

Message from the President

Fully Utilizing the Management Resources of the One Yamato Structure to Promote Value Provision from End to End, Covering the Entire Business Process of Our Customers

Achieving Sustainable Corporate Value Improvement

Issues Following Integration of the Group and Our Future Response

In January 2020, we announced One Yamato, our policy for integrating Yamato Group companies. We had a period of preparation, following this announcement and, from April 2021, we integrated nine group companies, launching the One Yamato management structure in both name and practice.

Sixteen years have passed since the Yamato Group shifted to a pure holding company system in 2005. Since each Group company operated their diverse businesses under various systems, integrating their management structures into One Yamato and reallocating management resources in an optimal manner was not easy. In the first year of the One Yamato management structure, we developed a platform for management as One Yamato while devoting more effort than expected to integration.

Fiscal 2022 marked the second year of the medium-term management plan "One Yamato 2023," and there has been no change in the direction the Group should take in the medium to long term. In light of recent changes to the business environment, I have once again realized that it is time to make a change.

Reflecting on the Yamato Group's history, we launched our chartered truck delivery service in 1919 by purchasing four trucks, at a time when there were only 204 trucks in the entire country. Ten years later, we launched Japan's first regular route combined-load transport service and expanded our network to cover the entire Kanto region as the use of trucks became widespread in society. As we entered an era of post-war economic growth, mass production and mass consumption and needs increased for transport using

trucks for long-distance travel. Yamato was so focused on short-distance transportation that the response to these changes was delayed and performance suffered. However, following this, we turned to small-lot delivery and launched *TA-Q-BIN* to meet the delivery needs of countless customers. Quickly understanding and anticipating changes in society and the methods for purchasing and selling items and making proposals to customers has led to today's development. Now, when information can be shared online in real time with the spread of the internet and smartphones, we must make new logistics proposals that take into account further changes to methods for purchasing and selling items.

The goal of transitioning to One Yamato is to evolve into a company capable of providing value to corporate clients, both inside and outside of Japan, across their entire business process. Changes in consumption and lifestyles that accompanied the COVID-19 pandemic and upheaval in the business process and supply chain, from the procurement of raw materials and components and production to sales and after-sales services, have become urgent issues for corporate clients. Accordingly, the Yamato Group is taking these changes as opportunities for growth. Under the One Yamato management structure, which centralizes management resources, we will expand our range of value provision through comprehensive proposals that support the resolution of customer management issues by utilizing extensive relationships with customers and our superior logistics facilities and transportation and delivery networks.

Transformation into a Partner That Supports the Entire Supply Chain for Our Corporate Clients

The Yamato Group is widely known as the *TA-Q-BIN* service provider. While *TA-Q-BIN* has a strong image owing to its services for individual clients, approximately 90% of the total delivery amount we handle comes from corporate clients. Of those, half are shipments from large corporate clients that are handled by our account sales representatives.

We cannot expand the range of value provision for these corporate clients by only providing *TA-Q-BIN* as we have to date. For example, corporate clients who sell products through

brick-and-mortar stores currently also tend to have e-commerce (EC) websites for sales. In many cases, they are also facing an increase in inventory and logistics costs due to creating separate logistics operations for both brick-and-mortar stores and EC websites. How do they optimize inventory as a whole? How do they minimize the total logistics costs? These are serious management issues for corporate clients. However, the Yamato Group can contribute to the optimization of logistics costs by balancing the appropriateness of inventory with a shortened lead time for the transportation and delivery of

goods. This is achieved by integrating the strengths of our logistics facilities and transportation and delivery networks, as well as providing consolidated management and optimization of solutions for the inventory of and logistics for brick-and-mortar stores and EC, not just by taking responsibility for *TA-Q-BIN* in last mile delivery.

Going forward, it is my belief that the Yamato Group should provide solutions that cover customers' entire supply chains in this way. Resolving inventory and operational issues will consequently contribute to improving our customers' management. We have been developing a base that enables proposals that contribute to addressing customer management issues by combining the management resources of the Group. We will continue to engage in maximizing the value we provide.

Deepening of Connections with Each Country and Global Expansion of the Value We Provide

In expanding the value we provide to corporate clients, the scope of our activities is not limited to within Japan. If we follow our customers' supply chains, the field extends overseas. The Group has global networks and has developed local subsidiaries in 25 countries and regions. To date, local subsidiaries have had the power to provide logistics services with uniform quality, but have been limited to providing value to each country individually. Accordingly, we are currently providing integrated solutions, deepening connections between Japan and other countries, and examining what kind of customer-oriented value we can provide.

In particular, transportation costs have been increasing significantly as a result of disruptions to global supply chains and steeply rising crude oil prices, to which companies are responding by shifting their production bases to other countries recently. When customers move their bases, there is a risk that we may lose business. However, if the Group coordinates globally and utilizes networks in the countries to which customers have relocated, we can once again propose optimal solutions. We are now making full use of the Group's existing management resources to provide value to customers. We will also globally expand the value we provide by collaborating with external partners, including M&As, for functions we do not possess.

Optimization of Networks and Operations for Providing Value from End to End

Yamato is engaging in the structural reform of its networks and operations to create an infrastructure for providing value from end to end for our customers' downstream, midstream, and upstream supply chains. Numerous EC operators have set up shipping bases in the vicinity of the Tokyo metropolitan area and three of its neighboring prefectures (Chiba, Kanagawa, and Saitama) where demand for EC has been concentrated in recent years. Thus, it is not efficient to



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continue meeting EC demand through *TA-Q-BIN* networks and operations that appropriately meet the delivery needs of an unspecified number of customers across Japan. Therefore, in urban areas we are promoting the creation of a logistics network that specializes in EC, from pickup and sorting to transportation and last mile processes. For EC operators, there is a process for procuring products before shipping and measures for returning products after purchase. We will effectively meet these needs by utilizing new EC logistics networks in addition to last mile delivery. Furthermore, in response to an increasing demand for procurement and delivery of products between companies and for refrigerated delivery services, we will promote the creation and utilization of a middle mile network (route pickup and delivery for corporate clients) and the launch of dedicated refrigerated delivery facilities while also enhancing the productivity of the entire network.

In the fiscal year ending March 31, 2023, we have been building EC logistics networks and other infrastructure while drastically reviewing our existing *TA-Q-BIN* network in line with recent changes to the flow and volume of packages. We will enhance safety and quality, reduce processes such as transportation between facilities and sorting work at each facility, and improve productivity across the entire network by consolidating, increasing the size of, and redeploing *TA-Q-BIN* sales offices, which have been focused in smaller areas; by redefining the functions of each sorting terminal; and by integrating them with larger sales offices.

Transforming these networks and promoting the creation of systems that are capable of regulating management resources and operations in line with workloads will steadily lead to the next phase of growth.

Material Issues to Address for Sustainable Growth

The Yamato Group has laid out material issues to improve corporate value over the medium to long term and achieve a sustainable society, and is promoting sustainable management based on Sustainable Medium-Term Plans 2023, which defines the details of specific actions and targets to be achieved by 2023.

In terms of the environment, we are engaging in the creation of green logistics to meet our long-term target for 2050 of climate neutrality and our interim target of reducing GHG emissions by 48% by 2030 (compared with the fiscal year ended March 31, 2021). We are currently promoting the introduction of ultra-low-floor walk-through light-duty electric vehicles, which balance environmental

awareness with practicability for drivers; however, the issue going forward is energy management, including energy procurement. We will increase the amount of electricity generated by green energy, namely solar power, by promoting the installation of solar panels at terminals and sales offices. In addition, we will also aim to thoroughly implement electric vehicle use and solar power generation by collaborating with car manufacturers to develop and standardize detachable cartridge batteries, intensively introducing and using electric vehicles within specific areas, and engaging in energy management linked to equipment at facilities.

Creation of a System for Sustainability That Leads the Entire Logistics Industry

It is natural to engage in sustainability as a single company. At the same time, however, it is the role of major companies in the logistics industry to create a system that enables the entire logistics industry to become sustainable. We are examining the creation of a structure that enables not only Yamato but also our small and medium-sized partner companies and other companies in the same industry to participate in reducing greenhouse gas emissions.

Furthermore, distributors are facing issues, such as securing the transportation capabilities of trucks for long-distance travel and considering alternative means of transport, as a cap on overtime work will be applied to vehicle operation from April 2024, in addition to the decreasing working population and aging drivers.

The Yamato Group has adopted various countermeasures including the commencement of the operation of cargo flights as a new method of long-distance transportation from 2024. However, this is merely a new method of transportation. It is essential to increase the value provided by our services. We will expand the scope of value we provide through comprehensive proposals that support the resolution of customers' management issues, as well as provide individual services such as transportation and storage. We

must also increase the turnover rate of assets to enhance profitability and secure long-distance transportation capacity. For example, we can increase the operational hours for vehicles by reducing the transport distance for drivers and combining short- and medium-distance transportation. Since it is difficult for each distributor to prepare their own facility, the logistics industry as a whole is considering the development of facilities that can be used openly and the creation of a system that allows operations including the transfer of packages and replacement of vehicles.

Rather than viewing sustainability initiatives as a cost, we are taking steps to address them with an awareness that these responses and investments enable us to create new systems that will lead to growth opportunities.

Important Factors to Consider When Improving Corporate Value

The most important factor when maintaining and improving corporate value is protecting and continuing to strengthen the trust we have built up with customers and society. One of the Yamato Group's core values is that we conduct ourselves both professionally and ethically. For me, professionalism and ethics are vital when strengthening this trust. While the most important goal for a company is generating profit, this does not mean that it should do anything for profit. I believe that in addition to possessing the correct ideals and acting ethically toward customers, conducting business while placing value on acting ethically toward coworkers engaging in their daily operations, business partners, and local communities also leads to trust.

This year we passed the midway point of the current medium-term management plan, which runs until March 31, 2024. Through

One Yamato, we are steadily increasing the scope of value we provide to customers. We aim to further improve corporate value in the future by continuing to always respond to changes with a sense of speed and building up trust with each stakeholder, such as customers, business partners, local communities, and all of our shareholders, with the Group's Management Philosophy, including our Core Values, as the cornerstone.

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