

YAMATO NEXT100

~ GRAND DESIGN ~



YAMATO HOLDINGS CO., LTD.

January 31, 2020

A grand design of management for Yamato, as a member of social infrastructure provider, to confront social issues and to continuously contribute in the creation of a prosperous society in the next era, through creating a new logistics ecosystem, meeting the needs of customers and society.

Yamato will offer innovative solutions to customers by combining the various management resources among all the Yamato Group

- Fiscal year ending March 2021
⇒ Management structure transition period for the transformation based on YAMATO NEXT100
- Next mid-term management plan (Fiscal year ending March 2022-2024)
⇒ Detailed action plans will be announced in January 2021

Delivery is to make our lives prosperous.

Developing new delivery and innovating delivery change people's lifestyles, even whole society.

Yamato is a company of innovation.

Yamato Group mission, as a member of social infrastructure provider, is to contribute in creation of a prosperous society by innovating delivery, that is incorporated into the corporate philosophy.

With the recent rapid growth of E-Commerce, delivery volumes in the market dramatically increased and went over the existing capacity of Yamato delivery network.

Customers and their needs grow increasingly diverse and Japan faces serious issues such as depopulation, declining local communities, etc.

Nobody has yet to solve these social issues and find out the best solution of new ways of delivery, that serve as a solid foundation of the next era.

Yamato will create new delivery through innovation and contribute to realization of a sustainable and prosperous society.

From “Maintaining Delivery” into “Innovating Delivery”

To create sustainable new prosperity in our society by creating new delivery.

That is our mission as a member of social infrastructure provider, an innovative company that used to invent “TA-Q-BIN”. Innovate next delivery. Move to Next Yamato

Yamato will strive to pursue transformation in all our group efforts and regenerate Yamato.

「Work Style Reform」

- Improved working environment with rewarding job opportunities through stringent management of work rules, reducing total working hours and encouraging better work-life balance that produced good results in employee awareness survey.
- Further pursue an employee-friendly working environment and job satisfaction which leads to better service to our customers.

「Delivery Business Structural Reform」

- Promoted adequate pricing initiatives, delivery capacity redevelopment and growth initiatives such as strengthening corporate sales and sorting system enhancement.
- Still on the way back to right track of delivery volume recovery. There is certain room for further improvement in productivity of sorting and administrative works as well as Last Mile Network. Further pursue drastic increase through digitalization and robotics under YAMATO NEXT100.

「Revenue and Business Structure Reform for exponential growth」

- Promoted account management in solution sales for a corporate logistics business across the group however need more time for concrete outcomes.
- Aim for growth by customer-oriented logistics solution under YAMATO NEXT100 by combining the group management resources for a corporate logistics business.

「Group Management Structure reform for sustainable growth」

- Re-examined essential management issues and certain items were already moved into execution phase.
- Pursue further drastic transformation under YAMATO NEXT100 to increase corporate value.

While the social issues that Yamato Group needs to confront are evolving dramatically, Yamato Group itself has own new emerging challenges.

Social issues



Diversification of customer needs



Rapid growth of EC market



Declining population & decaying regional infrastructure



Decline of working population



Climate change and resource scarcity

Challenges for Yamato Group to face

Deepening the understanding of customers to create new services in addition to diversifying package delivery method

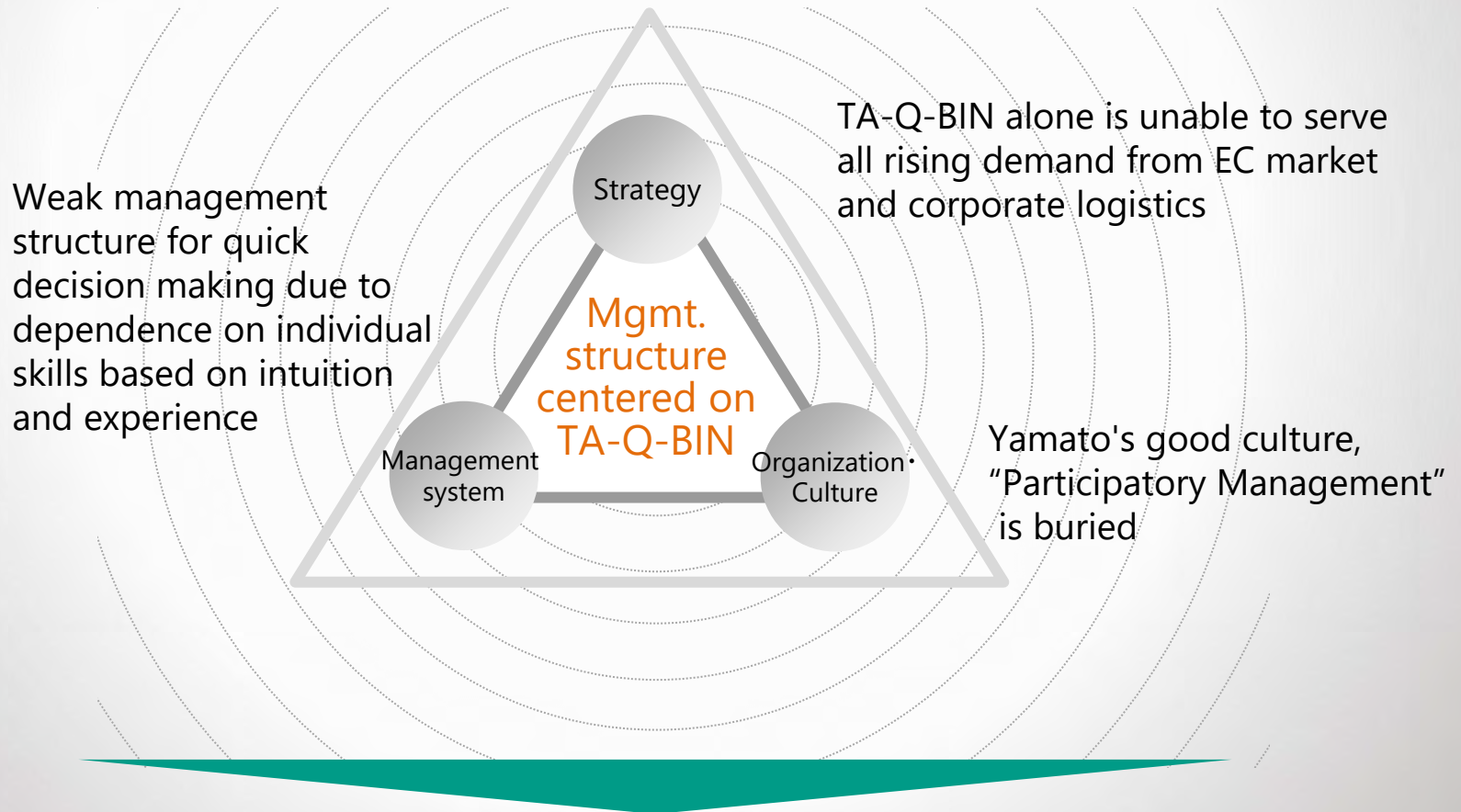
Actively positioning Yamato as the center player of rapidly growing EC market, viewing as an opportunity for high growth. Restructuring of management structure and shifting to data-driven management

Building a supply chain as regional infrastructure to contribute to the sustainability of local communities in which Yamato is rooted in

Achieving "minimal workforce personnel in response to growing workload" through thorough mechanization

Fulfilling responsibilities for sustainability as a social infrastructure company

Issues Yamato Group shall change



Strategy, Management system and Organization·Culture centered on TA-Q-BIN do not fully address customer and social needs

13 management challenges widely across Yamato Group were identified and execute drastic transformation.

Short-Mid Term Profit Gain

1 Structural reform for retail/last mile delivery

- 1-a Profit maximization
- 1-b Operation optimization
- 1-c Org. design of retail biz

2 Organization/consolidation of past projects

3 Reassess global delivery business

Mid-Long Term Growth

- 1-d Early est. of new NW
- 1-e Innovation utilizing data
- 1-f Thorough automation

4 Est. global corporate business

5 Est. EC corporate business

6 Est. regional corporate business

Infrastructure Development

7 NW optimization / restructuring

8 Formulation of CX strategy

9 Group process reexamination

10 Rebuilding of IT/digital, data infrastructure

11 Organization / governance reform

12 HR reform

13 Sustainability initiatives

1

Transform into a management that can boldly address customer and social needs

2

Shift to a data-driven management

3

Evolve into a management that creates a logistics ecosystem openly through co-development

1

Transform into a management that can boldly address customer and social needs

- Address customer needs on a customer segment basis
- Transform management system
(expedite decision-making process)
- Reduce the distance between management and the field
and concentrate all our group efforts = One YAMATO

2

Shift to a data-driven management

- Through digitalization and optimization of logistics operations, strengthen customer relationships by building an environment where Sales Drivers can devote more time to serve the customers.
- Optimize allocation of management resources by improving accuracy of demand and business volume forecasting.
- Visualize management and achieve objective and scientific decision-making.

3

Evolve into a management that creates a logistics ecosystem openly through co-development

Create new delivery partnering with the third parties in addition to the current delivery by Yamato

~Evolving from “Maintaining Delivery” to “Innovating Delivery”~

YAMATO NEXT100

GRAND DESIGN

3 Business Transformations

- ① Digital transformation (DX) of TA-Q-BIN
- ② Establishment of an EC ecosystem
- ③ Strengthening of corporate logistics business

3 Infrastructure Transformations

- ① Renewal of group management system
- ② Shift to data-driven management
- ③ Sustainability initiatives "Management embodying the environment and society"

① Digital transformation(DX) of TA-Q-BIN



Organize the environment where front-line Sales Drivers can spend more time to communicate with customers and to propose solutions for customers to realize customer satisfaction

(ex. By creating new delivery service other than TA-Q-BIN as a response to various needs, optimize the amount of TA-Q-BIN, and reduce administrative and indirect operations.)



Improve the accuracy of demand and load forecasts using data analytics, optimize staffing, vehicle allocation, delivery routes, Sales Driver operation design, etc to improve productivity



Improve logistics operation productivity significantly
By digitalization and automation such as sorting systems, etc

Image of productivity improvement using a sorting system

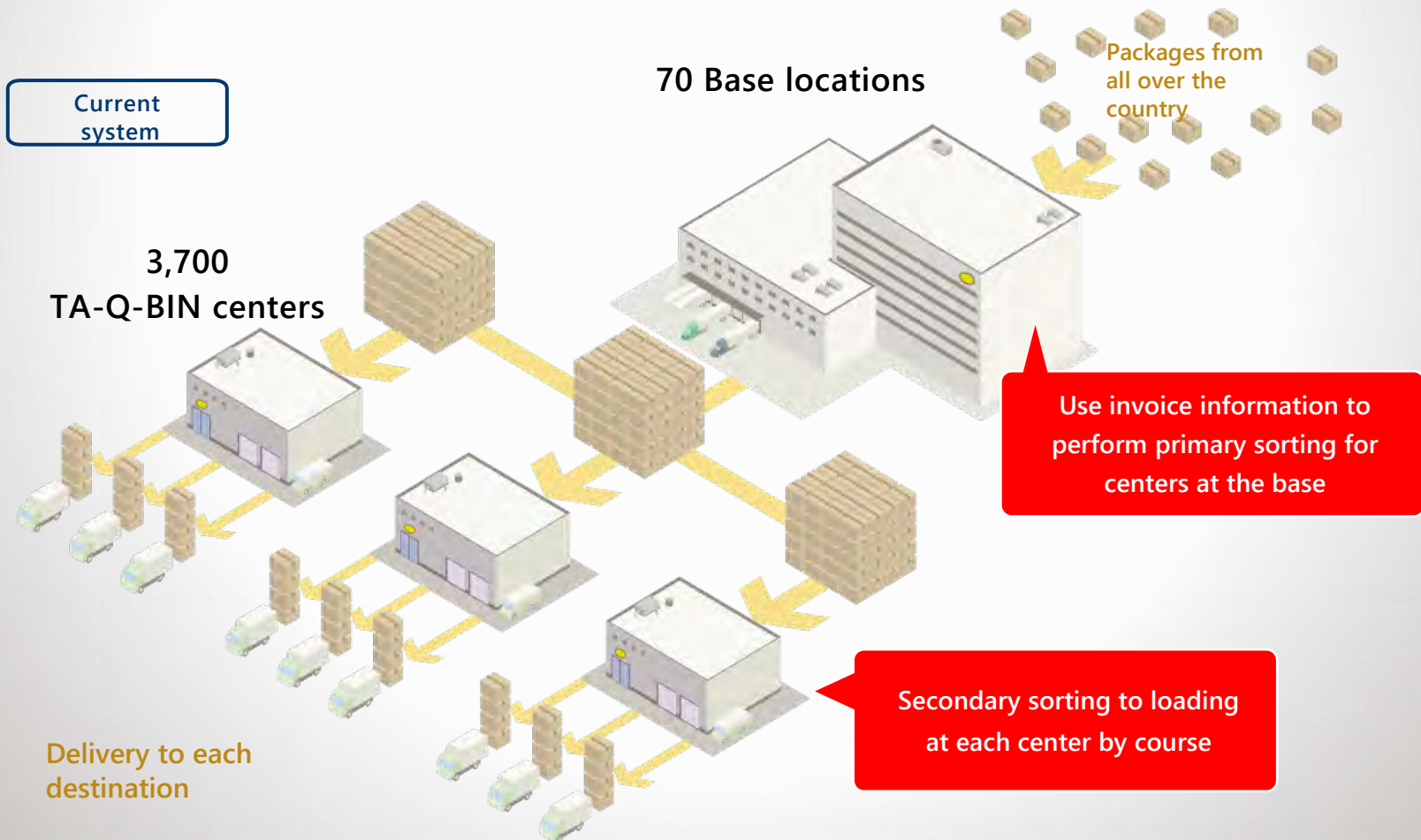
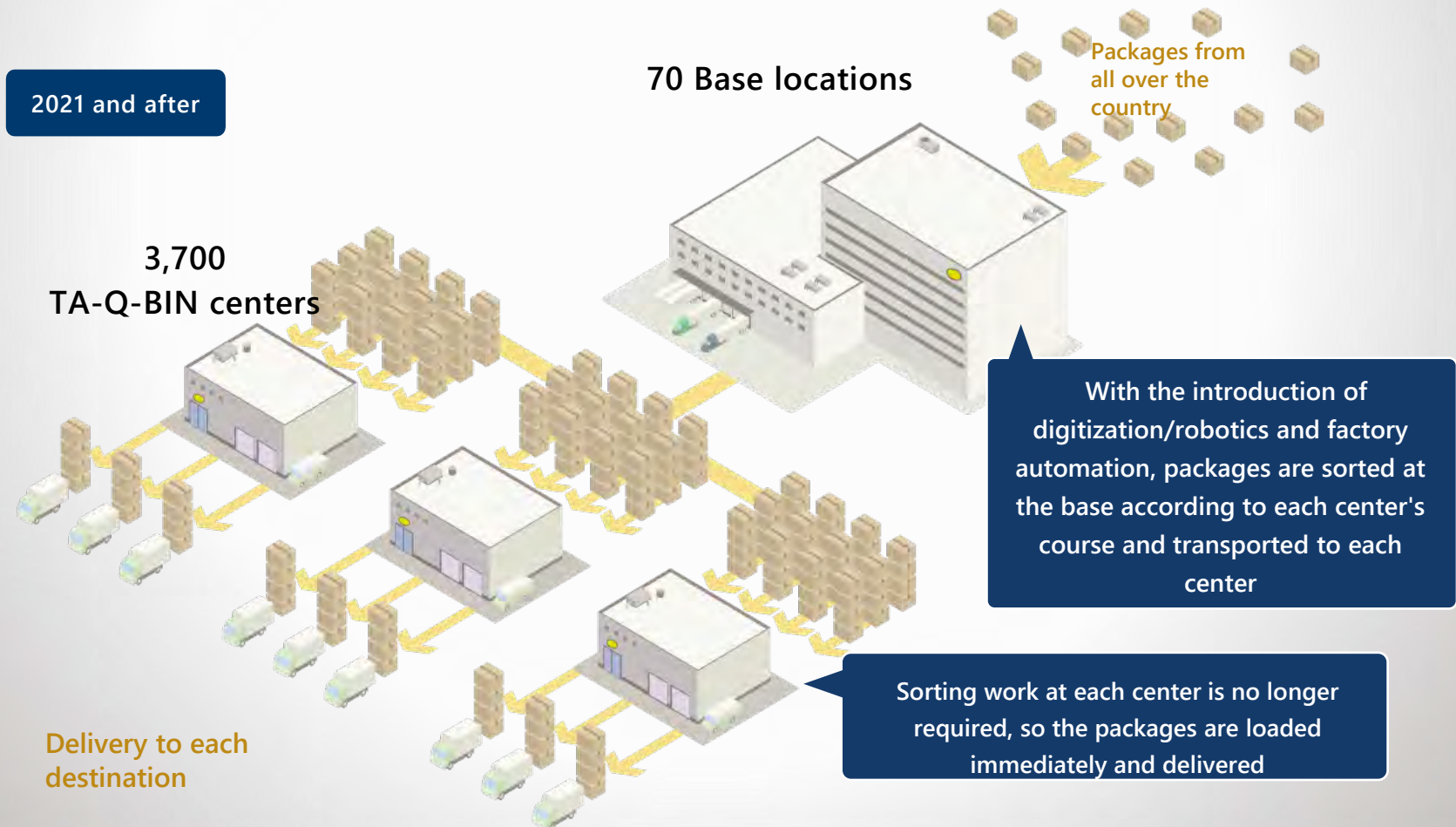


Image of productivity improvement using a sorting system



② Establishment of an EC ecosystem

- Newly establish a EC Business Division to serve the continuously rising and evolving EC industry
- Establish a sustainable EC ecosystem optimal to meet the needs of the society, senders, consumers, deliverers
- Aim for the release of an open digital platform in April 2021



Introduce a new
delivery service
for EC

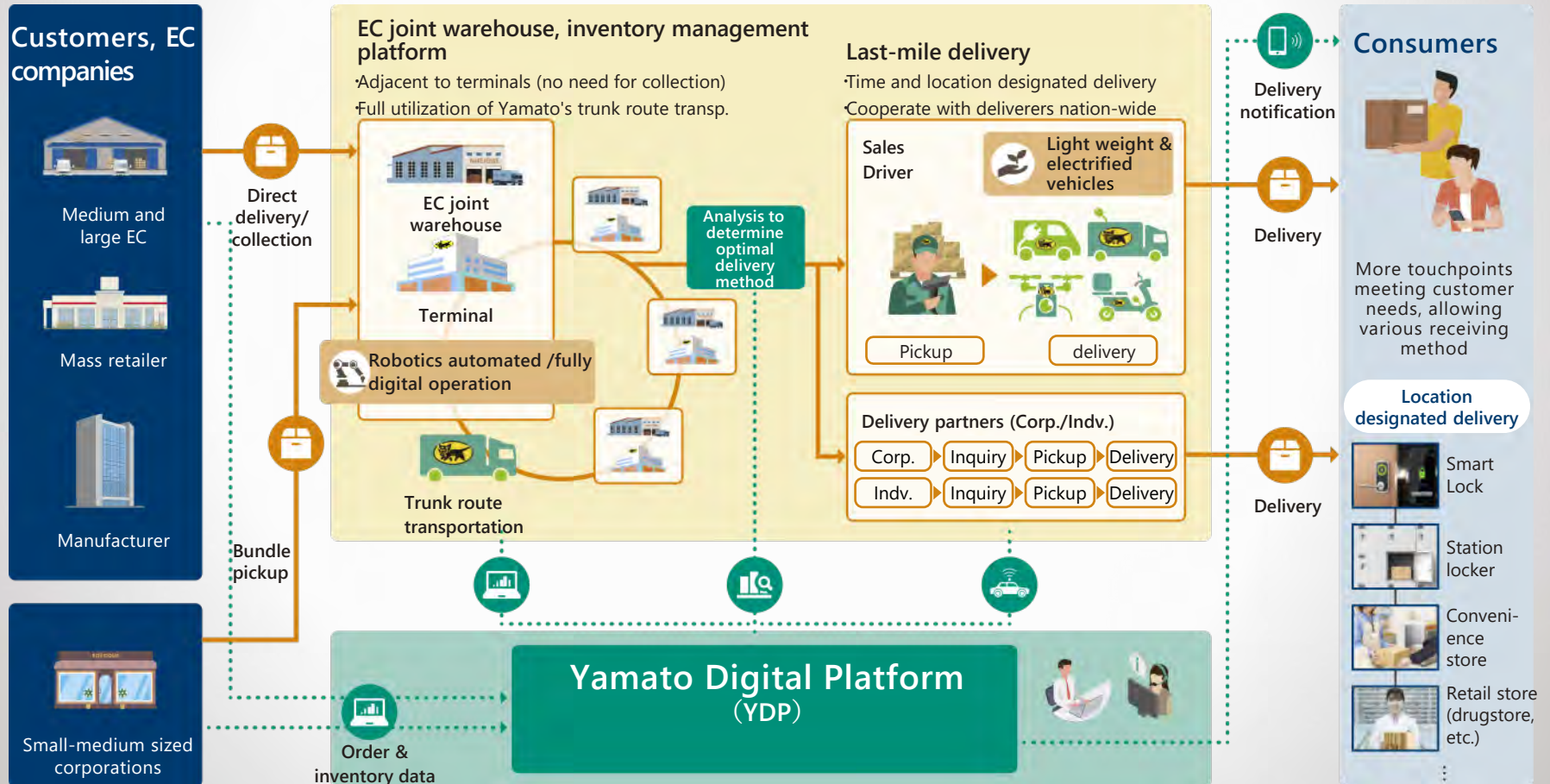


Establish optimal
sending and
receiving methods
for EC businesses,
purchasers, and
deliverers



Provide an open
platform for centralized
management of orders,
transportation,
inventory, payment,
returns, etc.

Conceptual model of the EC ecosystem



Merits for EC Clients

- Increase sales opportunities
- Minimize inventory and admin cost

Merits for Transporter

- Business volume forecasting (Optimized resource allocation)
- Stable support tool
- Drastic Reduction of Re-delivery

Merits for Consumers

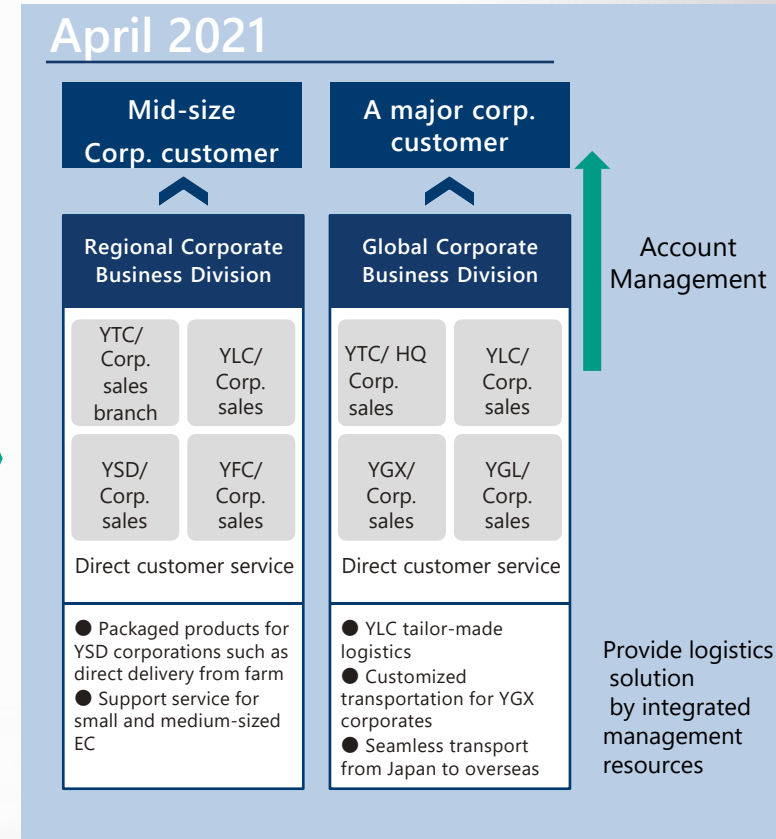
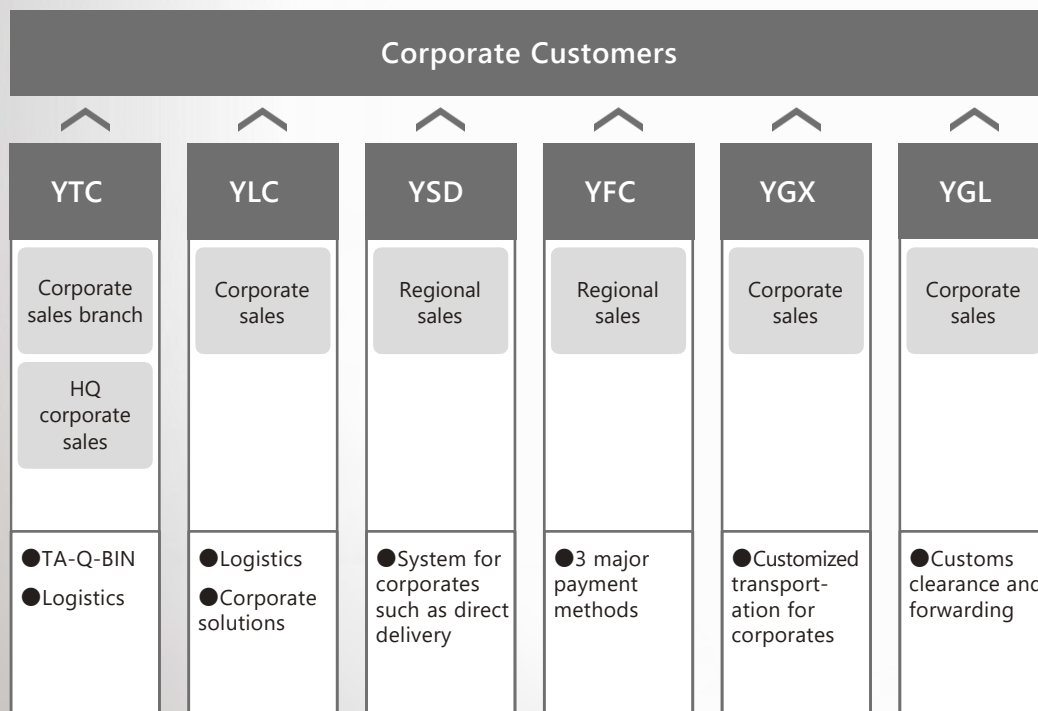
- Reduce lead-time between ordering and receipt
- Variety of choices for receipt

③ Strengthening of corporate logistics business

- Promoting account management by consolidating group sales organizations and management resources in the corporate logistics business domain.
- Building a data infrastructure (Yamato Digital Platform [YDP]) and providing logistics solutions based on highly accurate real-time information
- Connecting customers and Yamato with data to optimize the entire customer supply chain in the future

③ Strengthening of corporate logistics business

Current State

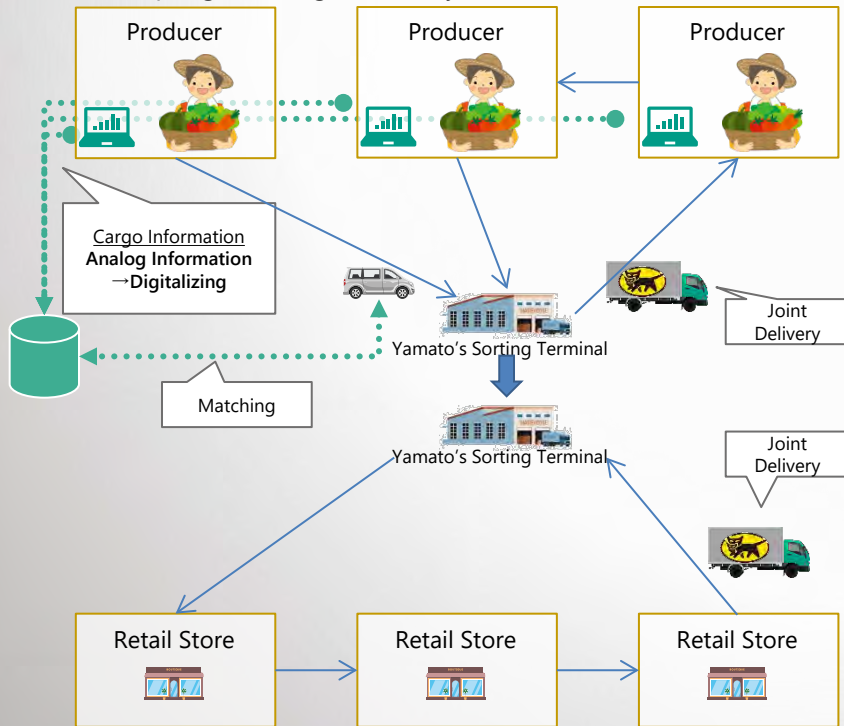


【Example of corporate logistics business solution】

Primary industry : Agricultural products

- Forwarding service based on a cloud computing for primary industry (agricultural products) "Vege-Neko"

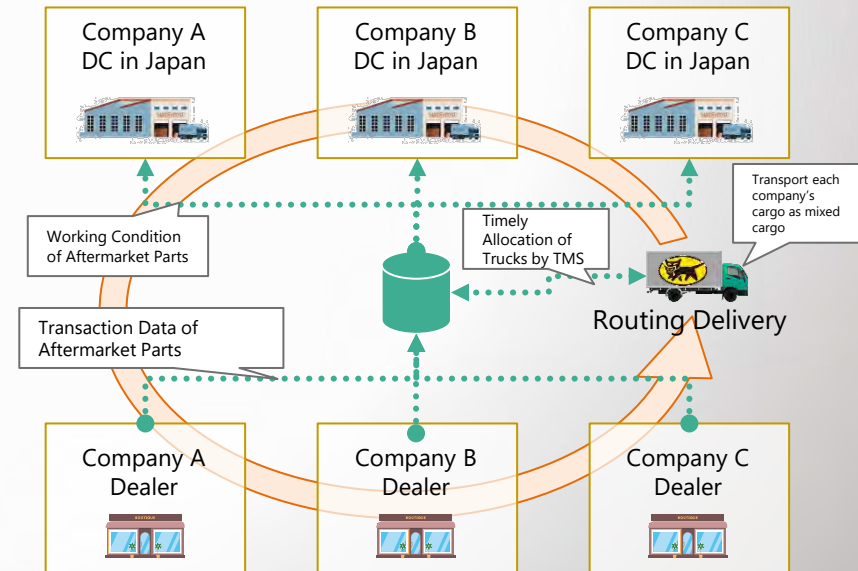
Realize operational efficiency for producers by combining transportation with IT and providing one-stop service which covers from accepting/ordering to delivery.



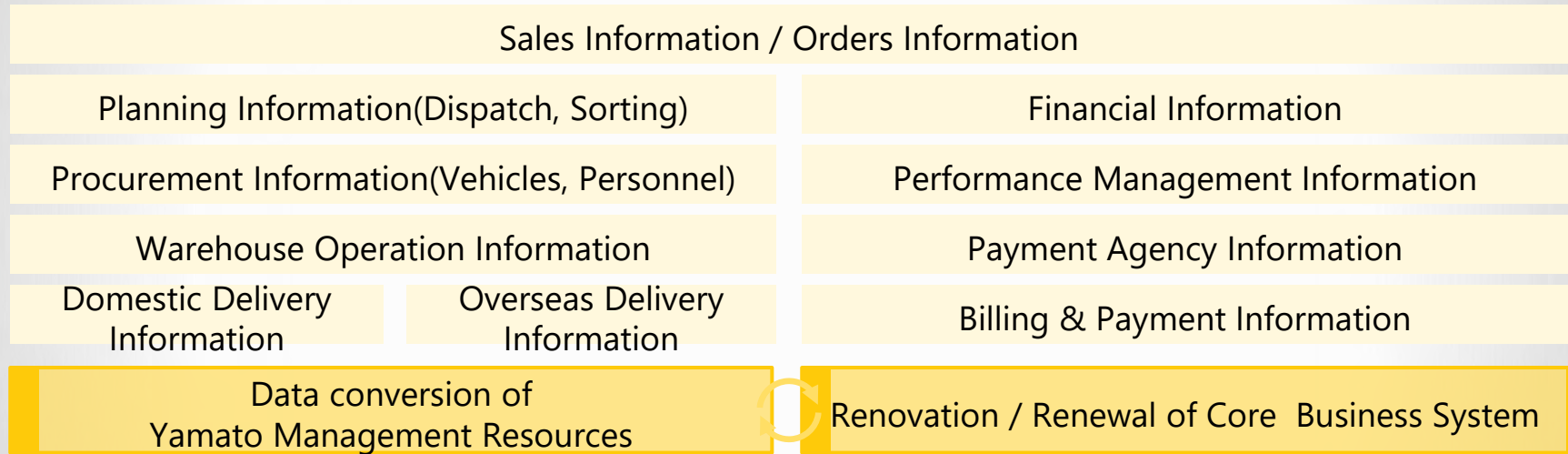
Manufacturer : Car, Medical equipment

- Aftermarket parts logistics for manufacturers

Realize inventory compression, speedy transportation and nationwide JIT delivery of aftermarket parts by utilizing our delivery network.



Build and evolve "Yamato Digital Platform" to optimize entire supply chain of Corporate customers

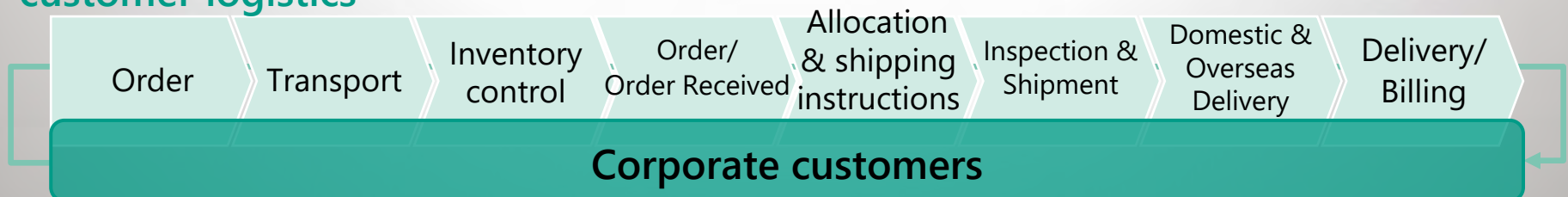


First stage:
Connect data internally to improve visibility and predictability

⇒ Visualization of management
(Foundation for data-driven management)

Second stage:
Connect customers and Yamato with data to optimize customer logistics

⇒ Develop a new digital-driven business model



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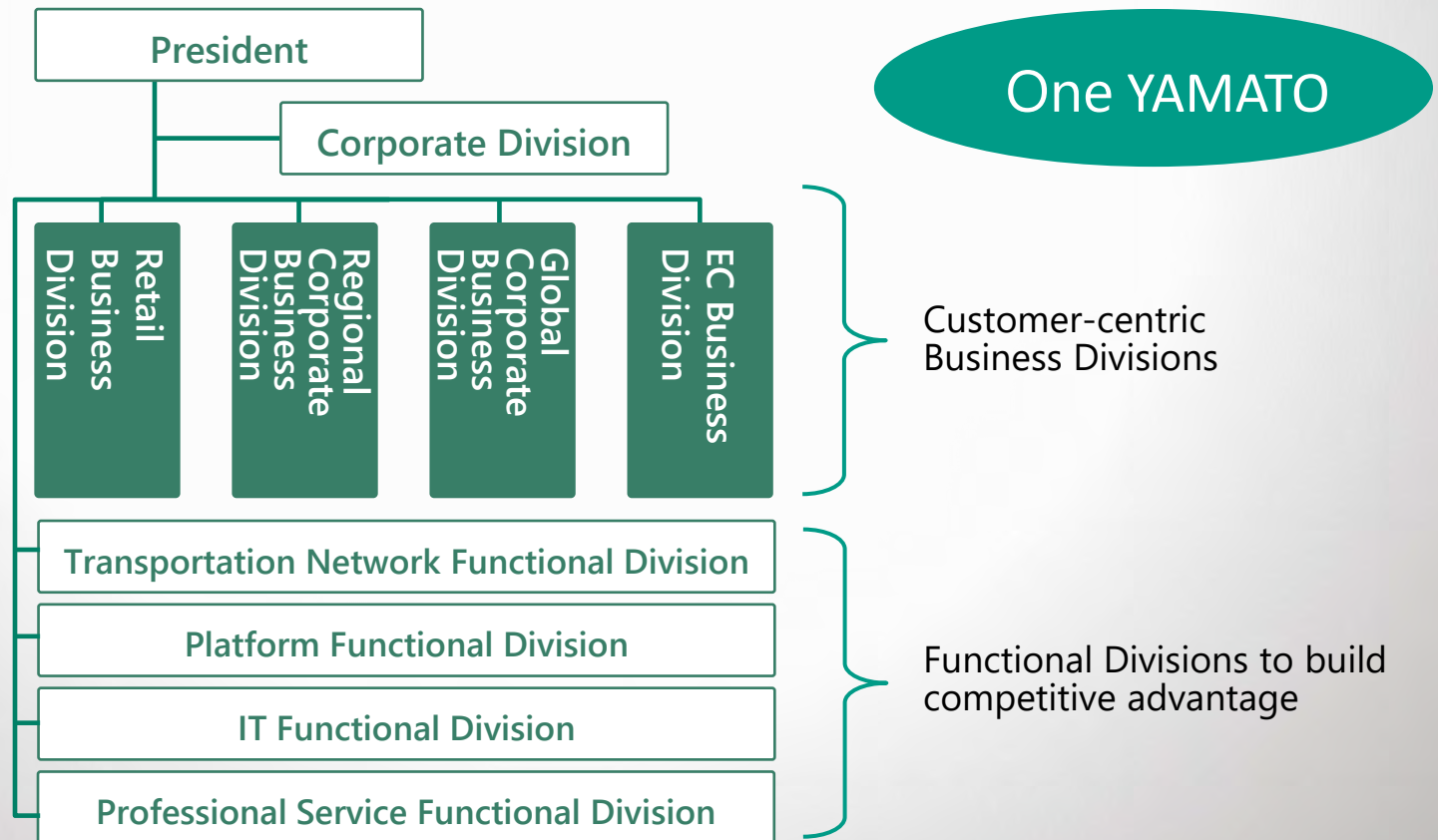
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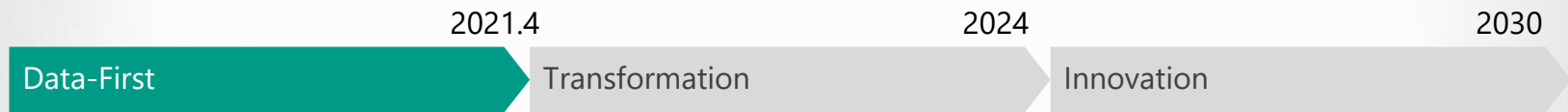
① Renewal of group management system

- Reorganization and simplifying decision-making processes to speed up management.
- By streamlining and standardizing duplicate operations and reduce administrative costs.



② Shift to data-driven management

- Invest approximately 100 billion yen in the digital field over the next 4 years
- Launch a new digital organization with 300 personnel in 2021
- Execute 5 actions to launch a new organization



- ① Implement data-driven, forecast-based decision-making and measures
- ② Integrate corporate customer data to strengthen account management
- ③ Improve service level by real time freight flow data
- ④ Optimize and advance resource allocation by visualizing operation and costs
- ⑤ Begin the construction of Yamato Digital Platform (YDP) incorporating cutting-edge technology and renovating existing core systems

Feature of Yamato's Data Strategy



Feature 1 :

Yamato's Digital Transformation (DX): "data first"

Realizing true DX in 3 phases. The 1st "data first" phase promotes 5 prioritized data strategies to deliver on the transformation pillars, with short-term results.



Feature 2 :

Integration of Business Measures and Data Measures

Organizing requirement data which is necessary to realize measures, and identifying 500 items of necessary data and measures with large impact in the short term. Determining priorities for data organization to achieve firmer measures.



Feature 3 :





Emphasis on "Architecture"

Orderly structure responds to changes from the current situation by design for future situations. Realizing a return on investment over a long period of time by expandability and flexibility in the business environment in conjunction with partnering other companies and various platforms, etc.

③ Sustainability Initiatives

Connect. Deliver the future via green logistics.

Yamato Group will further strive to connect and deliver the future through green logistics. By leveraging cutting-edge connections between data, people, and resources, we will increase the efficiency of transportation and provide delivery that is better for the planet, our lifestyles, and the economy. We will support a strong, smart society by striving toward carbon neutrality and by creating business models based on sustainable resource use and consumption.

Materiality	Energy & Climate	Atmosphere	Resource Conservation & Waste	Resilience of Companies & Society
Priorities	 <p>Carbon neutrality</p>	 <p>Logistics that protect the atmosphere</p>	 <p>Resource efficient logistics and business</p>	 <p>Logistics infrastructure that promotes a society in harmony with the environment</p>
Goal	Carbon neutrality by 2050*	Reduction of air pollutants from vehicles (reduction of NOx and PM from urban area deliveries)	Use environmentally friendly materials, and shift to delivery using reusable and minimal packaging	Strengthened collaboration to combat environmental changes
Value Created	<ul style="list-style-type: none"> Driving renewable energy growth by stimulating demand Mitigating climate risk such as natural disasters Promoting widespread use of innovative low-carbon technologies Facilitating the availability of low-carbon products 	<ul style="list-style-type: none"> Contributing to the health of local communities by preventing air pollution Utilizing data to optimize transportation, thereby reducing traffic 	<ul style="list-style-type: none"> Shifting to a circular economy by creating resource recovery networks Improving efficiency and economic gains by leveraging the sharing economy 	<ul style="list-style-type: none"> Foster collaboration to support a sustainable society Improving society's resilience to climate change Promoting a low-carbon society through smart mobility

*Scope 1&2 emissions (Yamato Group operations)

③ Sustainability Initiatives

Through co-creation and fair business activities, help create a society that "leaves no one behind"

As a social infrastructure company, Yamato Group will contribute to improving the quality of life (QOL) of various people, including employees and customers, by reducing and eliminating various inequalities and obstacles in society. We will do this by delivering goods and value to everyone through fair and efficient business processes. By promoting digital innovation and our strengths offline, as well as co-creation with various partners, we will be a leader in solving social challenges and creating a society that leaves no one behind.

Materiality	Labor	Human Rights & Diversity	Safety & Security
Priorities	 <p>Creating work environments that are fair, worker-friendly, and engaging</p>	 <p>Creating a vibrant society that respects human rights and diversity</p>	 <p>Ensuring road and occupational safety, improving quality of services and business processes</p>
Goal	Achieve "Decent Work" ^{***} by 2030 by creating workplaces that are employee-friendly and that foster employee engagement	Empowerment of socially vulnerable people	Establish business processes that can significantly reduce accidents on the road and at worksites
Value Created	<ul style="list-style-type: none"> ● Enabling employee work-life balance ● Promoting physical and mental health of employees ● Ensuring enough workers to continue stable business activities ● Providing a model of industry best practices related to labor practices 	<ul style="list-style-type: none"> ● Promoting a society where human rights are respected and protected ● Sparking innovation through diverse ideas ● Creating job opportunities for diverse individuals, including women and people with disabilities ● Reducing and eliminating social inequality and obstacles 	<ul style="list-style-type: none"> ● Creating safe cities ● Ensuring health and safety of employees ● Providing a sense of security and well-being




*To leave no one behind: Basic philosophy of the SDGs

**Decent work: Work that ensures dignity, equality, fair income, and safe working conditions

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Materiality	Data Utilization & Security	Supply Chain Management	Community
Priorities	 <p>Robust information security, utilization of data from operating vehicles and from transportation for social impact</p>	 <p>A resilient and sustainable supply chain that considers the environment & society</p>	 <p>Building strong communities through co-creation</p>
Goal	"Creating Shared Value" by utilizing data	Build a resilient and robust supply chain & co-creation model	Build a business model that accelerates the revitalization of local economies
Value Created	<ul style="list-style-type: none"> ● Protecting personal data (respecting human rights) ● Solving environmental and social challenges 	<ul style="list-style-type: none"> ● Continuing to ensure appropriate and stable business activities ● Mitigating reputational risks ● Creating synergy from environmental conservation activities ● Providing an efficient and robust labor practices model 	<ul style="list-style-type: none"> ● Revitalizing local economies ● Improving Japan's global competitiveness through regional revitalization ● Building a foundation for co-creation of a sustainable society

*To leave no one behind: Basic philosophy of the SDGs

10. Financial Targets

Investment

(FY ending in March 2020 – March 2024)

Growth Investment	IT / digital investment	100 Billion
	Logistics network renewal investment	100 Billion
Current Investment		200 Billion
Total		400 Billion

Target

for FY ending in March 2024

Operating Revenue	2 Trillion
Operating Profit (ratio)	120+ Billion (6%)
ROE	10+ %

In order to expedite growth in Yamato Group, M&A, alliance with the third party partners, etc can be strategic alternatives as a complement to necessary functions and speeding up realizing effects from each initiative.

1. Basic Principle

In consideration of growth, profitability, sound financial position, investment progress and capital efficiency, Yamato will conduct timely and appropriate capital policy for stable dividend and flexible rewarding shareholders.

2. Capital Policy (key indicators)

ROE

10+%

Dividend payout ratio

30+%

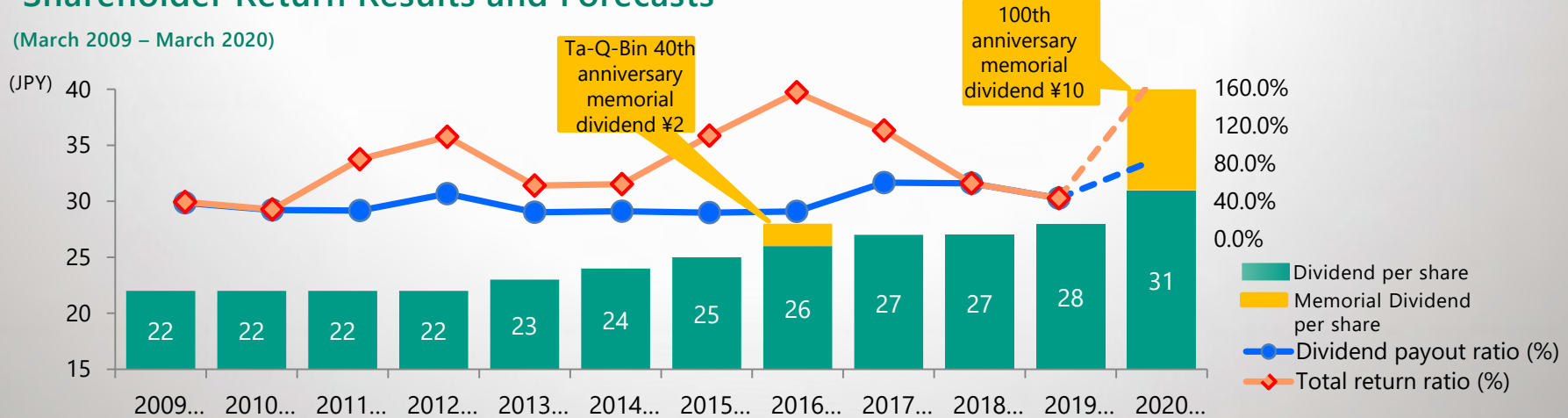
Total return ratio

50+%

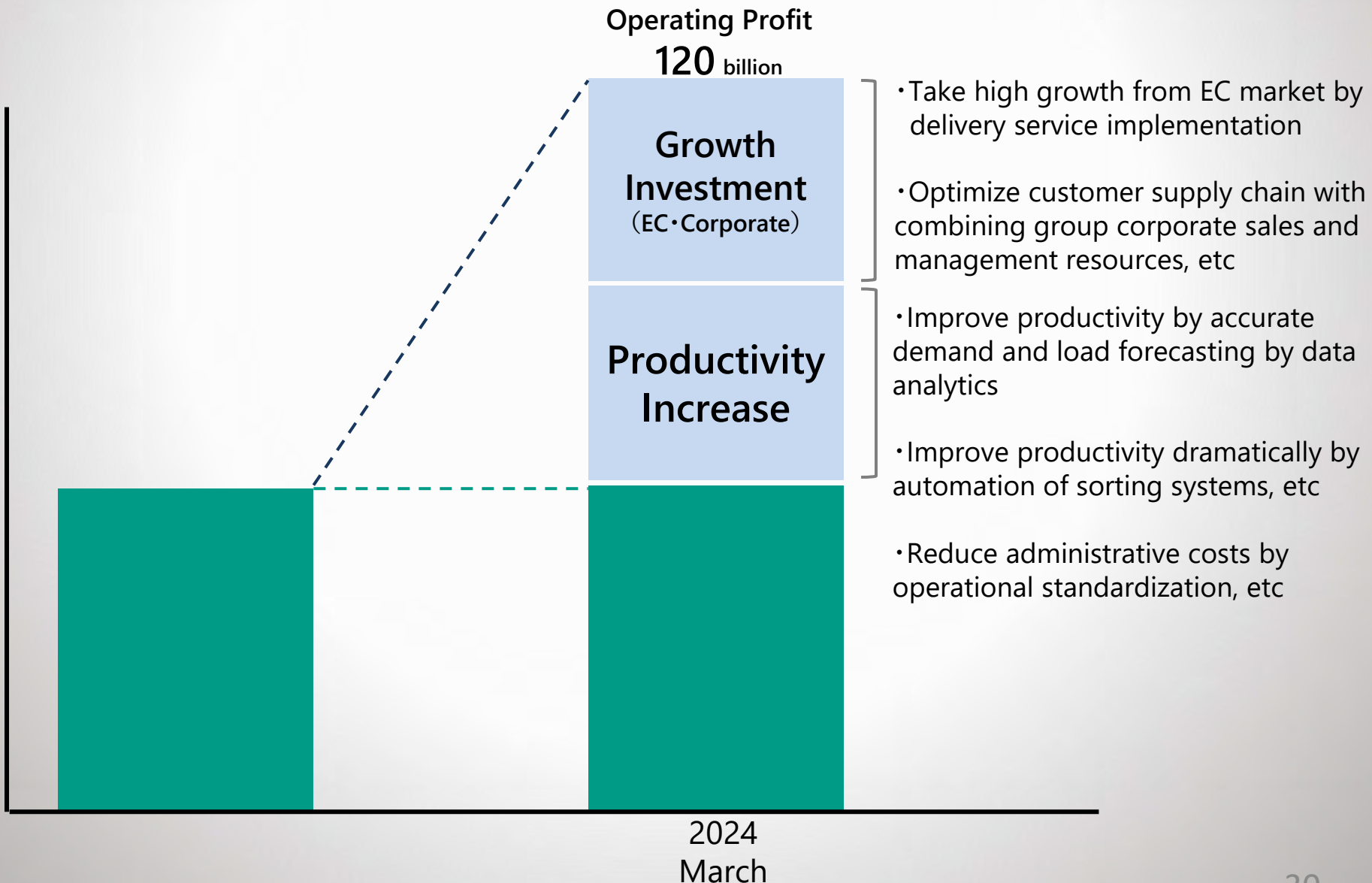
cumulative of FY ending in March 2021 - 2024

Shareholder Return Results and Forecasts

(March 2009 – March 2020)



12. Image of profit growth under YAMATO NEXT100



13. YAMATO NEXT100 Roadmap

		Short-Term (~Mar 2021)	Mid-Term (Next mid-term: Apr.'21- Mar.'24)	Long-Term (Next-next mid-term: Apr.24~)
Business Transformation	Digital transformation (DX) of TA-Q-BIN	Stabilize profit base by eliminating inefficiency and significantly improving forecast model accuracy using data analytics and AI	Achieve stable growth under the new structure	
	Establishment of an EC ecosystem	Start EC specific delivery service Start collaboration with major EC companies	Expand EC specific delivery service Collaborate extensively with major EC companies Launch new EC platform	Operate an open platform at full-scale utilizing both real and digital infrastructures
	Strengthening of corporate logistics business	Develop a Yamato-specific solution based on salesforce consolidation and account management	Expand the developed solution model Re-expand global business	Establish an extensive corporate business
Infrastructure Transformation	Renewal of group management system	Promote construction and maintenance of ONE Yamato structure	Establish and operate ONE Yamato structure ● Descale decision-making structure & define responsibilities	
		Dramatically improve cost structure		
		Integrate individual HR system & talent pool	Evolve into a new HR system that supports "NEXT100"	
	Shift to data-driven management	Build a data-first infrastructure ● Establish a foundation and org. ● Start core system renewal	Promote digital transformation ● Expand revenue & profit by leveraging infrastructure/org.	Accelerate innovation ● Implement latest cutting-edge technology and accelerate innovation
Focus on sustainability initiatives	Build a structure that is linked to businesses and are capable to execute sustainability initiatives	Execute sustainability initiatives ● Progress towards "Green logistics for a sustainable future" ● Start on "Contribution to the co-development of a fair society that Leaves No One Behind"		

14. Evolution to delivery innovation

Transform Yamato Group management structure centered on TA-Q-BIN drastically on a digital-oriented basis and achieve both high growth and profitability by delivery innovation based on data-driven management

