



Yamato Group

Presentation of

the New Medium-Term Management Plan

(FY2018/3-FY2020/3)



YAMATO HOLDINGS CO., LTD.

September 29, 2017

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1. Reflecting on the Medium-Term Management Plan – DAN-TOTSU Three-Year Plan “STEP”



(1) Key management indicators

	FY2015/3 Actual Results	FY2016/3 Actual Results	FY2017/3 Actual Results	FY2017/3 Plan	Difference
Consolidated operating revenue (Billions of yen)	1,396.7	1,416.4	1,466.8	1,550.0	(83.1)
Consolidated operating profit (Billions of yen)	68.9	68.5	34.8	90.0	(55.1)
Consolidated operating margin (%)	4.9	4.8	2.4	5.8	(3.4)
Non-delivery share of operating profit (%)	40.4	43.4	83.3	48.0	+35.3
ROE (%)	6.7	7.1	3.4	9.0	(5.6)
Domestic TA-Q-BIN delivery volume (Million parcels)	1,622	1,731	1,867	1,820	+47
Domestic TA-Q-BIN delivery market share (%)	45.4	46.7	46.9	48.0	(1.1)

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| <p>Major developments</p> <ul style="list-style-type: none"> Improving Cool TA-Q-BIN quality Collecting adequate fees | <ul style="list-style-type: none"> Discontinuing the Kuroneko Mail service Launching new services | <ul style="list-style-type: none"> Reforming working styles Recording of payments for specially acknowledged working hours additionally recognized |
|---|---|--|

- Highest ever operating profit recorded over two consecutive fiscal years, having absorbed adverse factors such as substantial increases in taxes incurred due to tax reform and discontinuance of Kuroneko Mail service
- Subsequently, the business environment changed drastically largely due to expansion of the e-commerce (EC) market beyond expectations and a tightening labor market
 - Higher labor costs and other such factors weighed substantially on profits, and consequently we failed to meet earnings targets
 - ⇒ Pressing need to reform of our revenue and expense structure

◆Delivery Business

- TA-Q-BIN delivery volume :  Average unit price :  (Major factor : a shift in the product mix)
- Operating profit substantially deteriorated amid sharp increase in labor costs including commission expenses

◆Non-delivery Businesses

- Steady results achieved centered on business-to-business logistics which is at the core of the “Value Networking” design
- Operating profit short of target, having failed to accelerate development of business models that generate high added value

1. Reflecting on the Medium-Term Management Plan – DAN-TOTSU Three-Year Plan “STEP”

(2) Focus measures

1) Promoting “Value Networking” design

Develop business models that generate high added value by leveraging the Group’s network innovations

Accelerate business development in Asia

2) Forging a “robust corporate culture”

Increase employee satisfaction

Develop an operational framework that heightens confidence

Strengthen governance and promote CSR



- Develop new networks underpinned by business models that generate high added value (Southern Gate and Gateways)
- Make progress with M&As and alliances geared to expanding cross-border logistics
- Develop small parcel chilled and frozen transport
- Challenges remain with respect to developing solution sales that integrate functions of our respective Group companies

- Promote “reforming working styles,” thereby establishing a more upbeat working environment for employees
- Promote initiatives for enabling visual monitoring of operations using IT and otherwise improving reliability
- Accelerate initiatives from an ESG perspective
 - Develop eco-friendly and smart logistics schemes
 - Promote community revitalization models in alliance with local governments
 - Increase number of Outside Directors and others and otherwise strengthening governance

2. Changes in Our Business Environment

The growth model thus far

- Pursue economies of scale by increasing shipment volume
- Uniformly provide services nationwide
- Develop various businesses centered on TA-Q-BIN

Changes in external environment

Shrinking labor force

Declining population and widening regional disparities

Growing diversity of lifestyles and preferences

Increasingly globalized business operations

Rapid development and dissemination of new technologies

3. Issues for the Yamato Group to Address and Solutions

Challenge 1

Establishing a sustainable delivery model while promoting the notion of “reforming working styles,” amid a scenario of increasingly diverse consumer behavior and an expanding role of e-commerce (EC) in people’s lives and business-to-business transactions

Medium-term initiatives

Enhance TA-Q-BIN profitability and attributes

Expand shipping capacity to serve the growing EC market, and provide added value to supply chains overall

Challenge 2

Creating added value both in people’s lives and in business supply chains, extending beyond conventional TA-Q-BIN services

Long-term initiatives

Create new businesses that support local consumers and SMEs

Expand business geared to corporations in Japan and overseas

At the Yamato Group, with transportation itself as the catalyst, we will create new value by developing open platform solutions through leveraging the strengths of our points of contact with local communities and companies based in Japan and overseas, and the information these provide.



Yamato Group

Medium-Term Management Plan

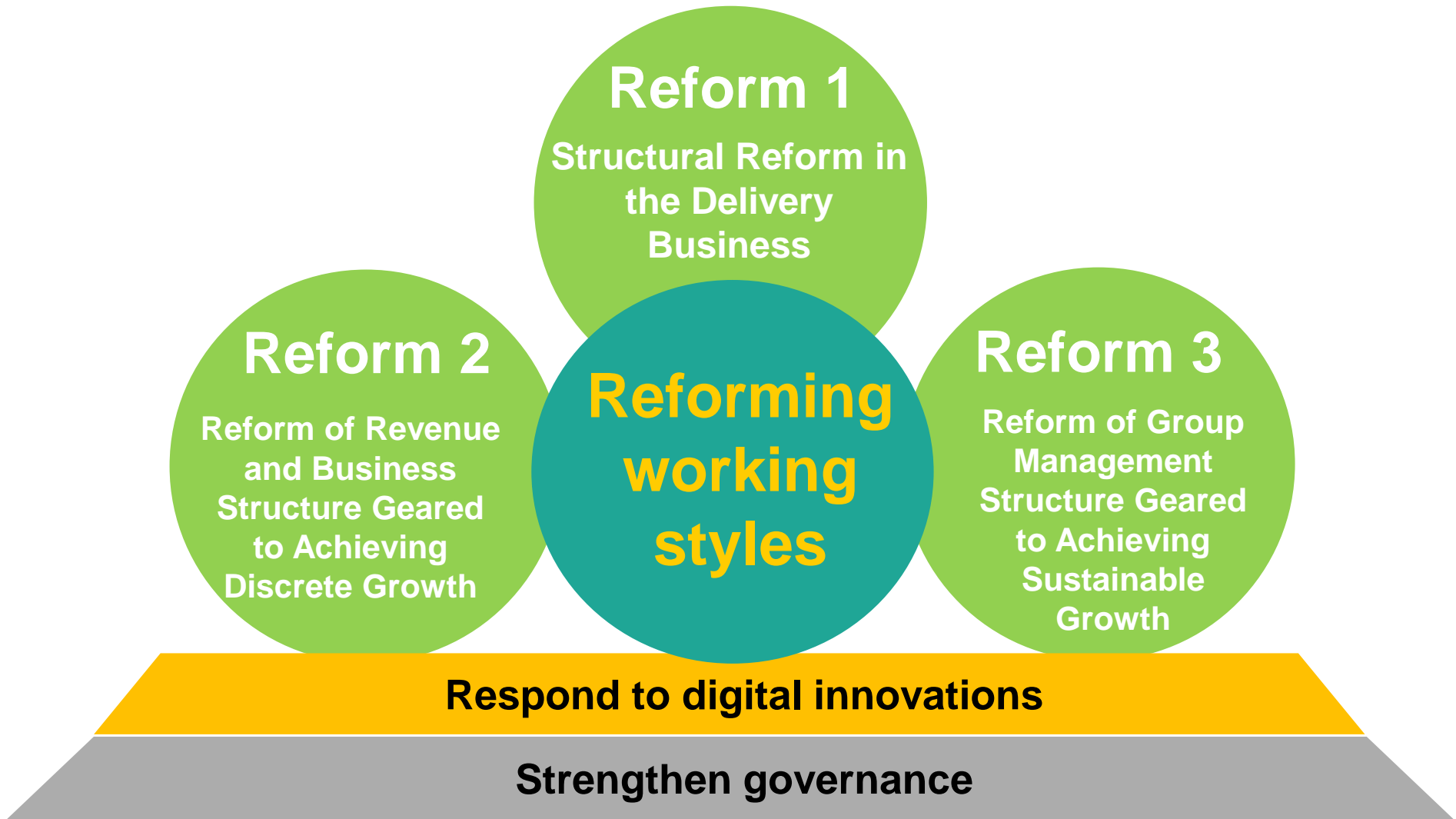
KAIKAKU 2019

for NEXT100

We are working toward achieving sustainable growth, and thereby restructuring work arrangements and promoting structural reform of business and management.

5. General View on the Medium-Term Management Plan – “KAIKAKU 2019 for NEXT100”

The Yamato Group will reform working styles and carry out structural reform across three areas, with the aims of enhancing our management foundations in order to continue achieving sustainable growth over the next century.



6. Reforming working styles

We will make the notion of “reforming working styles” a matter of priority, thereby practicing “inclusive management,” a Yamato Group founding principle, by developing “employee-friendly” and “rewarding” working environments across the entire Yamato Group.

(1) Make new working styles a reality

(2) Maximize “individual capabilities”

(3) Thoroughly streamline operations

6. Reforming working styles

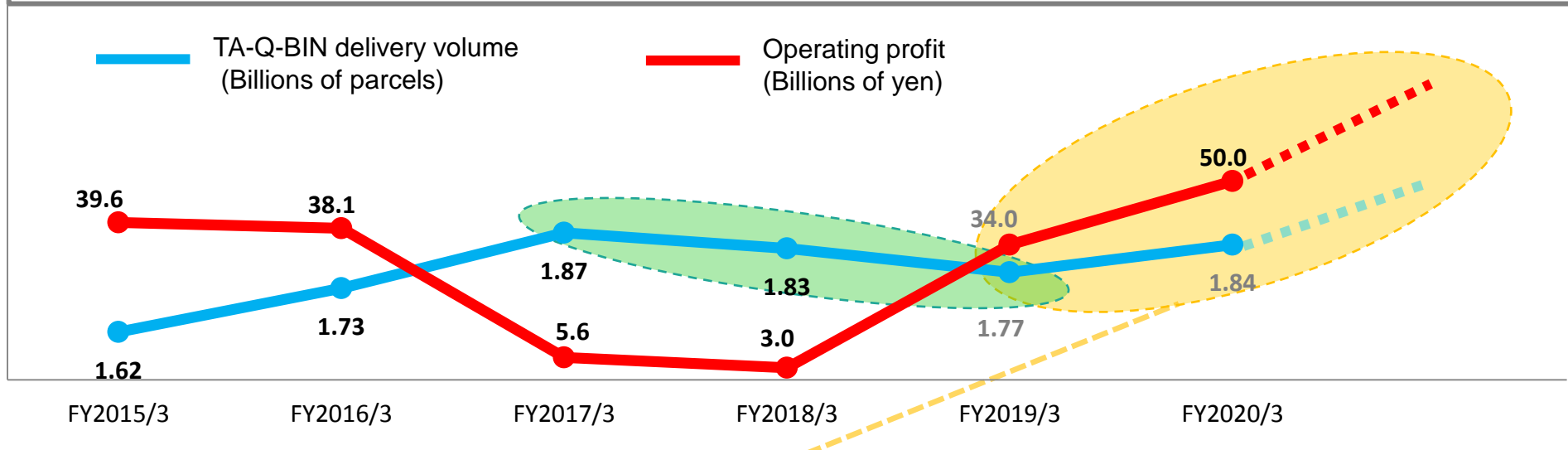
■ Making new working styles a reality

We aim to secure labor capacity by upgrading to more appealing personnel systems that attract a diverse range of talent.

- 1) Drastically reduce total working hours (50% reduction in sales driver overtime)**
- 2) Adopt personnel systems that enable working styles tailored to an individual's stage of life**
- 3) Develop programs that enable part-time employees (temporary and permanent) to enhance their abilities**
- 4) Promote work-life balance**
- 5) Enhance managerial assignments exhibiting greater care toward employees**

7. Reform 1 “Structural Reform in the Delivery Business”

We will strike a balance between expanding pickup/delivery capacity and regaining profitability.



Three focus measures for “Structural Reform in the Delivery Business”

(1) Rebuild business structure to enable sustainable growth

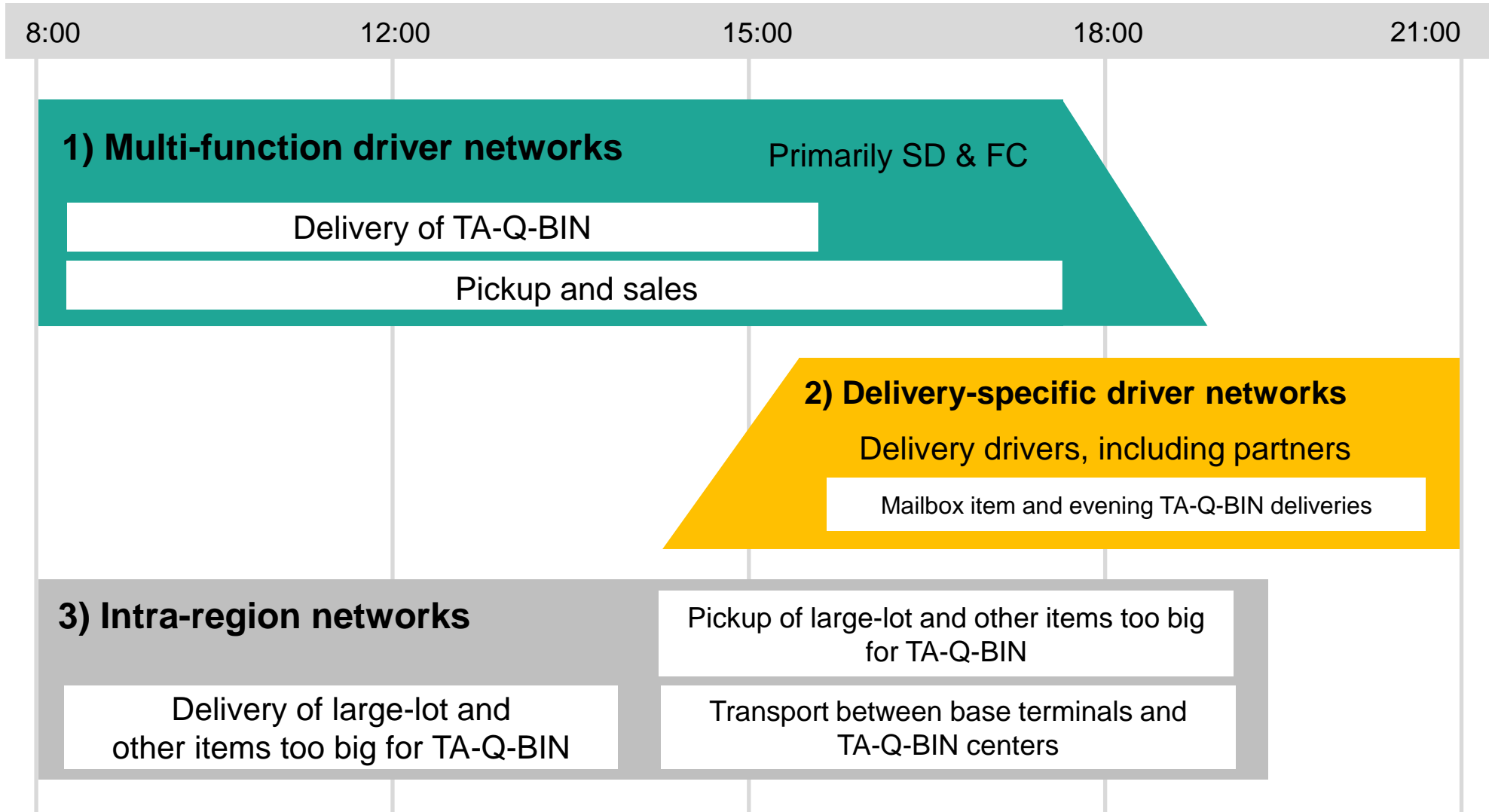
- Establishing a diversified “last mile” network that serves the growing e-commerce market
- Upgrading Pick Up & Drop Off (PUDO) stations and other touch-points
- Streamlining overall networks including trunk-route networks

(2) Recover profit margins by implementing a pricing strategy and thoroughly streamlining operations

(3) Develop foundations for businesses that can solve community issues

7. Reform 1 “Structural Reform in the Delivery Business”

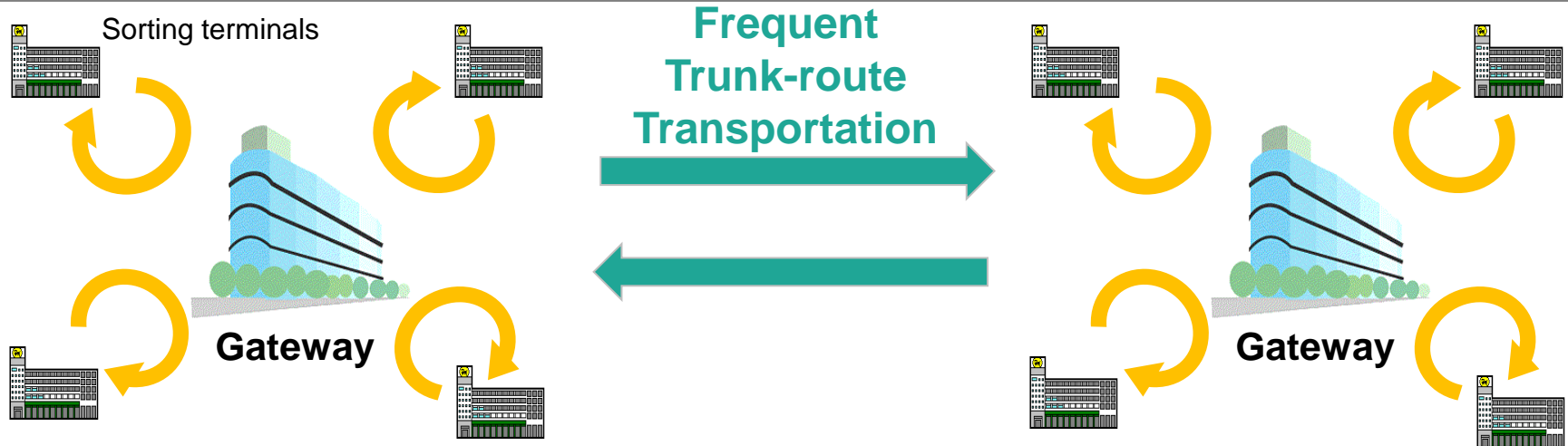
■ Developing a new “diversified ‘last mile’ network”



7. Reform 1 “Structural Reform in the Delivery Business”

■ Structural reform of trunk-route network

We will optimize the entire Group network by consolidating Group-wide functions and streamlining operations.



Overall Group-oriented optimization

Optimal delivery vehicle dispatch

Frequent operation via circular routes

Automation of task planning

Promoting evolution of the “Value Networking” design

Our “value networking” design combines value-added functions with the rapid transportation network. We aim to further develop this by organically linking our main core terminals, including “Haneda Chronogate,” the “Atsugi/Chubu/Kansai Gateways,” and Okinawa International Logistics Hub “Okinawa Southern Gate,” to our cross-border network extending primarily throughout Asia.

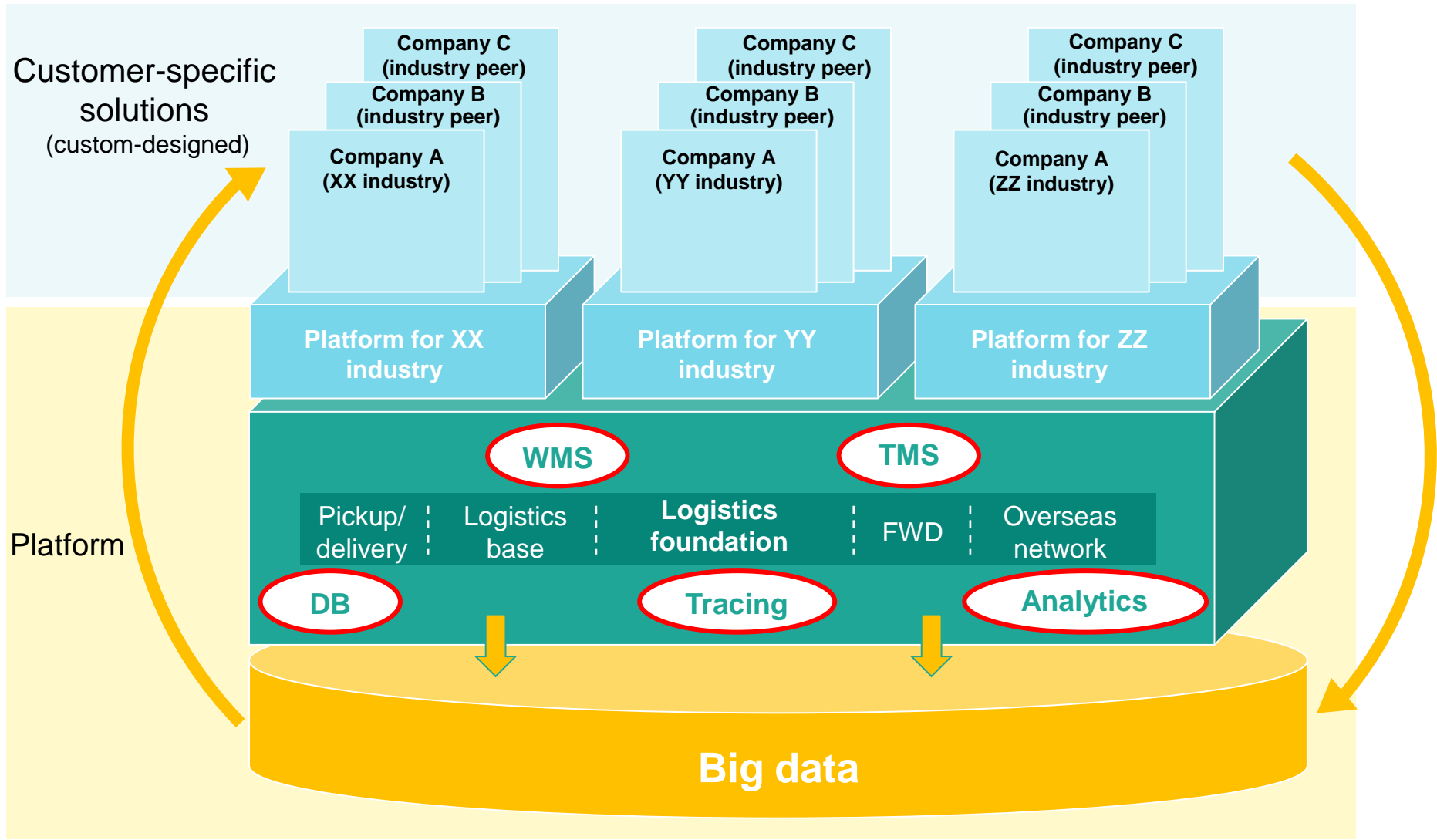
(1) Develop an industry-wide platform

(2) Develop a cross-border platform

(3) Develop a platform for e-commerce (EC)

Promotion of account management approach

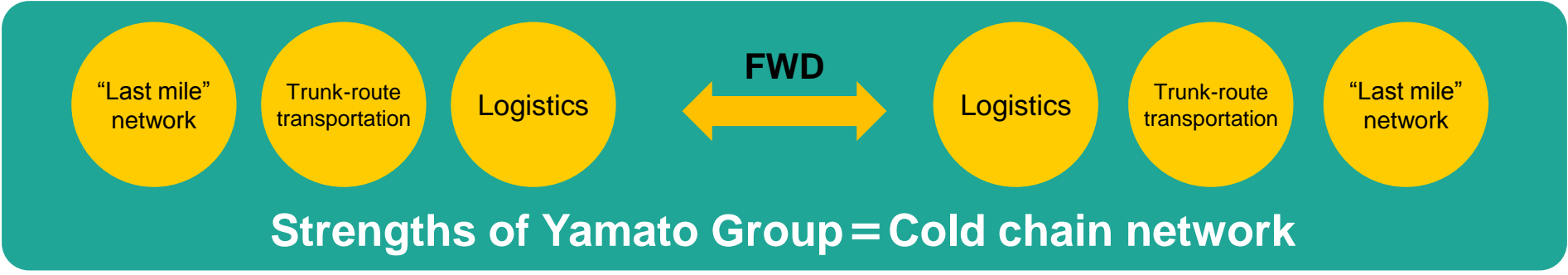
(1) Develop an industry-wide platform



(2) Develop a cross-border platform

We will construct a cross-border platform that seamlessly supports our customers’ value chains by utilizing our cross-border network interlinking the five zones of Japan, East Asia, Southeast Asia, Europe and the Americas, and developing the cold chain network as outstanding content.

Enhancing the 5-zone network and the cold chain network



- #### Developing networks
- Develop the 5-zone network
 - Develop intra-zone networks
 - Set up logistics bases

- #### Cold chain network strategy
- Develop the cold chain network as outstanding content
 - Apply standardized rules on cold-chain quality

(3) Develop a platform for e-commerce (EC)

Drawing on our new “diversified ‘last mile’ network” which is geared to achieving structural reforms in the Delivery Business, we aim to expand our pickup/delivery capacity. At the same time, we aim to provide added value across the entire EC supply chain, geared to our customers’ specific phases of growth, through alliances and other such means.

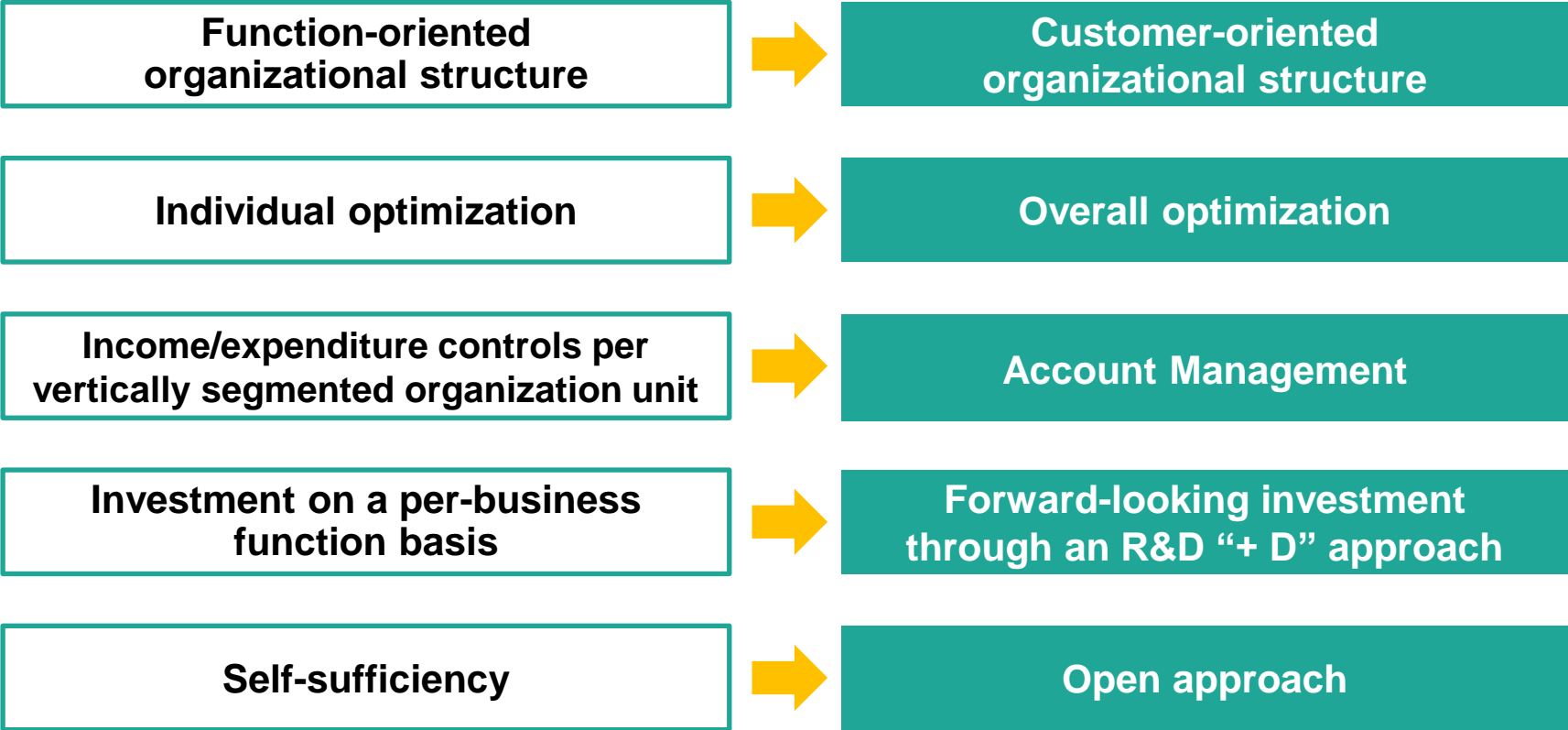
- 1) Restructure the “last mile” network so that it can handle expanding logistics volume
- 2) Mobilize management resources that are associated with the e-commerce (EC) operations interspersed throughout the Group
- 3) Promote alliances which provide support that is geared to our customers’ specific phases of growth

Support across the entire e-commerce (EC) value chain



9. Reform 3 “Reform of Group Management Structure Geared to Achieving Sustainable Growth”

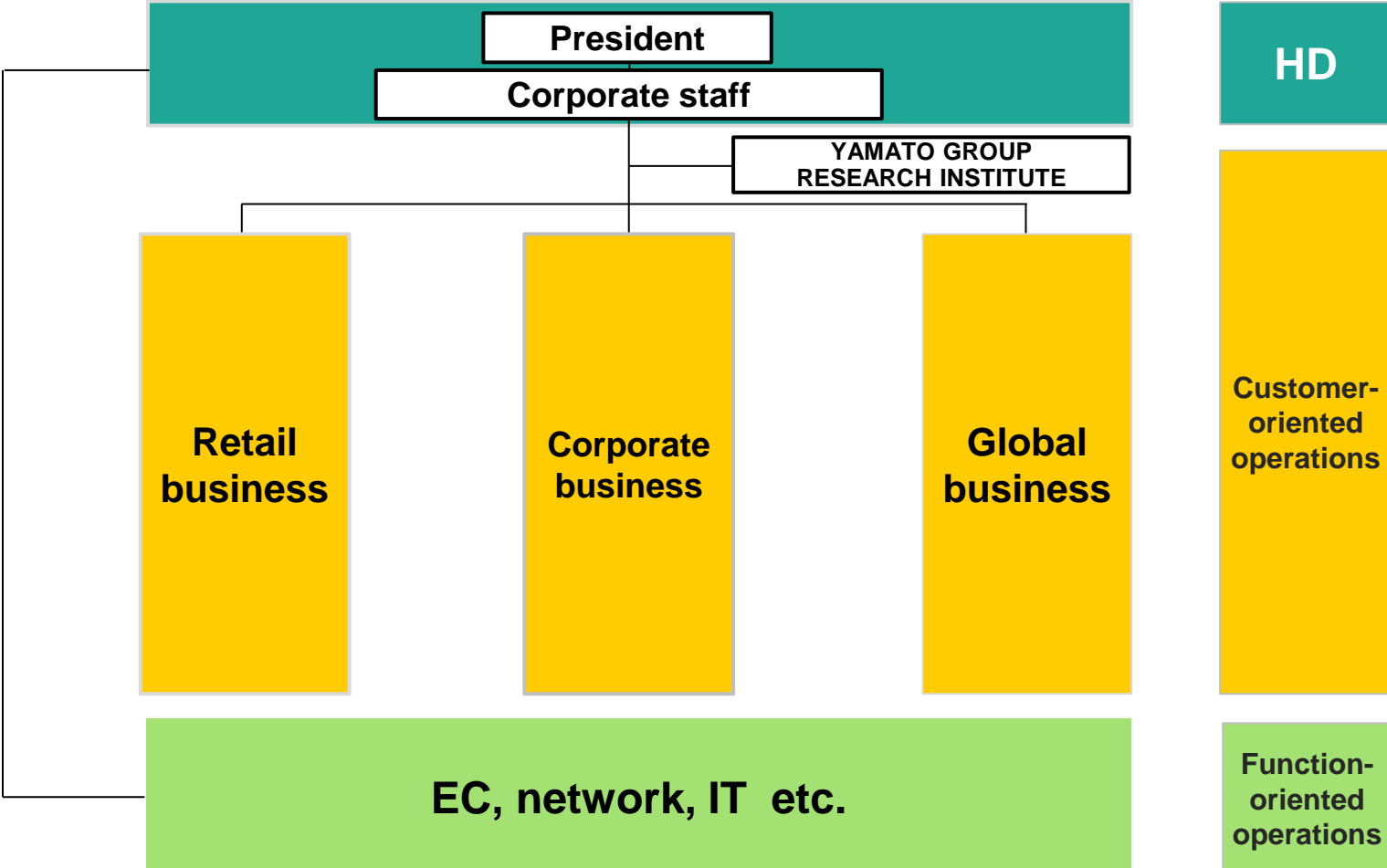
We will promote five transformative changes in order to heighten our “capacity to generate earnings,” leveraging the collective strengths of the Group.



We have launched a project geared to bringing about structural reform of Group management, enlisting a full-time 40-member team which is currently drawing up a reform plan based on thorough analysis of our current circumstances.

9. Reform 3 “Reform of Group Management Structure Geared to Achieving Sustainable Growth”

We will transition to a dual framework, one element of which will involve customer-oriented operations geared more closely and extensively serving our customers and markets, and the other element of which will involve function-oriented operations which entails providing and improving our Group-wide functions.



We will upgrade to a management system combining the three components: accounts management, managerial accounting and human resources (performance evaluation).

10. Strengthening Business Foundation

Respond to digital innovations

We will create new businesses while developing and transforming our existing businesses, incorporating state-of-the-art digital technologies.

Three-pronged “R&D ‘+ D’” strategy

- 1) Develop and use a Kuroneko big data approach
- 2) Use a corporate venturing approach
- 3) Promptly identify business models that can bring about disruptive innovation, and draw up action plans in that regard

We have established Yamato Digital Innovation Center (YDIC).

(April 2017)

11. Key Management Indicators

Targets

Item	FY2017/3	FY2020/3	Difference from FY2017/3	Percentage change from FY2017/3
	Actual Results	Plan		
Consolidated operating revenue	¥1,466.8 billion	¥1,670.0 billion	+¥203.1 billion	+13.8%
Consolidated operating profit	¥34.8 billion	¥72.0 billion	+¥37.1 billion	+106.4%
Consolidated operating margin	2.4%	4.3%	+1.9%	+79.2%
ROE	3.4%	7.7%	+4.3%	+126.5%

Investment plan

**Recurring investment ^(*1) 200 billion yen +
Growth investment ^(*2) 150 billion yen in three years**

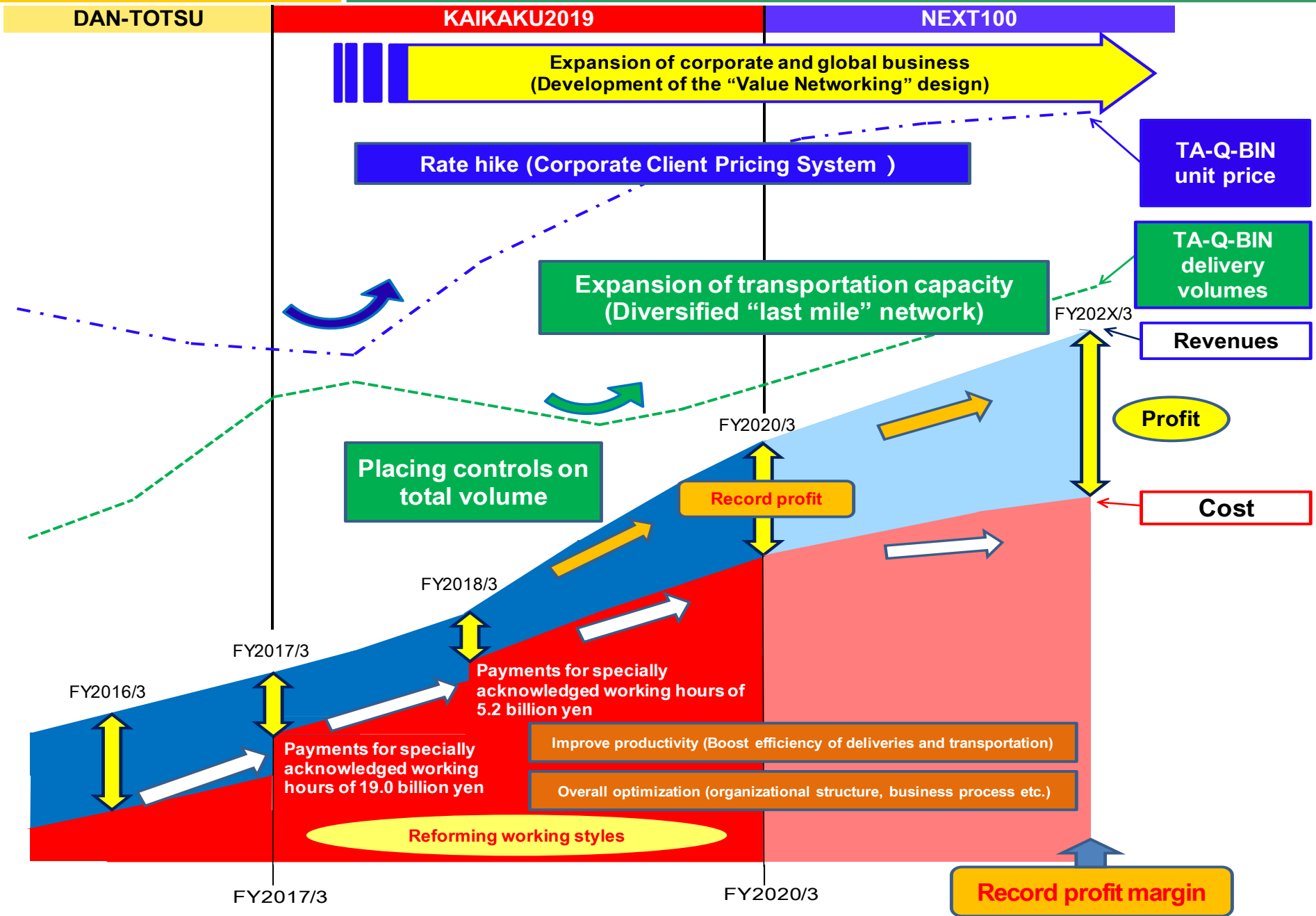
(*1) Land, buildings, cargo handling equipment, vehicles etc.

(*2) Digital innovation, alliances with outside entities, reforming working styles, etc.

Shareholder returns

Targeting payout ratio of 30% (mindset of total return ratio of 50%)

12. Anticipated Future Growth



Reference: Operating Revenue and Operating Profit (by Operating Segment)

(Billions of yen)

	Operating revenue			Operating profit			Operating margin	
	FY2017/3	FY2020/3 Plan	Percentage change from FY2017/3	FY2017/3	FY2020/3 Plan	Percentage change from FY2017/3	FY2017/3	FY2020/3 Plan
Delivery	1,217.5	1,370.0	+12.5%	5.6	50.0	+786.8%	0.5%	3.6%
BIZ-Logistics	122.0	158.0	+29.5%	4.0	8.3	+103.8%	3.3%	5.3%
Home Convenience	63.7	67.0	+5.1%	1.0	2.4	+122.9%	1.7%	3.6%
e-Business	80.3	95.0	+18.3%	9.3	12.0	+28.1%	11.7%	12.6%
Financial	81.0	88.0	+8.6%	8.2	7.6	(7.8%)	10.2%	8.6%
Autoworks	52.7	72.0	+36.4%	3.2	5.2	+58.9%	6.2%	7.2%

(The numerical values shown in the above table are as calculated prior to intercompany elimination with respect to the consolidated accounts.)