

Interview with the President

This section explains the aim and specific initiatives of each reform we will carry out under “KAIKAKU 2019 for NEXT100” as well as our vision going forward.



1. Could you please tell us the aim of your newly formulated medium-term management plan?

2. How do you assess the various challenges the Yamato Group is facing at the moment?

3. Could you please tell us about the measures you have in place to maintain and enhance the Delivery Business?

4. Could you please talk about the specific initiatives you will undertake to grow profitability in the Delivery Business?

5. What is the future outlook of the “Value Networking” design, which the Company has thus far promoted?

6. How will you evolve the management of the Group going forward?

7. Could you please tell us about the Yamato Group’s basic approach to addressing environmental and social issues?



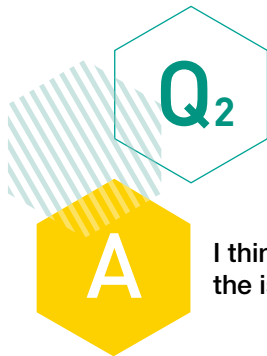
Q1 Could you please tell us the aim of your newly formulated medium-term management plan?

A Under the new plan, we aim to rebuild our management foundation and realize further growth.

With our new medium-term management plan (hereinafter, “the plan”), we are targeting operating revenues of ¥1,670.0 billion, an operating profit margin of 4.3%, and ROE of 7.7%, and these targets merely represent a checkpoint for us, as we have our sights set on even higher targets for the future. The Yamato Group is approaching a major milestone with its 100-year anniversary coming up in November 2019, and I hope that the Group can remain a corporate entity that continues to realize growth for the next 100 years and onward. In addition to the plan, we

have formulated a long-term vision that targets 2025. We have clarified the issues we must tackle to accomplish this vision within the plan, and we position the plan’s three years as a period in which we will solidify a management foundation for sustainable growth. Accordingly, in the upcoming three years, we will pursue three kinds of reforms while also placing “Reforming Working Styles” at the center of our management. The title of the plan—“KAIKAKU 2019 for NEXT100”—reflects our aim to realize these reforms.





Q₂ How do you assess the various challenges the Yamato Group is facing at the moment?

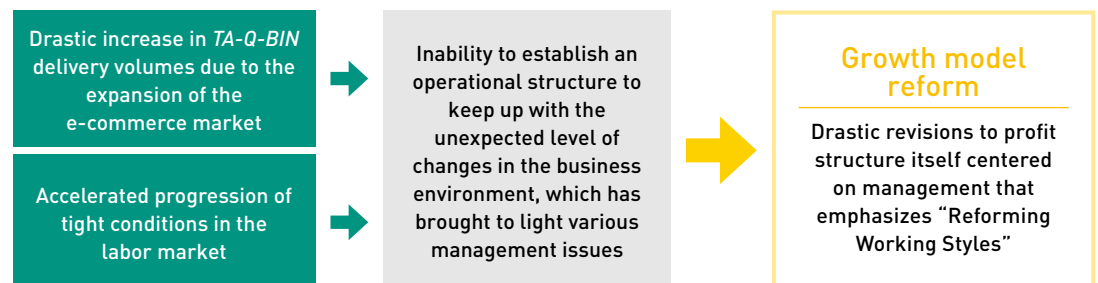
A I think our management will benefit from the fact that we have now clarified the issues we need to tackle to realize future growth.

To prepare for the changes that have been occurring in the business environment thus far, such as the declining population, the shrinking workforce, and the growth of the e-commerce market, we have been making concerted efforts to revise our network based on a gateway design and strengthen our “last mile” network. However, we have faced difficulties due to the fact that these changes have occurred at a far greater pace than we anticipated. As a result, we have not been able to keep up in terms of establishing an operational structure, which has placed a heavy burden on our employees working on the front lines. In response to this issue, we will bring together the comprehensive strengths of the Group to accelerate the process of structurally reforming our businesses during the period of the plan.

Among these reforms, we are giving the utmost importance to realizing the aim of “Reforming Working Styles,” placing it at the center of our management, and we are drawing up a wide range of initiatives to accomplish this task. However,

these reforms will not simply be limited to the adjustment of working hours. Rather, they will entail drastic revisions to our profit structure itself. The Yamato Group has achieved reliable growth for many years by meeting the expectations and earning the trust of all its customers, both individual and corporate. This growth has undoubtedly been supported by all our employees, including our sales drivers and guest operators, who have direct contact with our customers. This means that, as the point of contact with our customers, our employees provide the foundation for the Group’s strengths and the source of its competitiveness. By allowing our employees to work in a comfortable, highly motivated, and energetic manner, we are able to offer even better services to our customers, thereby allowing us to further deepen our trust-based relationships with them. If we do not reinforce our base of employees, who provide the foundation for establishing these trust-based relationships with customers, then we will not be able to achieve further growth.

Response to the Rapid Changes in the External Environment





Could you please tell us about the measures you have in place to maintain and enhance the Delivery Business?

We are working to rebuild our business structure to realize sustainable growth.

We are moving forward with efforts to rebuild our business structure in the Delivery Business with the aim of realizing sustainable growth.

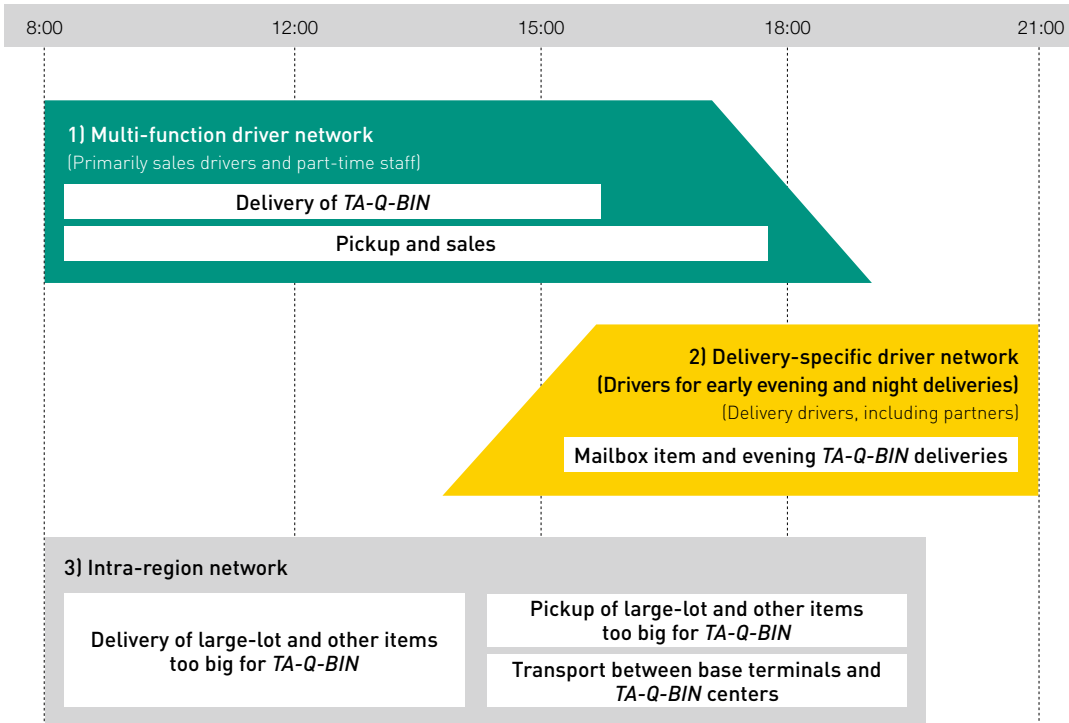
The first step we are taking is to rebuild and enhance the efficiency of our “last mile” network to respond to the rapid growth in *TA-Q-BIN* delivery volumes caused by such factors as the expansion of the e-commerce market amid tightening labor conditions. This will be accomplished through the establishment of a new diversified “last mile” network. Specifically, in addition to our conventional multi-function driver network, which handles *TA-Q-BIN* pickup and delivery as well as overall sales operations, the rebuilt “last mile” network will introduce a series of new networks, including a delivery-specific driver network, i.e., drivers for early evening and night deliveries, which will handle mailed goods such as *Kuroneko DM-Bin and Nekopos* as well as conduct deliveries during the high-demand time between early evening and late night. There will also be an intra-region network, which will handle large-lot and large-sized packages. With the introduction of this network comprising drivers for early evening and night deliveries, we aim to hire approximately 10,000 new employees. And, by introducing work environments and frameworks that allow all employees, regardless of gender or age, to play an

extensive and active role, we believe we will be able to secure the necessary workforce capacity to carry out our business. Furthermore, by introducing systems that work to optimize pickup and delivery routes using AI, we will provide support that allows our employees to boost their work performance. Most importantly, to maintain and improve the trust-based relationships we have with our customers, we will make even greater efforts to improve educational activities for employees and increase our number of managers. In these ways, we will establish a structure that enables us to offer high-quality services.

Additionally, we are promoting the structural reform of our trunk-route network. Leveraging integrated logistics terminals called “gateways,” which we have established in the high-consumption areas of Kanto, Chubu, and Kansai, we will realize frequent operation, circular operation, and “back-and-forth” operation between these major urban areas. In addition, we will introduce newly standardized connected trailers and other vehicles (see page 31), which have a greater overall length compared with conventional models, with the aim of achieving even faster and more efficient transportation. We will also streamline overlapping functions within the Group to further enhance efficiency. In doing so, we will achieve an optimal Groupwide network.

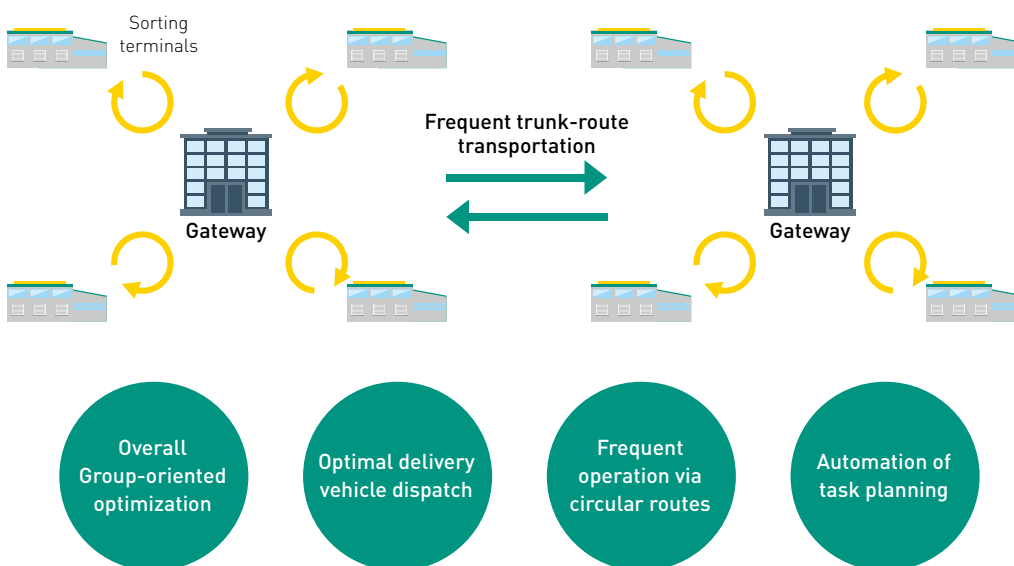


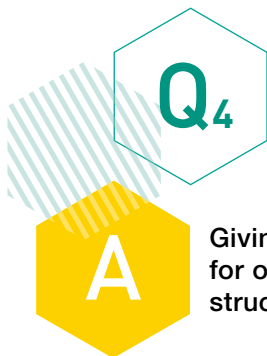
Developing a New Diversified “Last Mile” Network



Structural Reform of Trunk-Route Network

Optimizing the entire Group network by consolidating Groupwide functions and streamlining operations





Q4 Could you please talk about the specific initiatives you will undertake to grow profitability in the Delivery Business?

A Giving the utmost priority to maintaining and improving the work environment for our employees, we will establish a new foundation for profitability through structural reforms.

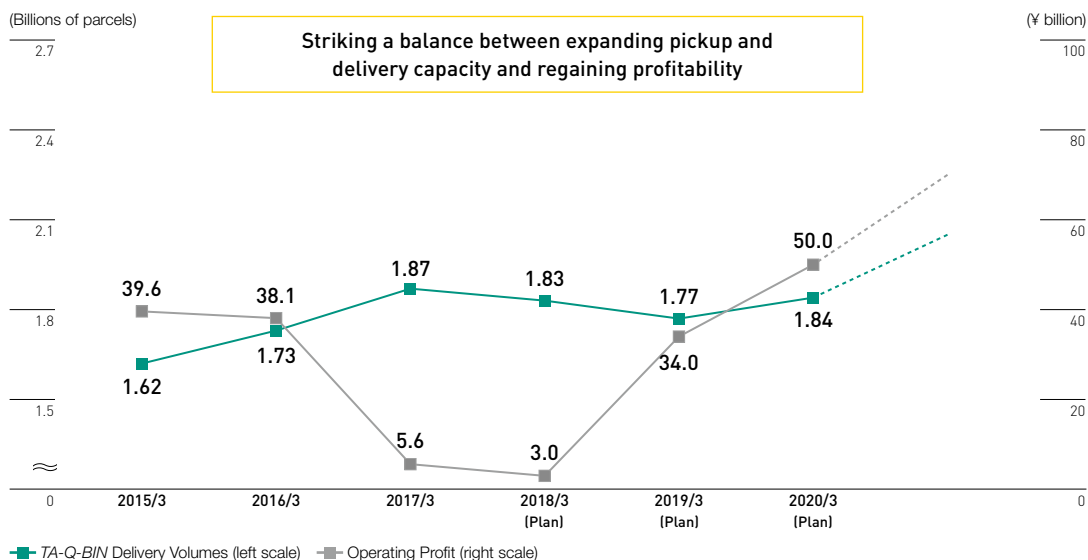
First off, to promote our most important initiative of maintaining and improving the work environment for our employees, we will encourage primarily our large-lot corporate clients to temporarily control *TA-Q-BIN* delivery volumes. We will also enhance our pickup and delivery capacity through a series of structural reforms, such as securing workforce capacity and bolstering our delivery network. Through these means, we will establish a structure that can handle an increase in delivery volumes from the fiscal year ending March 31, 2020, and onward.

In addition, we are gradually conducting price negotiations centered on our large-lot corporate clients. On October 1, 2017, we revised our

TA-Q-BIN fees for individual customers for the first time in 27 years. To standardize the process of revising the fees we have agreed upon with our corporate clients going forward, we have incorporated not only shipping volumes but also destination, size, pickup methods, and rate of absence, in addition to external factors such as fuel costs and hourly wages for employees, in our pricing schemes, thereby realizing appropriate pricing on a continuous basis.

By implementing these kinds of initiatives, we will expand our pickup and delivery capacity and restore profitability in the Delivery Business.

TA-Q-BIN Delivery Volumes / Operating Profit





Q5

What is the future outlook of the “*Value Networking*” design, which the Company has thus far promoted?

A

We will further evolve the “*Value Networking*” design, which combines value-added functions with our speedy transportation network. To this end, we will establish an industrial platform that caters to customer value chains in corporate and global domains.

To date, we have worked diligently to construct a highly competitive logistics network for Japan and greater Asia, centered on the *Haneda Chronogate*. In addition to logistics, we have steadily moved forward with the construction of a foundation that meets the diversifying needs of customers, including the need to incorporate high-value-added services such as assembly, merging, and maintenance.

We will form more organic connections within this foundation and accelerate the provision of solutions that help our customers grow their

business. We will also adopt trends based on digital transformation. While doing so, we will work to establish an industrial platform that allows us to expand the areas in which we can provide benefits to our customers.

In these ways, we will pursue efforts in corporate and global domains in order to evolve the “*Value Networking*” design so that it can contribute more significantly to the Group’s performance in the future.





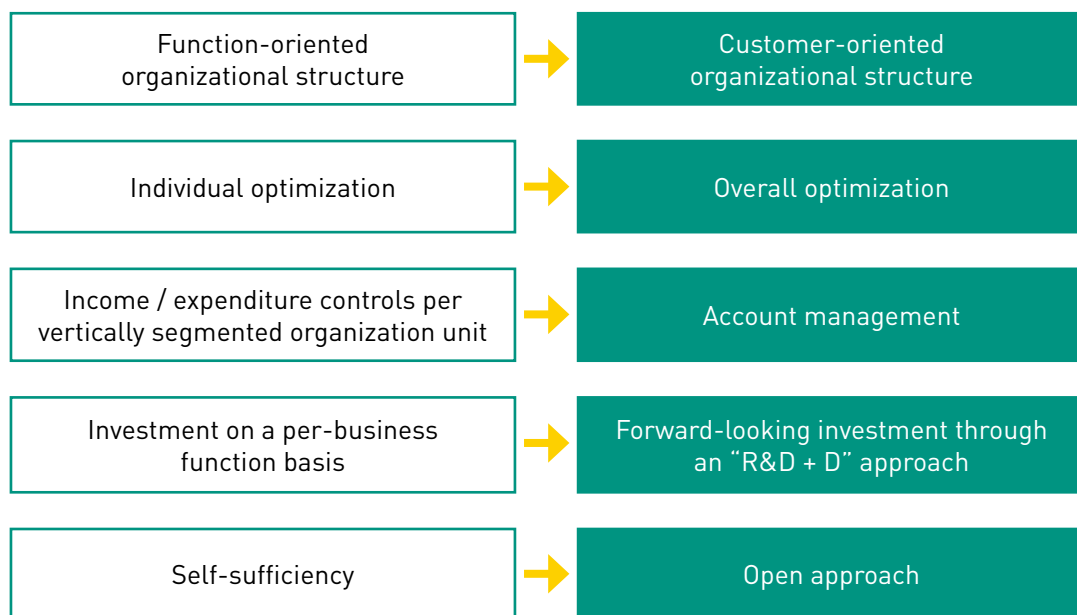
How will you evolve the management of the Group going forward?

We will transition from a function-oriented organizational structure to a customer-oriented one.

Through the combination of the added value provided by IT, LT, and FT, I believe the Group has a foundation for offering integrated services that go far beyond transportation. With that said, there has been a larger number of cases where we have provided these value-added functions on an individual basis. To accelerate the Group’s global development in the future, we must continue to leverage Groupwide strengths to provide high added value to our customers. If we fail to do so, then we will not be able to win out against the fierce competition we are facing. To this end, we will combine the various functions we possess on a

Groupwide basis so that we are able to make better proposals to our customers. In doing so, I believe we can offer even more significant value. We will therefore transition to a customer-oriented organizational structure that incorporates an approach focused on account management so that we are able to develop even deeper relationships with our customers. Also, we will make thorough efforts to enhance the efficiency of management resources, which have overlapped within the Group and become inefficient. In these ways, we will upgrade to a management structure that will optimize Groupwide operations.

Promoting Five Transformative Changes to Heighten Our Capacity to Generate Earnings, Leveraging the Group’s Collective Strengths





Q7 Could you please tell us about the Yamato Group's basic approach to addressing environmental and social issues?

A We believe the series of structural reforms we are carrying out will help us resolve environmental and social issues.

Increases in delivery volumes naturally require us to use a greater number of vehicles for transportation and delivery. As a result, the amount of greenhouse gas emissions rises, as does the number of traffic accidents. As part of our responsibilities as a company that uses a large number of vehicles and conducts its business on public roads, we will promote efforts related to traffic safety, such as providing safety training to our drivers. At the same time, we will actively introduce vehicles that have a low burden on society, such as electric vehicles. Not limiting ourselves to only these efforts, we will remain committed to contributing to the resolution of social issues, including environmental issues, which in turn will help us further improve our corporate value.

For example, if we are able to lower the rate of customer absence upon delivery, then we can reduce our burden on the environment and society as a whole. This can be accomplished in a variety of

ways, such as by establishing systems for delivering numerous packages to the same address all at once, expanding *TA-Q-BIN* locker services and services that allow customers to pick up packages at convenience stores, and improving mutual communication with customers by enhancing the *Kuroneko Members* service. The target we adopted under the plan of raising the percentage of packages received at locations other than households to 10% reflects our aim to reduce our environmental and social burden.

Japan is a country that already faces a great number of modern social issues, and more issues are likely to occur in the future. We at the Yamato Group believe we can play a key role in resolving these issues. To this end, we will work to resolve social issues through ESG-related initiatives with the aspiration of becoming a corporate group that is treasured and trusted by society at large.

