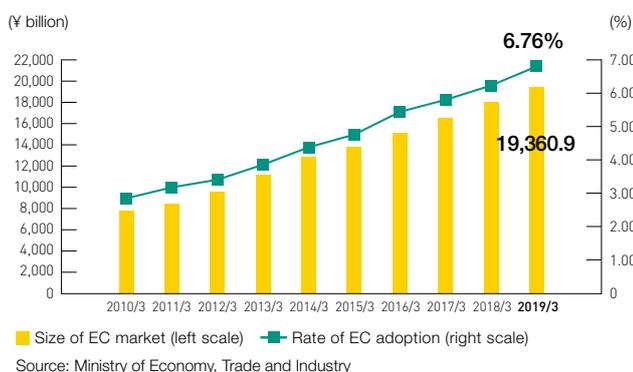


Establishment of an EC Ecosystem

To respond to the progress of EC adoption in various industries that is expected to progress further in the future, we are working to create logistics services that specialize in EC. By integrating our physical locations, digital foundation, and external partners, we will discover optimal solutions for our “last mile” services geared toward EC that meet the needs of EC operators, purchasers, and deliverers, and work to roll out these solutions across Japan.

Background to the Promotion of Reforms

Rapid Growth in the Domestic EC Market



Response to EC Market



High-quality delivery services through face-to-face interaction

▶ Design of TA-Q-BIN based on CtoC



Response to the progress of EC adoption in various industries

- Meet the needs of EC users and further improve convenience for them (non-face-to-face delivery, elimination of time spent waiting for parcels, etc.)
- Meet the needs of EC operators and help to support their business growth (reduction of lead times, optimization of logistics costs, etc.)

Incorporating the high growth momentum of the EC market and linking that momentum to sustainable growth for the Group in the future

Initiative

New Logistics Services in Collaboration with Z Holdings Corporation

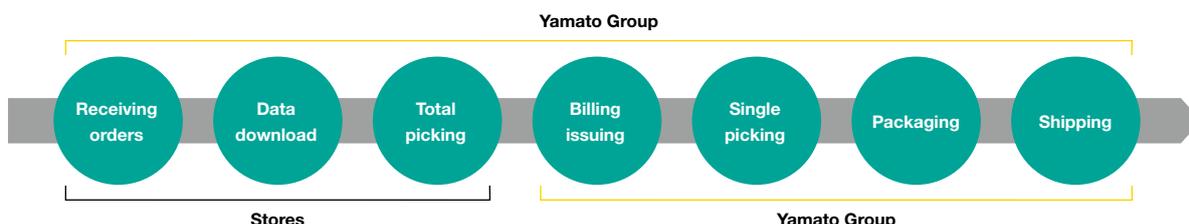
In June 2020, we began offering new logistics services geared toward the stores of the online shopping malls “Yahoo! Shopping” and “PayPay Mall” in collaboration with Z Holdings Corporation. These new services consist of a “Fulfillment Service,” where we conduct all operations on behalf of stores, from receiving orders to shipping and delivery, and a “Pick & Delivery Service,” where we perform certain functions for stores. Through the provision of these services, we aim to shorten lead times from ordering a product to receiving it, reduce the burden of logistics-related work at stores, and optimize

logistics costs. We also aim to further enhance the level of convenience for purchasers.

Furthermore, by linking data and designing logistics in line with the operation of Yahoo! JAPAN, the time and effort involved in interactions between each individual company and logistics operators will be significantly reduced. This will allow these services to be introduced and operated smoothly.

In the future, we will conduct demand forecasts by utilizing and analyzing the data we cultivate through these services. These forecasts will help us further shorten lead times and reduce costs by moving inventories to the optimal area of consumption in advance.

Fulfillment Service The Yamato Group conducts all operations from receiving orders to product storage, picking, packaging, shipping, and delivery.



Pick & Delivery Service The Yamato Group provides services for picking, packaging, shipping, and delivering goods shipped on the day after the total picking is made by a store.

Initiative

Launch of *EAZY*—A New Delivery Service for the EC Market

EAZY

At Yamato Transport, we launched a new delivery service for EC operators, *EAZY*, in June 2020. By connecting EC users, EC operators, and delivery service providers in real time using digital information, *EAZY* thoroughly enhances the convenience, safety, and efficiency,

of purchasing, sending, and receiving parcels. *EAZY* therefore acts as a new service that will help realize sustainable growth in the EC domain. Through this service, in addition to regular face-to-face receipt, EC users are able to receive parcels at a wide range of designated locations.

We have started to offer *EAZY* via ZOZOTOWN and ZOZOTOWN in PayPay Mall, which are online fashion shopping websites operated by ZOZO, Inc. From fall 2020, we will gradually roll out this service to new EC operators.

Features of **EAZY**

1. Responding to diversifying needs for non-face-to-face delivery

In addition to normal face-to-face receipt, *EAZY* allow users to receive parcels at a wide range of designated locations.



Front door

Delivery boxes

Gas meter boxes



Storeroom

Garages

Bicycle baskets

Reception / Custodian

2. Receiving location can be changed right up until you receive parcels

EAZY lets users change the receipt location online right up to before the parcel is delivered.



3. Providing real-time delivery completion notice to customers

After delivery is completed, customers are notified of the completion in real time via e-mail. In cases of non-contact deliveries to designated locations, customers can confirm the delivery via pictures of the delivered parcel placed in the designated location.



4. Collaborating with external partners for more efficient deliveries

EAZY aims to realize a highly efficient delivery system in collaboration with the external partner “EAZY CREW.”



Initiative

Launch of New Receipt Service for EC Products

In November 2020, we will launch a new receipt service for EC products in collaboration with Duddle Parcel Services Ltd., a global leader in the receipt and return system domain for purchased EC products.

By enabling supermarkets, drugstores, and other stores to serve as the location for receiving EC products, this service makes it possible for parcels to be received in a way that is suited to the lifestyles of EC users. This service will introduce Duddle’s “Click & Collect System” at participating stores as locations for receiving the products sent by EC operators who have already been using *EAZY* and prospective users. This system will enable participating stores to offer the new service in a quick and easy way, simply by installing a specialized terminal.

We believe that the utilization of Duddle’s cutting-edge digital technology in the last-mile domain of EC will allow us to offer a completely new receiving experiences to EC users in the future.

▶ Benefits for EC Users

- Able to receive parcels in accordance with their lifestyle, without being restricted by delivery times
- Able to smoothly receive parcels at stores by showing a two-dimensional bar code sent to their mobile phones
- Offers discount coupons at stores where parcels are received

▶ Benefits for Participating Stores

- Allows parcels to be handed over to customers smoothly by using a specialized terminal to read the two-dimensional bar code shown by customers, which completes the personal identification and delivery information registration processes
- Can be expected to encourage customers who receive parcels to make additional purchases at the store and also attract new customers
- Allows stores to promptly introduce and begin the service without investing in new systems

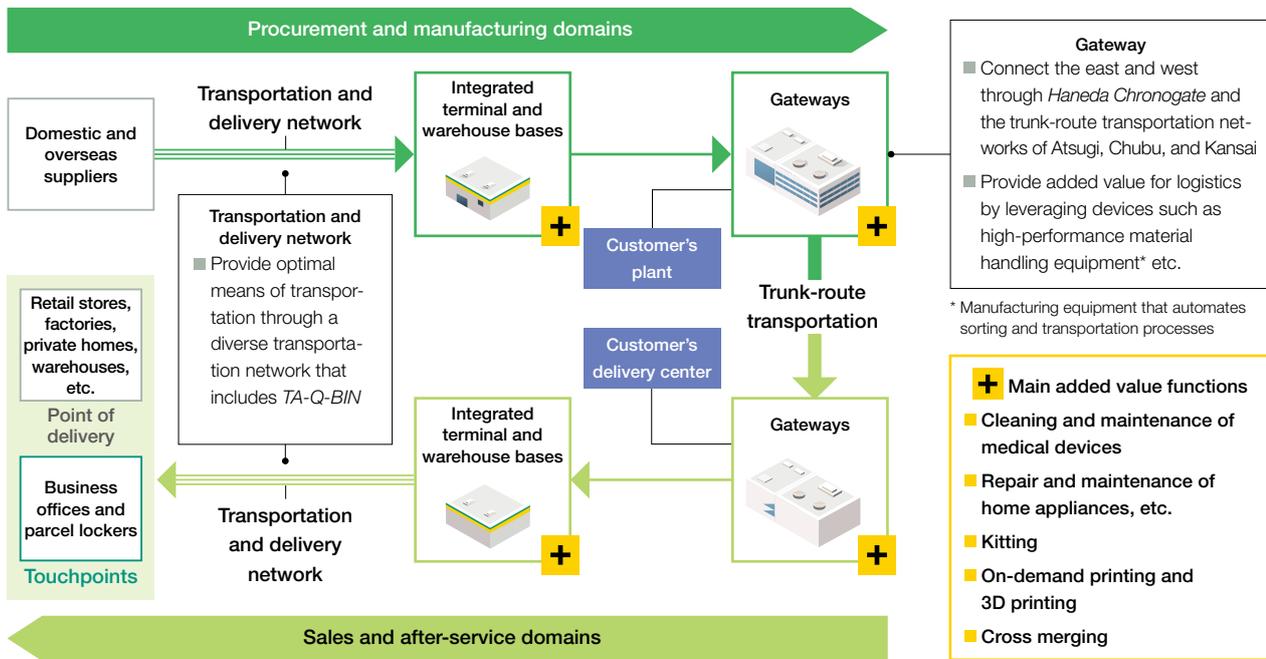
Strengthening of Corporate Logistics Business

We are promoting account management for corporate customers by centralizing management resources spread across the Group, including expert human resources, distribution functions, sorting systems and other logistics functions, and our trunk-route transportation network, which connects our logistics bases. By doing so, we are focusing our efforts on developing solutions for optimizing the overall supply chain of our customers. Going forward, we aim to realize new growth by integrating our high-frequency, small-lot deliveries and data foundation, which are Company strengths, to provide these solutions to a broad range of industries.

Structure of the Corporate Logistics Business

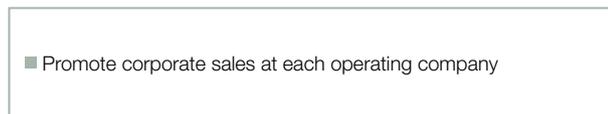
Supporting the Upstream and Downstream Supply Chains of Our Corporate Customers on an Integrated Basis

Through providing logistics solutions that leverage its more than 100 warehouses across Japan and an advanced transportation and delivery network built up through the *TA-Q-BIN* home delivery service, the Yamato Group is supporting the supply chains of our corporate customers on an integrated basis. We are providing high added value in a variety of ways through reducing logistics processes, lowering logistics costs, and optimizing lead times, while improving inventory turnover and alleviating the stress of end users.

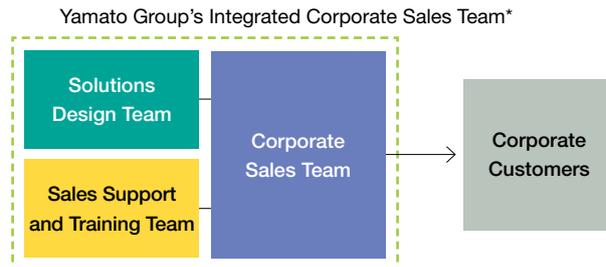
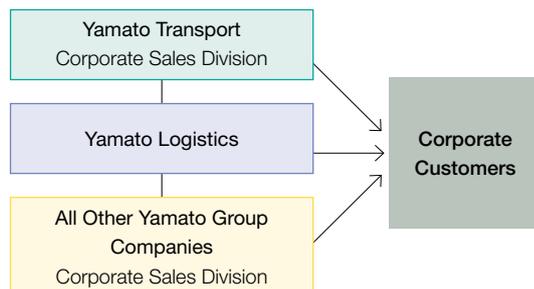


Revamping of Our Promotion Structure for Corporate Sales

Before



From October 2019 on



* From April 2021 on, the Yamato Group will centralize its management resources for corporate customers within Yamato Transport through the revamping of its management structure, with the aim of promoting account management from the perspective of customers.

Solutions for the Remote Healthcare Field

Initiative

Establishing a New Network for the Distribution of Pharmaceuticals in the Remote Prescribing Field

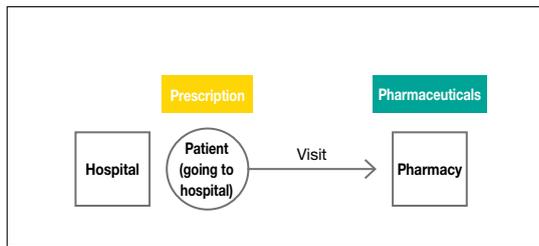
At the moment, the COVID-19 pandemic is significantly impacting structures for the provision of medical care both in Japan and overseas. Amid these circumstances, rapid changes are expected in remote healthcare and other fields, including the easing of regulations. To prepare for these kinds of structural changes, establishing a network for the safe, secure, and reliable distribution of pharmaceuticals has become an important social issue.

In January 2019, Yamato Transport and Alfresa Corporation, a pharmaceutical wholesaler subsidiary of Alfresa Holdings Corporation, launched the Pharmaceuticals Distribution Research Group, which has engaged in examinations regarding the response to future structures for the provision of pharmaceutical as well as social issues such as labor

Overview of Prescribing Drug Deliveries

Before

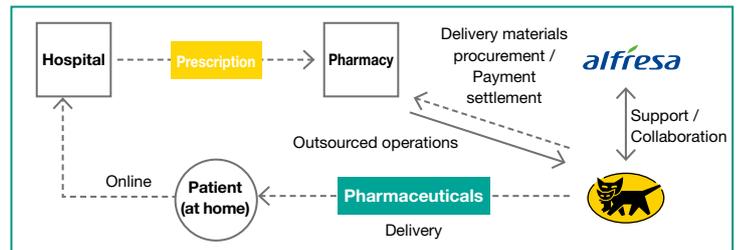
- Go to the hospital for a medical examination, receive a prescription, and bring the prescription to a pharmacy to purchase the pharmaceuticals



After
(Anticipated vision for the future*)

- No longer need to go to the hospital as medical care can now be received online
- Pharmaceuticals delivered to homes

* Certain parts of this vision currently applied as special measures to combat the spread of COVID-19



Solutions for Agricultural Product Logistics

Initiative

The Vegeneko Project for Resolving Issues Facing Agricultural Product Logistics

Agricultural product logistics in Japan currently involves a complex process for receiving and placing orders, which includes gathering information via the phone or fax, typing in data manually, and once again interacting via phone or fax. Such a system places a large work burden on producers and shipping agencies. Also, as there is no framework for smoothly sharing information with distributors, it is difficult for producers and shipping agencies to transport products at desired times and with the desired level of service. For distributors, various issues arise in terms of work style and profitability, including inefficient loading operations, the lack of return shipments, and long-distance travel.

To address these issues, Yamato Transport collaborated with Oisix ra daichi Inc. a company that offers food delivery services for organic and specially cultivated agricultural products as well as meal kits, to establish the Vegeneko Project. This project aims to leverage the resources of both companies, including their respective transport networks, to resolve the issues facing agricultural logistics. Under this project,

Yamato Transport and Oisix ra daichi are working to establish an open platform that helps make the logistics process more efficient through one-stop services that cover everything from receiving and placing orders to delivery. As part of these efforts, the two companies are providing systems to enhance the efficiency of receiving orders and creating delivery forms, which are part of the many complex characteristics of agricultural products logistics.

Going forward, Yamato Transport and Oisix ra daichi will establish systems that can help increase the efficiency of adjusting shipping volumes with retailers and create platforms that can help expand sales routes and improve transport efficiency by connecting distributors with digital data.

