

MESSAGE FROM THE PRESIDENT

Creating New Value by Differentiating the Yamato Group through the Promotion of Sustainability Transformation

Allocating Management Resources Optimally and Increasing Management Speed

The structural reforms launched by the Yamato Group in April 2020 have entered their fifth year. Through these reforms, I have sought consistently to optimize the allocation of management resources, use the *TA-Q-BIN* network—the Yamato Group's greatest strength—to expand the provision of value to clients, and increase management speed.

I became president in 2019. At that time, despite adopting the goal of achieving discrete growth as a Group, I believe that Group companies had lapsed into suboptimization and operating companies and the holding company lacked the mindset to realize dramatic Groupwide growth. In addition, given that the proper role of the holding company entails identifying the seeds of future growth and quickly investing management resources to commercialize them, the Group needed to improve its governance system to accelerate growth. After concluding that maintaining the previous management system would not allow us to make decisions and act quickly as a Group, or attain the necessary business or management speeds, we decided to transition to One YAMATO, integrating nine operating companies into a single entity.

The Strengths of the *TA-Q-BIN* Network

First, under the "One YAMATO structure," we drew fully on the strengths of the *TA-Q-BIN* network, the Yamato Group's greatest strength, quickly promoting business structure reforms to expand our provision of value.

The strengths of the *TA-Q-BIN* network lie in its Japan-wide deployment of Sales Drivers (SDs) (employees) who share the Group Corporate Philosophy, not only in regions with many business sites (companies) but also those with many private homes (consumers). This feature of the network is

grounded in the idea of deploying SDs with a focus on clients waiting for parcels to arrive (delivery recipients), rather than clients who ship parcels (pickup points), the latter of which is the norm in the transportation industry. As the volume of parcels shipped by individual clients is smaller than that by companies, our competitors do not deploy employees in regions with many private homes. However, since the freight charges for parcels shipped from private homes are relatively high, we can, in some cases, earn higher revenue from them than we can in commercial areas by extensively collecting such parcels. In addition to BtoB deliveries, the *TA-Q-BIN* business handles many parcels for delivery to individual clients, such as BtoC and CtoC deliveries. The Group focuses its deployment of SDs on clients waiting for parcels to arrive (delivery recipients). Accordingly, leveraging this strength to engage fully with individual clients and corporate clients rooted in communities and developing relationships that allow us to receive requests and consultations is vital. We build our network based on this approach, including our systems for supporting the front lines. Today, even as we promote the consolidation and enlargement of pickup and delivery facilities, we place great importance on maintaining and strengthening connections between our approximately 60,000 SDs and our clients.

Network for Corporate Clients

In addition to the aforementioned *TA-Q-BIN* network, the Yamato Group has a network for corporate clients featuring approximately 400 facilities centered on regions with clients who ship parcels (pickup points). This network, comprising *TA-Q-BIN* Sales Offices and operation facilities, the facilities of the Contract Logistics (CL) and Global Businesses, and other infrastructure geared toward major corporate clients, is designed to meet the diverse needs of such clients, which Sales Offices—served mainly by SDs and small trucks—are unable to fully address. In my view, having so many facilities for corporate

The Yamato Group is expanding operations in the upstream domain through dynamic collaborations between departments in the last-mile domain and departments in other domains.



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clients in addition to the *TA-Q-BIN* network differentiates the Yamato Group from its competitors.

Sales representatives at the previous iteration of Yamato Transport made proposals within the scope of the *TA-Q-BIN* service lineup. Today, however, as their areas of responsibility have expanded through the transition to One YAMATO, they make a wide range of proposals. These include supply chain optimization solutions—encompassing everything from inventory control to sales—in the CL Business, and solutions leveraging the three-temperature-range network, including frozen and refrigerated, as well as *TA-Q-BIN*. In addition, sales representatives originally from the former Yamato Logistics, whose responsibilities had hitherto centered on services in relation to contract logistics, currently sell *TA-Q-BIN* services as members of One YAMATO while using the network's extensive client base to bolster proposal capabilities for contract logistics and *TA-Q-BIN* clients in the upstream domain of supply chains.

Refining logistics operations in the upstream domain is indispensable for expanding business activities targeting corporate clients. External human resources with advanced expertise in logistics operations took part in planning efforts with the Yamato Group in the process of strengthening the *TA-Q-BIN* network. To further leverage the expertise of these external human resources and strengthen their cooperation with *TA-Q-BIN*, which is in the downstream domain, we unified the *TA-Q-BIN* and contract logistics operation teams. Using each other's expertise and resources, members of the unified team are currently deepening cooperation and working in an integrated manner to increase the efficiency of corporate customer transportation and design the operation of contract logistics. I believe that such team integration was only possible with the transition to One YAMATO, which centralized management

resources in Yamato Transport, and the participation of human resources with advanced expertise.

The benefits of the transition to One YAMATO are also steadily emerging in business terms. In the cross-border EC (e-commerce) domain, for example, a lack of close cooperation between the operating company with responsibility for import operations and that for last-mile operations prevented us from capitalizing fully on business opportunities prior to One YAMATO, even if they understood client transport needs. However, with both operating companies working together as members of Yamato Transport following the transition to One YAMATO to promote measures to incorporate cross-border EC parcels through creative efforts in areas including customs operations, we are steadily increasing the volume of such parcels.

I am certain that skillfully combining our network for corporate clients, which can also operate in the upstream domain, with the *TA-Q-BIN* network—the Yamato Group's greatest strength—will enable us to evolve into a corporate group that develops differentiated and original business models.

The Yamato Group's Aspiration through Sustainability Transformation 2030

It is vital that the Yamato Group translates the structural reforms currently underway into business growth for the Group. One YAMATO 2023, the previous medium-term management plan, was affected by dramatic changes in the external environment, including the COVID-19 pandemic, subsequent sharp fluctuations in parcel volume, and a prolonged consumer slump due in part to skyrocketing commodity prices. As a result, our performance did not improve in accordance with the schedule we had anticipated, which we take very seriously. Although operating profit declined in fiscal 2024, as progress in reducing fixed

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costs was outweighed by a decrease in operating revenues, the Group will work together to meet the diverse needs and expectations of clients by continuing to promote business structure reforms and restore operating revenues to a growth track while realizing profit growth.

In February 2024, the Group unveiled “Sustainability Transformation 2030 ~1st Stage~,“ its latest medium-term management plan, to further accelerate reform and growth and to realize the ongoing improvement of its corporate value. The Group defined its vision for 2030 as becoming a value-creating company that contributes to the realization of a sustainable future. Based on which, it will create steady change during the three years beginning in fiscal 2025 that constitute 1st Stage by promoting initiatives under a two-pronged approach of reinforcing the *TA-Q-BIN* network and reforming its business portfolio.

The Yamato Group is a corporate group centered on the *TA-Q-BIN* business, which is rooted in communities. The sustainability of communities and society is the basis for the Group's businesses. Accordingly, the Group must address issues faced by communities and ensure the sustainability of resources by working to achieve the sustainability of its businesses as a logistics company that uses many human resources, such as employees and partners, and energy resources, such as fossil fuels.

We have positioned these efforts as proactive and strategic activities to create competitive advantages and elements of differentiation, rather than passive activities to be engaged in due to societal expectations on us a company. At one time, the quality of its service was recognized as an element of differentiation for the Yamato Group. However, amid dramatic changes in the world, the needs of clients today are highly diverse. We are no longer in an age in which providing a one-size-fits-all service will meet needs

and earn satisfaction. Without an extensive product lineup and detailed customization, we will not be able to address diverse client needs, making differentiation difficult. With this in mind, we aim to create elements of differentiation in areas other than convenience while offering clients options tailored to their diverse needs.

One answer lies in our corporate stance. Based on the premise that resources are finite, the Yamato Group strives to be a corporate group that works to address issues in communities and society and to achieve sustainability. I believe that the ability to provide services as such a corporate group can become an element of differentiation going forward. Carbon neutral delivery through three *TA-Q-BIN* services—*TA-Q-BIN*, *TA-Q-BIN Compact*, and *EAZY*—in accordance with ISO 14068-1:2023*, demonstrates that corporate stance. Immediately after releasing these services, we received particularly many inquiries from corporate clients promoting advanced initiatives to reduce their greenhouse gas (GHG) emissions, along with requests that go beyond *TA-Q-BIN*, including on building a supply chain that further reduces GHG emissions. Going forward, the Yamato Group will expand its provision of value to clients with carbon neutral deliveries as a new, differentiated element.

* An international standard that specifies principles, and requirements for achieving and demonstrating carbon neutrality

The M&A Option for Accelerating Growth

As previously stated, the Group expects to accelerate organic growth by refining its contract logistics and global businesses. It is also prepared to consider business and capital alliances with other companies and M&As as ways to accelerate the speed of growth.

Although we are seeing an increase in M&As in the logistics industry in Japan due to labor shortages, we believe

that it is important to develop M&A scenarios in advance based on our growth strategies, rather than considering them only after receiving an inquiry. To this end, we have adopted an M&A strategy in the medium-term management plan and positioned it as one way to realize growth. In my role, I believe that it is critical to capitalize fully on relationships with business managers and executives to identify combinations that can create synergies.

The Importance of Specialist Skills

People are the Yamato Group's most important management resource for realizing continuous growth. When I transferred to the Yamato Transport head office 15 years ago, most employees at the head office had joined under the regular new graduate recruitment program. As someone who had spent his career on the front lines, I was surprised by the gap between frontline operations, where mid-career recruitment is common and most employees have different backgrounds, and head office. In recent years, however, as mid-career hires with a diverse range of specialist skills have joined the head office, it has become the norm to see a more diverse group play active roles. This represents an extremely positive change in realizing the future growth of the Yamato Group.

In addition to advancing job-focused mid-career recruitment, it is vital to ensure that new graduate recruits learn specialist skills. There are many businesses and departments within the Group. We are therefore looking into developing a system to refine the specialist skills of all employees, not only those on the front lines or at head office. We also hope that mid-career hires who join the Group with advanced specialist skills will provide motivation, encouraging those around them to learn.

Ensuring that the Yamato Group becomes a more attractive corporate group, the preferred choice of talented external human resources, is vital to achieving this goal. Conversely, I hope that human resources who worked hard at the Group will earn strong recognition for their skills in the event that they leave to work outside it. Although we have long updated employee skill sets and strengthened our training system, we will further develop systematic frameworks.

I am also keen to enhance the social status of truck drivers. The logistics industry in Japan, particularly truck transport, which carries 90% or more of domestic freight volumes, is an indispensable presence in society. Those working in the industry have sophisticated, specialist skill such as heavy haul truck drivers, who require more advanced driving skills, and delivery drivers, who multitask safety, sales,

deliveries, and pickups at a high level. To enable them to feel pride in the work they do, Yamato Transport holds a commendation ceremony recognizing long-term driving without any accidents for drivers who have achieved 25 years of continuous accident-free driving to attend with their families. At the ceremony, the drivers are praised for their achievements and rewarded with special leave and an overseas vacation. I hope that these kinds of initiatives can be extended throughout the industry. To enhance the appeal of the logistics industry as a whole and ensure its sustainability, I will strive to create a world where everyone involved in logistics earns greater recognition, including those engaged in warehouse operations as well as drivers.

Becoming a Sustainable Corporate Group

Through its structural reforms thus far, the Yamato Group has transformed itself steadily into a corporate group that creates value by using its management resources efficiently. I am convinced that the Group's future performance will reflect this positive change.

With innovation as its starting point, the Yamato Group aims to become a corporate group that creates new logistics and new value. Under the current medium-term management plan, the Group will enhance profitability in its base domain and expand business activities in its growth domains. In addition, I will identify new business seeds and provide support for their commercialization in my role leading the management of the Group. We are actively promoting efforts in new domains, such as initiatives to create business models that offer new value to corporate clients. For example, a mobility business that leverages the expertise in the adoption and utilization of electric vehicles developed in the last-mile domain.

The Yamato Group will deliver new value and experiences to clients by creating new elements of differentiation while continuing to capitalize on the *TA-Q-BIN* network, its greatest strength. It will also pursue business structure reforms to accomplish its evolution into a sustainable corporate group. To earn the further support of all our stakeholders, including clients, shareholders, and investors, we will conduct reforms aimed at realizing sustainable value provision.



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The Yamato Group has commenced carbon-neutral deliveries as a new element of differentiation. With innovation as its starting point, the Group will create new logistics and new value.