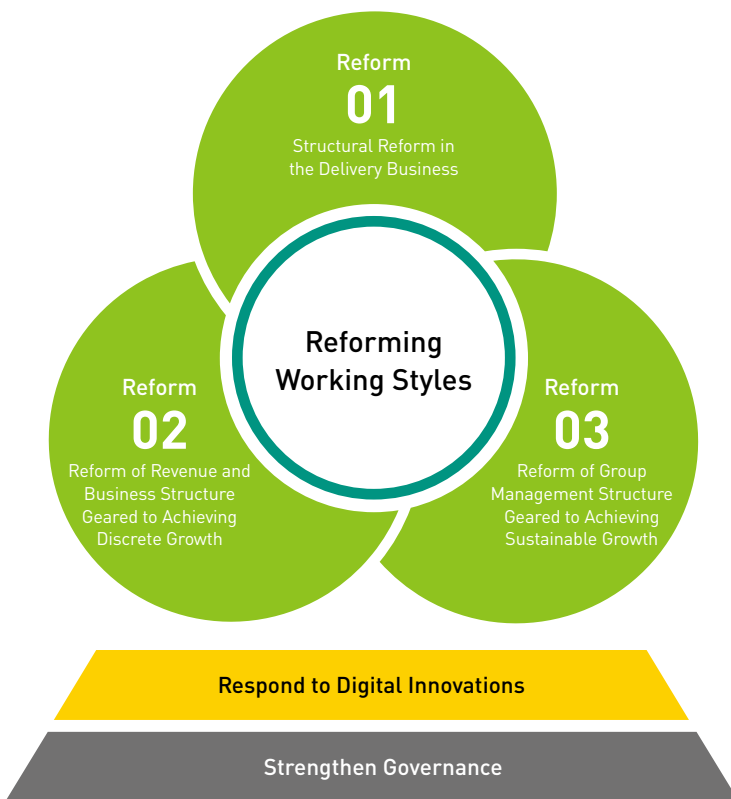


Long-Term Vision and Medium-Term Management Plan

In order to realize its long-term vision for 2025, the Yamato Group is moving forward with its three-year medium-term management plan, “KAIKAKU 2019 for NEXT100.” In November 2019, the Group will celebrate its 100-year anniversary, which it views as a major milestone. Looking beyond this milestone, the Group will strive to realize its aim of “Reforming Working Styles” as well as carrying out three major structural reforms. In doing so, the Group will reinforce a management foundation that will allow it to realize sustainable growth for the next 100 years.

Overview of “KAIKAKU 2019 for NEXT100”



➤ Reforming Working Styles to Implement “Inclusive Management”

(1) Make new working styles a reality

- Drastically reduce total working hours
- Adopt personnel systems that enable working styles tailored to an individual’s stage of life
- Develop programs that enable part-time employees (temporary and permanent) to enhance their abilities
- Promote work-life balance
- Enhance managerial assignments exhibiting greater care toward employees

(2) Maximize “individual capabilities”

- Establish an educational system
- Set up a framework for leveraging the opinions of employees in management
- Encourage the active role of overseas, elderly, and female employees through the further promotion of diversity
- Realize an employment ratio for persons with disabilities of 2.5%

(3) Thoroughly streamline operations

- Expand open-type parcel lockers (PUDO*)
- Enhance efficiency of pickup and delivery operations through the 8th NEKO System
- Fully leverage technologies such as AI and robotics

* Pick Up & Drop Off station

➤ Reform 01: Structural Reform in the Delivery Business

- (1) Rebuild business structure to enable sustainable growth
- (2) Recover profit margins by implementing a pricing strategy and thoroughly streamlining operations
- (3) Develop foundations for businesses that can solve community issues

➤ Reform 02: Reform of Revenue and Business Structure Geared to Achieving Discrete Growth

- (1) Develop an industry-wide platform
- (2) Develop a cross-border platform
- (3) Promote an account management approach
- (4) Develop a platform for e-commerce (EC)

2017/3

Yamato Group's Long-Term Vision

Vision for 2025

At the Yamato Group, with transportation itself as the catalyst, we will create new value by developing open platform solutions through leveraging the strengths of our points of contact with local communities and companies based in Japan and overseas, and the information these provide.

2020/3
(100-year
anniversary)

2025

NEXT100

➤ Reform 03: Reform of Group Management Structure Geared to Achieving Sustainable Growth

- (1) A “function-oriented organizational structure” to a “customer-oriented organizational structure”
- (2) “Individual optimization” to “overall optimization”
- (3) “Income and expenditure controls per vertically segmented organization unit” to “account management”
- (4) “Investment on a per-business function basis” to “forward-looking investment through an ‘R&D + D’ approach”
- (5) “Self-sufficiency” to an “open approach”

➤ Respond to Digital Innovations

- (1) Three-pronged “R&D + D” strategy
 - Develop and use a Kuroneko big data approach
 - Use a corporate venturing approach
 - Promptly identify business models that can bring about disruptive innovation, and draw up action plans in that regard
- (2) Established Yamato Digital Innovation Center (YDIC) in April 2017

➤ Strengthen Governance

Promote Group governance reform to enhance sound Group management

Key Management Indicators

Proactive Investments

Recurring investment*1	¥200 billion
Growth investment*2	¥150 billion
Total	¥350 billion

*1 Land, buildings, cargo handling equipment, vehicles, etc.

*2 Digital innovation, alliances with outside entities, “Reforming Working Styles,” etc.

Targets

Consolidated operating revenues

2017/3 (actual result)	➤	2020/3 (plan)
¥1,466.8 billion	+¥203.1 billion (+13.8%)	¥1,670.0 billion

Consolidated operating profit

2017/3 (actual result)	➤	2020/3 (plan)
¥34.8 billion	+¥37.1 billion (+106.4%)	¥72.0 billion

Consolidated operating margin

2017/3 (actual result)	➤	2020/3 (plan)
2.4%	+1.9 percentage points	4.3%

ROE

2017/3 (actual result)	➤	2020/3 (plan)
3.4%	+4.3 percentage points	7.7%

Message from the President

The fiscal year ended March 31, 2018 was a year in which the Yamato Group took a significant first step toward reform.

By implementing “inclusive management,” we will realize sustainable growth for the next 100 years. To this end, we will steadily promote the next step toward reform.



Masaki Yamauchi

Representative Director,
President and Executive Officer

Since the fiscal year ended March 31, 2018, we have been moving forward with the medium-term management plan “KAIKAKU 2019 for NEXT100.” I would like to take this moment to explain the current state of the Yamato Group and provide an outline of our vision for beyond our 100-year anniversary.

“Inclusive Management” Represents the Yamato Group’s Greatest Strength

“At Yamato, we believe there are things that should change and then there are things that should not change.” These are the words of Masao Ogura, the inventor of *TA-Q-BIN*. These words have been passed down over many years and are shared to this day within the Group. They therefore provide the guiding principles for the entire Group.

The things that should change for the Yamato Group include its services, frameworks, and networks. These represent things that need to change in accordance with the needs of the times and conditions in the business environment.

On the other hand, the things that should not change are the beliefs we have valued since our foundation. These include ensuring that our employees understand the concerns of our customers, providing services catered to our customers that will bring them joy, and ultimately contributing to the realization of a more enriched society. These beliefs are something that Yamato Group employees should take pride in. At the same time, these beliefs help us achieve “inclusive management,” where each employee gives

consideration to our customers and makes decisions based on their own judgment.

“Inclusive management” therefore represents the Yamato Group’s greatest strength. To put it in different terms, if we are not able to leverage this strength sufficiently, then our very meaning for existence as a company would be cast into doubt.

Recently, we have been facing massive changes in the business environment, such as the rapid expansion of the e-commerce market and tightening labor conditions. As a result, we have been falling behind in terms of building an operational framework, which has placed a heavy burden on the employees working on the front lines. Our sales drivers therefore had their hands full simply from delivering packages, which gave them less and less time to interact with our customers. This in turn led to a state in which we were unable to properly implement “inclusive management.” To overcome this crisis, we focused on returning to our guiding principles. Accordingly, we decided to take a thorough look at the things we should change so that we can continue to pass down and implement the things we should not change.

Message from the President

Reform for the Next 100 Years

Implementing Decisions That Change the Entire Group

In the fiscal year ended March 31, 2018, we set out on a path toward significant reform. To achieve sustainable growth beyond our 100-year anniversary, a major milestone that will be reached in November 2019, we determined that not only do we need to respond to the market changes that are occurring right before our eyes, we also need to steadily implement drastic structural reforms with our sights set on the next 100 years. To this end, we formulated a long-term vision that targets 2025. In addition, we decided to transition from the “DAN-TOTSU Management Plan 2019” to the new three-year medium-term management plan “KAIKAKU 2019 for NEXT100” (hereinafter, “KAIKAKU 2019”), which places “Reforming Working Styles” at the center of our management.

Steadily Taking the First Step toward “Reforming Working Styles”

In the fiscal year ended March 31, 2018, the first year of KAIKAKU 2019, I believe we took a genuine first step toward reform by steadily promoting efforts that focus on the issues we need to address. For “Reforming Working Styles,” which is our highest priority issue, we made concerted efforts to improve labor management through such means as integrating methods to control working hours and increasing the number of managers. In addition, we took steps to revise the content of our services. These included changing the framework for designated delivery times and moving up the cut-off time for accepting

requests for redelivery. By doing so, we steadily set up a structure for alleviating the burden placed on our employees on the front lines. Through these efforts, we have ensured that our sales drivers are able to properly take breaks, and I believe that this has brought us closer to realizing an ideal working environment.

The aim of “Reforming Working Styles” is to not only make the working environment more employee-friendly but also to make the work itself more rewarding. This means that in addition to establishing a better working environment through rules and frameworks and other measures, we also have to change the awareness of our employees. As an effort to do so, we have increased the number of opportunities for dialogue between management and employees working on the front lines through such means as panel discussions. In our initiatives toward “Reforming Working Styles,” we have been working to change the awareness of our employees by encouraging their understanding of what we as a company are thinking, what are goals are, what kinds of measures we will implement going forward, and what the overall direction of the Group is.

As we have progressed in these efforts, we have started to see major changes in employee awareness. The driving force behind these changes has been the presence of our customers. In October 2017, we took steps to change our pricing schemes for both our individual and corporate customers, starting with revising the basic *TA-Q-BIN* fees for individual customers for the first time in 27 years. The number of customers





who understood and cooperated with these price changes was far greater than we expected. To have our customers understand and accept our fee revisions sends a clear message to our sales drivers that they wish to continue to rely on the Yamato Group. This understanding also means that our customers recognize the value we offer. I therefore believe that our front-line employees were able to reaffirm the meaningfulness of the role they play and also understand the great responsibilities and rewards that come with that job.

However, these results represent nothing more than the first step toward realizing “Reforming Working Styles.” For the fiscal year ending March 31, 2019, we are taking steps to establish a new diversified “last mile” network. By setting up a delivery-specific driver network that specializes in early evening and night deliveries, we will reduce our sales drivers’ overtime hours. At the same time, we will create time for sales drivers to engage in dialogue with our customers. If we can enhance dialogue with our customers, I believe this will increase the number of opportunities to offer them convenient and useful services, in addition to providing a more fulfilling work experience for our employees. Going forward, we will continue to pursue the necessary measures to establish a more employee-friendly working environment and create a more rewarding work experience.

Steadily Taking the Next Steps to Complete Our Reform

By returning *TA-Q-BIN* prices to an adequate level, we will establish a business structure that can generate stable profits. While there have been times where we have offered discounted prices taking into account *TA-Q-BIN* delivery volume, we believe that providing valuable services and securing appropriate profit for these services are what will enable us to fulfill our social responsibility as a crucial part of social infrastructure.

In addition to continuing adequate pricing initiatives, we will pursue efforts to expand points at which customers can receive packages in such ways as rebuilding our “last mile” network and establishing Pick Up & Drop Off (PUDO) stations. By steadily promoting these efforts as the next steps toward reform, we will successfully complete “Structural Reform in the Delivery Business,” a business that represents the foundation of the Group. In turn, we will leverage this foundation to realize growth in our non-delivery businesses. At the same time, we will work to further strengthen the Group’s corporate governance. In these ways, we will continue to improve corporate value and make great strides toward growth for the next 100 years.

Message from the President

Vision for 2025—Looking Beyond Reform

After completing KAIKAKU 2019 and welcoming our 100-year anniversary, we aim to realize our long-term vision for 2025.

I believe there are two engines that will drive growth beyond our 100-year anniversary. The first engine is the global domain. Amid the further progression of borderless businesses, the production, consumption, and corporate activities that have been carried out solely in Japan thus far will, without a doubt, become borderless as well. The second engine is the corporate domain. In around 2025, we anticipate e-commerce to extend beyond the B2C domain and become widespread in the B2B domain as well due to the further progression of digitalization. As a result, goods will flow directly between companies without the need for wholesalers or retail shops.

In light of these future conditions, what we are aiming for is the establishment of a platform. The Yamato Group has developed a solid network

and formed connections with its individual and corporate customers, centered on *TA-Q-BIN*. Using this physical logistics network as a foundation, we will combine the customer information we have collected through this network, as well as data on future customer needs, with digital technologies in the form of big data. By doing so, we will establish a platform that integrates both physical and virtual aspects. Also, we will establish this platform as an open platform so that it can be used by anybody, not just specific people in specific locations. In this way, we will address various needs and issues around the world, including those related to consumers, corporations, and society as a whole.

Moving beyond our 100-year anniversary, we will aim for further growth by offering the new value created from this integration of physical and virtual aspects to not only corporations and consumers in Japan but to those overseas as well.

Turning Risks into Growth Opportunities by Assessing Changes in the External Environment

In a society where birthrates are declining and the population is aging, the ability to provide services via people will become a significant competitive edge.

To realize our vision and continue to grow well into the future, it is crucial that we accurately assess the changes occurring in the external environment. This is because such changes bring about both risks and opportunities.

The most significant change that the Yamato Group is dealing with is to its labor supply structure as a result of the declining birthrate and aging population. As the workforce shrinks, securing employees will become our most important issue.

However, if we look at this issue from a different angle, the ability to provide services through people is an excellent way to set us apart from other companies amid the trend of a declining birthrate and aging population, and such differentiation will tie directly into enhanced competitiveness. Viewing this as an opportunity, we are hiring drivers for early evening and night deliveries as full-time employees to act as the core of our diversified “last mile” network. While doing so will

increase fixed costs, securing human resources that can work in a stable manner will allow us to increase our pickup capacity and maintain and improve our service quality, which in turn will help us sharpen our competitive edge.

Incorporating New Technologies and Turning Them into Growth Engines

Another significant environmental change is digitalization. Advances in digitalization will result in greater risks of the emergence of new rivals and businesses that use digitalization to completely change the way business is done. If we fall behind in riding this wave of change caused by digitalization, then we risk losing our position as a leading company and having to adapt to an entirely transformed industry structure.

To respond to such risks, we established the Yamato Digital Innovation Center (YDIC) in 2017. YDIC was established with the aim of raising awareness of new global trends and technologies and promptly incorporating them into our services. For functions and technologies that the Group does not possess, we will actively pursue partnerships with external organizations. We cannot

create the platform we are aiming for simply through the Group's strengths alone, and external partnerships will not only help us improve the quality of this platform, it will also accelerate its establishment. Accordingly, under KAIKAKU 2019, we will proactively invest in this area.

Although digitalization can bring about several risks and threats, it can also act as a major growth engine if we respond to it appropriately. Behind the roughly five million packages we deliver each day are roughly five million customers and approximately one million corporate clients.

The number of participants in our *Kuroneko Members* service, a members-only service for individual customers, has grown to over 25 million and continues to increase even further. The big data we possess and the information we collect on a daily basis through our customer contact points only become more valuable with advances in digitalization. By leveraging this data and information in high-value-added services for our customers, we will expand profits while working to enhance operational productivity.

Continuing to Be a Company That Is Needed by Society for the Next 100 Years

The Yamato Group promotes the concept of Creating Shared Value (CSV), which involves realizing both economic and social value while addressing the needs of customers through our businesses. The foundation of CSV is "inclusive management," in which all of our employees give consideration to people and society as a whole as they make decisions based on their own judgment. Recently, awareness toward environmental, social, and governance (ESG) factors has been rising. In addition, there have been more extensive efforts made by companies to resolve social issues, including addressing the Sustainable Development Goals (SDGs). Amid these trends, we will continue to share our guiding principles on a Groupwide basis and leverage our network that spans across various regions. By doing so, we will contribute to the resolution of social issues.

In November 2019, the Yamato Group will welcome its 100-year anniversary, and from April 2020, the next 100 years for the Group will begin. We aim to continue to contribute to a more enriched society through our business activities so that we can remain a necessary presence for not only our customers but also our employees, shareholders, and society at large. To accomplish this aim, we will steadily complete KAIKAKU 2019 and work to create new value over the next 100 years.

February 2019

M. Yamauchi



Message from the Chief Financial Officer



We will actively carry out the necessary investments to enhance our management foundation and further strengthen business growth while bearing in mind our financial stability. In doing so, we aim to increase our corporate value over the medium to long term.

Kenichi Shibasaki

Director
Senior Managing Executive Officer
Responsible for overseeing
Financing and Investor Relations

Review of the Fiscal Year Ended March 31, 2018 and Key Initiatives for the Fiscal Year Ending March 31, 2019

During the fiscal year ended March 31, 2018, our financial performance progressed toward recovery despite the increased expenses incurred from our promotion of “Reforming Working Styles.” Under “Structural Reform in the Delivery Business,” one of our key measures under the medium-term management plan “KAIKAKU 2019 for NEXT100” (hereinafter, “KAIKAKU 2019”), we made progress in negotiations for review of our rates with respect to our corporate clients and adjustments to shipping schedules based on our requests to some large-lot corporate clients. Accordingly, since the third quarter, *TA-Q-BIN* delivery volume has taken a downward turn while *TA-Q-BIN* unit price has risen due to our adequate pricing initiatives.

As a result of the above, operating revenues amounted to ¥1,538.8 billion, up ¥71.9 billion (4.9%) from a year ago, while operating profit amounted to ¥35.6 billion, up ¥0.8 billion from the previous year.

In the fiscal year ending March 31, 2019, the second year of KAIKAKU 2019, we are advancing structural reforms centered on continuing our adequate pricing initiatives and “Reforming Working Styles.” In light of this, we are working to expand our delivery capacity for the Delivery Business by promoting such measures as establishing a diversified “last mile” network through the use of “Anchor Cast” (drivers for early evening and night deliveries).

Investment and Financial Strategies in Creating Future Cash Flows

Investment Strategies

Regarding our investment decisions, they will be based on whether or not the investment leads to the maintenance and improvement of our corporate value over the medium to long term. Over the three-year period of KAIKAKU 2019, covering the fiscal year ended March 31, 2018 through the fiscal year ending March 31, 2020, we are anticipating investments of ¥350.0 billion. This amount will likely consist of recurring investments for the maintenance and expansion of networks, including land, buildings, and vehicles, as well as growth investments for “Reforming Working Styles” and alliances with outside entities (overseas expansion, digital innovation, etc.). We will continue to focus on “Reforming Working Styles,” which we place as an utmost priority for implementing “inclusive management,” one of the Yamato Group’s founding principles. In particular, we intend on taking a proactive approach to investments in our efforts to establish working environments where our employees can work with high levels of enthusiasm.

Through these investments, we will accelerate structural reform in the Delivery Business, a Group foundation, and build a management structure that generates stable profits. In addition, we will strive to further expand our profit margin through the growth of our non-delivery businesses, thereby improving our corporate value over the medium to long term.

Financial Strategies

The Yamato Group will continue to work to bolster its management foundation and corporate value by maintaining and improving financial stability, which represents the basic policy of its financial strategy.

We intend on procuring funds through investments while regarding the importance of improving our financial stability and efficiency. Further, we will strive to maintain our credit rating (AA-, Rating and Investment Information, Inc.) while keeping in mind a shareholders’ equity ratio of around 50% to ensure financial stability.

Improving Corporate Value over the Medium to Long Term

The Yamato Group considers ROE to be an important indicator for increasing shareholder value and accordingly, will work to enhance ROE by improving its profit margin.

Meanwhile, we will work to achieve honest and fair disclosure of management conditions, including ESG (environmental, social, governance) and other non-financial information, growth strategies going forward, important risk information, etc., and

proactively implement IR and SR activities such as conducting constructive dialogues with all shareholders and investors.

For the fiscal year ending March 31, 2020, the final year of KAIKAKU 2019, we are targeting operating revenues of ¥1,670.0 billion, operating profit of ¥72.0 billion, operating margin of 4.3%, and ROE of 7.7%.

Basic Policy on Shareholder Returns

Regarding returns to shareholders, we will flexibly review and deliver returns with a targeted consolidated dividend payout ratio of 30% of profit attributable to owners of parent.

In the fiscal year ended March 31, 2018, our cash dividend per share was ¥27.00 and our dividend payout ratio was 58.4%.

Returns to Shareholders

