

Message from the President



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Representative Director,
President and Executive Officer

Business Reform Over the Next Four Years

—Expanding Value Provision to the “End to End” of Supply Chains

» Structural Reforms Amid a Sense of Impending Crisis

In 2019, I was appointed the President of the Yamato Group during a time of impending crisis. An awareness of two major issues formed the background of this. The first issue being that our management structure did not provide services drawn from a customer standpoint in the face of changes to society and customers. Up to 2019, the Yamato Group was organized by function—such as a company that provided *TA-Q-BIN* services, a company that provided logistics services for corporate clients, and a company that developed IT systems—and was partially optimized. The second issue I was aware of was that many of the managers responsible for the management of each operating company did not see this existing management structure as a problem and strongly felt that there was no sense of crisis.

I believe that “corporate management” can be rephrased

as “effective utilization of management resources.” No matter how many excellent management resources you gather, you cannot achieve the performance you are capable of if they are not optimally allocated. Accordingly, under YAMATO NEXT100, our grand design for management over the medium to long term announced in 2020, and Medium-Term Management Plan “One YAMATO 2023,” launched in April 2021, we have been engaging in Group management structure reform. In other words, how to change the form of management to fully utilize management resources. By integrating nine existing operating companies into one entity, Yamato Transport, creating “One YAMATO structure”, and centralizing and reallocating Group management resources, I believe we have been able to shift to a structure that directly addresses customer needs.

» Reinforcement of the *TA-Q-BIN* Network

As we have visualized the management resources of the entire Group, issues that need to be addressed have become clear. One of these issues is the structural reform of network operations. We are engaging in an enhancement of the quality and efficiency of the entire network to respond to various changes in the market environment, such as the expansion of online consumption and the development of small-lot, high-frequency logistics between companies.

As part of these reforms, we first responded to the sudden expansion of EC demand during the COVID-19 pandemic by creating an EC logistics network in collaboration with partner companies. Over the next four years, we will focus on reinforcing the existing *TA-Q-BIN* network. Now, three years away from celebrating the 50th anniversary of *TA-Q-BIN*s launch, the time has come to revise the way bases that make up the network are organized, in response to changing customer needs.

Specifically, we will consolidate and enlarge the size of small, multi-store sales offices. *TA-Q-BIN* was originally launched as a service for individual customers and we allocated sales offices in smaller areas to collect small-lot deliveries from a wide variety of customers. As a result, our sales offices increased to approximately 4,000 at their peak. Now, however, there has been a change in the type of packages being shipped with 90% of deliveries being made for corporate clients, and approximately half of those deliveries for

large-lot clients. Accordingly, we are focusing on reviewing the purpose of facilities, particularly in urban areas with a high density of them, while consolidating and enlarging their size in line with changes to the flow and volume of packages. While there is currently a total of approximately 3,300 sales offices, I think eventually having approximately 1,800 would be appropriate.

Furthermore, we are advancing revisions to the pickup and delivery operations available at each facility, in conjunction with the consolidation and enlargement of their size. We aim to standardize the workload for each driver by designing pickup and delivery operations through data utilization, not just entrusting the response to the fluctuating workload to the judgment and ingenuity of frontline staff.

It is important to optimize facility allocation and operations in line with regional and customer needs rather than aimlessly reducing the number of facilities. Naturally, it is essential we do not damage the national network as a social infrastructure. To maintain a national network in which all employees can respond to customers in all regions, we will enhance the safety, quality, and ease of operation for employees and partners even more than before. At the same time, we will increase the productivity of the entire network, optimize processes for transportation between facilities and sorting operations at each sales office, and further enhance the performance of employees.

» Establishment and Expansion of Dedicated Networks

In addition to reinforcing the existing *TA-Q-BIN* network, we are promoting the creation of dedicated networks. While one of these is an EC logistics network, we also established, in June 2023, a low temperature transportation and delivery center and began operation of a network dedicated to temperature-controlled operations. To date, the Yamato Group has contributed to the culture of consumers ordering fresh produce directly from other regions and the development of related businesses by building a transportation and delivery network that handles three temperature ranges (room temperature, refrigerated, and frozen). Meanwhile, against a backdrop of changing consumption

behavior due to the recent COVID-19 pandemic, there has been a significant advancement of the shift to EC for food distribution. Under such circumstances, we will maintain and enhance quality while expanding transportation and delivery capacity to further meet demand by aggregating refrigerated and frozen delivery under a new, dedicated network in urban areas, where demand is particularly concentrated. Refrigerated transportation and delivery is a growth domain that is not limited to food. Demand is expected to increase for pharmaceuticals and we plan to expand this dedicated network as necessary.

» Expanding Value Provision to the “End to End” of Supply Chains

The Yamato Group aims to achieve sustainable business growth through expanding value provision to the “End to End” of supply chains. The Group management structure reform that we have promoted to date and the structural reform of network operations we are currently advancing are to help us evolve into a business that can provide

further value to customers. Since launching One YAMATO 2023, we have created several examples of solutions, such as initiatives to optimize the entire supply chain of our corporate clients, which are steadily yielding results.

Additionally, we are striving to expand the value provided in the cross-border EC domain. To date, the conventional

Message from the President

method for individual clients to obtain products purchased from overseas was via logistics by international and domestic operators. In recent years, however, individual clients have been able to directly purchase and receive products from overseas sellers. The Yamato Group has been focusing on this domain for many years and has been proposing the use of Yamato's logistics network to overseas sellers. The number of parcels we handle has expanded to a volume beyond our initial expectations. This was achieved through collaboration between domestic and overseas units of the Yamato Group, who worked together to establish operations and make proposals to customers. We could not have

realized this under the existing partially optimized structure and this achievement is one result of the Group management structure reform.

Meanwhile, while we are still at the development stage for fields such as third-party logistics and international forwarding, I believe there is significant room for growth in light of the Yamato Group's management resources and potential. Over the next four years, we aim to further reinforce the networks, operations, and corporate sales functions, including collaboration with other companies, to expand the scale of transactions.

» Visualization of GHG Emissions as a New Differentiating Factor

We are currently developing tools for visualization of GHG emissions. These tools are expected to become a new strength aimed at expanding the value provided in corporate client supply chains. While to date there has been no global formula for calculating GHG emissions in logistics, the Yamato Group has signed a basic agreement for collaboration in the environmental domain with the major European home delivery company, DPDgroup. We have been participating in the creation of ISO 14083:2023, an international standard related to transportation-based GHG emission calculation and reporting methods, and promoting the development of a tool for visualizing emissions based

on this standard. We plan to complete development this fall. For the Yamato Group, who have adopted the target of achieving virtually zero GHG emissions by 2050,* visualizing GHG emissions is an opportunity to further contribute to the sustainability of society and the environment. As interest in and standards for global GHG emissions increase, we expect that contributing to the optimization of distribution and inventory while reducing these emissions through visualization of GHG emissions in the supply chains of corporate clients will become a major differentiating factor in expanding the corporate business domain.

*Scope 1 and Scope 2

» Planning and Development of Human Resource Measures in Conjunction with Our Management Strategy

A major driving force in promoting a series of reforms and measures was the existence of professional human resources that have joined the Yamato Group over the past few years. Now, over 20% of Yamato Transport executive officers have outside knowledge and we have ensured we can set out new challenges and measures by gathering the appropriate people from within the Company to work under them.

For the Yamato Group, our most important management resource is people. We plan and develop human resource measures under the recognition that our HR strategy is so important, it can be called a management strategy.

Specifically, we are promoting the clarification of definitions of duties in line with our management strategy and new business structure. For example, this clarification has been implemented in some cases in the sorting operations



at each terminal, where definitions of duties remained vague. Furthermore, while we have further clarified the duties of sales drivers, there is an increasing necessity to subdivide duties to meet diversifying customer needs, such as increasing the shipping ratio for large-lot clients. We are also adding new duties based on our management strategy, such as in the digital and corporate business domains. In light of such circumstances, we will cultivate a corporate

culture that enables employees to accomplish their tasks independently, enhance their performance, and feel their work is rewarding. We will achieve this by implementing a cycle of further clarifying the definitions of duties for all employees, establishing appropriate evaluation criteria for measuring performance according to these definitions, and holding meetings between evaluators and each employee to give detailed feedback.

» Response to the 2024 Problem

From April 2024, a cap on overtime work will be applied to automobile driving operations. The entire logistics industry is facing the serious issue of workstyle reforms for drivers and securing transportation capability. We have already implemented workstyle reforms for Yamato Group employees and employee working hours have reached an appropriate level. However, we are now promoting cooperation with each partner company, such as reviewing the purpose of transportation and introducing a standardized contract system based on the transport distance and time period, to advance the workstyle reforms in our partner businesses that support trunk-route transportation.

Furthermore, I feel it is necessary to improve inefficient business practices, which has previously been an issue, such as decreasing efficiency of loading operations for

charter flights following a shift to small-lot, high-frequency delivery, loading operations outside of contracts, and long waiting times for cargo in logistics between companies. Accordingly, we will make proposals for resolving such issues for corporate clients. For example, we can enable more efficient methods of delivery by combining packages from numerous clients through a package transportation service in pallet units, even if the cargo area of a charter flight is empty on the return journey. The Yamato Group has the knowledge to standardize transportation, as shown by TA-Q-BIN. We are pursuing sustainable logistics by standardizing transportation in logistics between companies and creating more efficient delivery methods that also contribute to even better workstyles for drivers.

» Achievement of Sustainable Growth by Building the Trust of Customers

I believe that the most important factor for the sustainable growth of a company is building up trust with customers. The growth the Yamato Group has achieved to date is a result of building up trust through provision of our TA-Q-BIN service. However, there have been changes to the business environment and customer needs. Simply maintaining the same services we have provided to date will not result in growth in the future.

I view the year ending March 31, 2024, and the three years of the next medium-term management plan as four vital years in which the true value of reforms based on the

reallocation of management resources will be tested in order to achieve sustainable growth. We aim to be a company that is trusted by all our customers and stakeholders by fully utilizing Group management resources to pursue even better services that fit the times, rather than being content with our past experience of success.

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