

# Growth Domain: Expansion of Corporate Business Domain

Amid an increase in risk such as the global political and economic situation, fragmentation of supply chains into blocks, and environmental issues, the Yamato Group has positioned the solution business as a new growth domain, aiming to resolve customers' management issues throughout their supply chains.

## Contract Logistics Business

Providing total solutions to support the business growth of corporate customers

Results for the Fiscal Year Ended March 31, 2024



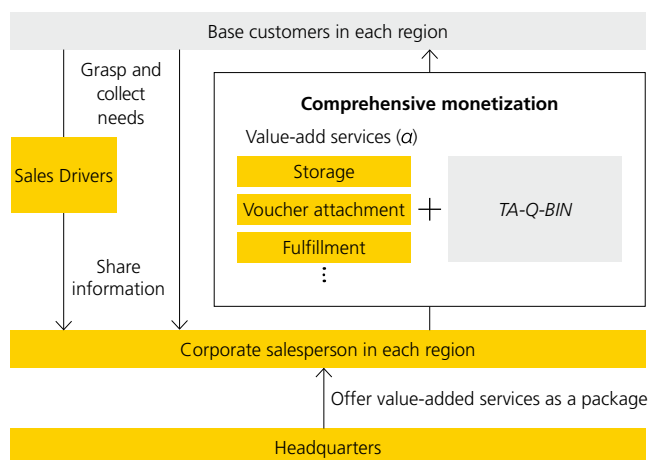
Due to developments such as the expansion of e-commerce and trend toward small-lot, high-frequency deliveries, logistics operations are becoming more complicated. In the CL Business, we are capturing the increase in outsourcing needs associated with customers' business stages and working to further expand use of *TA-Q-BIN* while also providing new value beyond *TA-Q-BIN*, such as appropriate inventory management to avoid shortages or overstocking, increased picking and packing operational efficiency to process small-lot orders with increasing frequency, and connection with warehouse sites and transport and delivery networks.

### ► Value-Add Service (α) + *TA-Q-BIN*

The CL Business is focused on synergies with the Express Business, looking to utilize the strengths that the Yamato Group has cultivated in its *TA-Q-BIN* service, such as customer contacts of approximately 60,000 SDs nationwide and a strong customer foundation. By packaging value-added services connected with *TA-Q-BIN*, and proposing total packages including *TA-Q-BIN*, to a wide range of customers in every region, we will expand the CL Business and the revenues of the Express Business.

### ► 3PL/LLP

We also provide more customized logistics services to our main accounts. We are promoting the provision of business solutions that help to transform customers' supply chains by offering proposals that cover the entire supply chain, including optimization of warehousing and logistics and reduction of GHGs. Moreover, we are working to create Lead Logistics Partner (LLP) deals, which involve participation and support not only for customers' logistics management and operation, but also their planning and strategy building in coordination with the Global Business.



## TOPICS

### ○ Support for Recalls, Returns, and Exchanges

Handling of product recalls is becoming more important as public attention increases, and the Yamato Group is developing support services for such an event. Not only do we collect products through *TA-Q-BIN*, we also provide total support, including proposing countermeasures, notification, telephone services, and follow-up. In addition, we provide support for returning and exchanging products that require repair or inspection as part of our support for customers' businesses during normal times. This service is an extremely profitable business model due to our strengths in being able to support all operations, despite the different sale and time period of each job.

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### MESSAGE

#### Taking the opportunity presented by changing supply chains to expand the global business

##### Hiroshi Etani

Senior Managing Executive Officer, Head of Global Business, Yamato Transport Co., Ltd.

After working as president of ITOCHU Logistics Singapore Pte Ltd, Mr. Etani's work history includes experience as global customer director at DHL Global Customer Solutions, sales, marketing, and customer service director at TNT Express, CEO and president director of JP Rakuten Logistics, Inc., executive officer and assistant CEO at MITSUI-SOKO LOGISTICS Co., Ltd., and president and representative director of CMA CGM Japan K.K. He joined the Yamato Group in November 2020



##### ► Initiatives Implemented

We aim to be a logistics company that can compete on the world stage, increasing customer value mainly through forwarding and contract logistics in the Global Business domain (international freight to and from Japan and overseas freight).

By the end of the previous Medium-Term Management Plan period, we had strengthened our management position through measures such as withdrawing *TA-Q-BIN* services from Asia, establishing a comprehensive account management structure spanning regions and countries, improving the profitability of forwarding and contract logistics services, and launching regular mixed-freight transportation services using the cross-border overland network of the Overland Total Logistics (OTL) group, which connects Southeast Asia and China.

In addition, we took steps to recruit and develop human resources able to propose solutions that reflect an understanding of customers' entire supply chains. The result of these efforts was the creation of lead logistics partner (LLP) projects in which we are involved not only in operation and management of customers' logistics, but also in aspects including logistics strategy and planning.

Through these initiatives, we were able to maintain profitability at our overseas local subsidiaries, even in the fiscal year ended March 31, 2024, when we saw a fallback in demand following the end of the COVID-19 pandemic. The operating profit margin of the Global Business overall also reached a level that is comparable to that of other companies.

##### ► Policy under the Current Medium-Term Management Plan

After the turmoil in global logistics caused by the COVID-19 pandemic, there was a change in the concept of supply chain management from "just in time" to "just in case." While "just in time" is still ideal for supply chain management, delivering only what is needed when it is needed rather than holding on to unnecessary inventory, in today's world, where unexpected events occur often, it is necessary to build supply chains that are able to respond rapidly and flexibly "just in case" risks materialize. In recent years, increasing friction between the United States and China is strengthening the trend of fragmenting supply chains into regional blocs, which is changing the global flow of goods. The Yamato Group will respond appropriately to these changes and support its customers' business and supply chain management.

In forwarding services, we will identify a target lane to dominate the supply chain of a target industry and, by concentrating freight volumes there, we will increase our competitive capabilities in terms of service and price. The Yamato Group handles freight in multiple categories, including general BtoB trade freight, BtoC and BtoBtoC cross-border e-commerce freight, and overseas relocation freight, and we will mix these effectively for transportation. As near-shore transport\* needs increase due to fragmentation of supply chains into regional blocs, the Yamato Group will be able to leverage its high-value-added land transportation services, such as the abovementioned regular mixed-freight service connecting Southeast Asia and China, to its advantage.

In contract logistics, we will provide total services for the logistics operations of customers in target industries, from warehousing to transport and delivery, incorporating solutions that contribute to customers' business and supply chain management to increase customer value. At overseas local subsidiaries, we operate in-house warehouses, but we will also differentiate ourselves from other companies by strengthening transport and delivery functions through cooperation with partner companies. At the same time, we will also bolster our capabilities for account management and solutions design, and for operation design and operations. Moreover, since forwarding near-shore transportation needs are expected to increase, it will be important to increase collaboration between contract logistics and forwarding and provide seamless services. We will therefore look to strengthen this aspect.

\* Transportation between geographically close countries and regions

##### ► M&A Strategy and Growth Outlook

Increasing uncertainty regarding the global situation is a risk for our Global Business. However, it is accompanied by an increase in new business opportunities due to the rapidly occurring changes. The Yamato Group will not miss this chance; it will also grow by providing global support for customers businesses and supply chain management. In doing so, we will strengthen our forwarding and contract logistics functions in countries and regions that are strategically important to the Group and execute M&As that we deem necessary for accelerating the growth of our Global Business.

## M&A Strategy

### ► Why Promote an M&A Strategy?

The Yamato Group will strengthen its *TA-Q-BIN* network in the base domain and use the strengths it has cultivated through *TA-Q-BIN* in the downstream domain to strengthen its proposal capabilities for the upstream domain of customers' supply chains as a growth domain. During the period of the previous Medium-Term Management Plan, we strove to maximize the value we provide to customers through the adoption of One YAMATO and the participation of human resources with high-level expertise. We also changed to a structure capable of making greater use of the *TA-Q-BIN* customer foundation. Through this, we expect to achieve autonomous growth in our existing businesses going forward. However, we are also aiming for further growth and an increase in corporate value by promoting M&As and strategic business alliances.

### ► Points of the M&A Strategy

Target	<ul style="list-style-type: none"> <li>• <b>Consider acquisition of several companies, while focusing on compatibility with growth strategies</b> Target industries: Automotive, high-tech, food cold chain, health care, etc. Target regions: Japan, U.S. &amp; Mexico, India, Southeast Asia Monetary scale: The largest scale M&amp;A for the Medium-Term Management Plan period is expected to have <b>operating revenue of ¥400.0 billion</b> and <b>operating profit of ¥40.0 billion</b></li> </ul>
The Yamato Group's strengths	<ul style="list-style-type: none"> <li>• <b>Broad domestic customer foundation in Japan cultivated through <i>TA-Q-BIN</i></b> A wide-ranging customer foundation from individuals to corporations built through customer contact points, including approximately 60,000 SDs nationwide</li> <li>• <b>Stable financial foundation</b></li> </ul>
Financial discipline	<ul style="list-style-type: none"> <li>• <b>Moving with discipline to realize synergies and reduce the cost of capital</b> Fund procurement: In principle through interest-bearing debt Effect measurement: In addition to existing business feasibility rules, we also conduct regular monitoring based on quantitative standards such as <b>ROIC of 10% or higher</b> within three years after acquisition</li> </ul>

### ► System and Process

We recognize that to appropriately understand the risks involved in M&As, business divisions and the dedicated M&A department work together as one to promote the process. The dedicated M&A department was established in 2016 with participation by career hires with specialist expertise, while recently we have accumulated knowledge mainly about Group organizational restructuring and sell-side transactions. Looking ahead, we will strengthen the promotion structure and increase the certainty of realizing post-acquisition growth strategies by assigning persons in charge of PMI for each M&A from an early stage.

In the discussion process, we establish a hypothetical proposal in advance based on our growth strategy, then conduct an investigation and research on the candidate company. After the acquisition, we conduct regular monitoring to see that the envisaged synergies are being realized. We also disclose our progress appropriately, with a view to reducing the cost of capital, and work to deliver an increase in corporate value.

### Reference: Main M&As and Strategic Alliances

Year	Type	Transaction
	Share acquisition	Conclusion of agreement for business collaboration and capital alliance with major Malaysian delivery company GD Express Carrier BHD. (currently GDEX Berhad)
2016-	Joint venture	Establishment of Packcity Japan co., Ltd. with French company Neopost
	Share acquisition	Acquired the shares of OTL Group, a cross-border onshore trunk-route transport company headquartered in Malaysia
2020-	Share transfer	Transferred 60% of the issued shares of Yamato Lease Co., Ltd. to Fuyo General Lease Co., Ltd.*
2022-	Share transfer	Transferred 51% of the issued shares of Yamato Home Convenience Co., Ltd. to ART MOVING COMPANY Co., Ltd.
2023-	Share transfer	Transferred 51% of the issued shares of Yamato Staff Supply Co., Ltd. to World Staffing Co., Ltd.
2024-	Share acquisition	Acquisition of 48.57% of the outstanding shares of RH Co., Ltd. Acquisition of 87.7% of the outstanding shares of Nakano Shokai Co., Ltd.

\* Transfer of all shares is scheduled for January 1, 2025