

KAIKAKU 2019 for NEXT100

Structural Reform in the Delivery Business

In response to rapid changes in the business environment, including the shrinking workforce and the growth of the e-commerce market, we are promoting “Structural Reform in the Delivery Business” to ensure that we continue to provide high-quality services to our customers well into the future. By reinforcing the Delivery Business, which serves as the foundation for the Yamato Group, and restoring its profitability, we will realize further growth across the entire Group.



Changes in the External Environment

- Tightening labor market conditions
- Increase in delivery amount due to growth of the e-commerce market

Impact on Management

- Decline in TA-Q-BIN unit price
- Increased costs to secure workforce capacity, including outsourced capacity, to maintain the “last mile” network
- Deteriorating working environment for employees
- Insufficient pickup and delivery capacity

Response by the Yamato Group

Promotion of “Structural Reform in the Delivery Business” with the aim of restoring profitability and establishing a business foundation that can realize sustainable growth

Continuing to Promote Adequate Pricing Initiatives

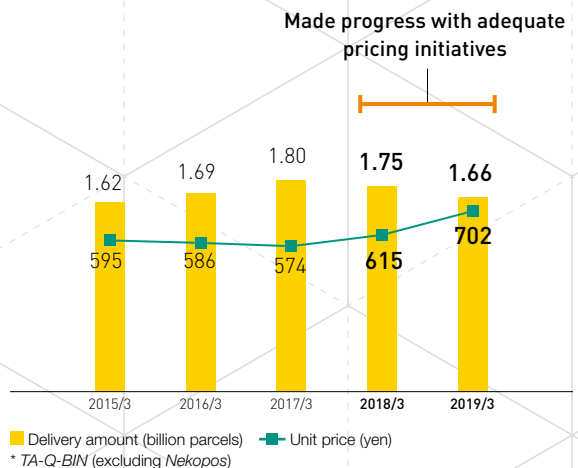
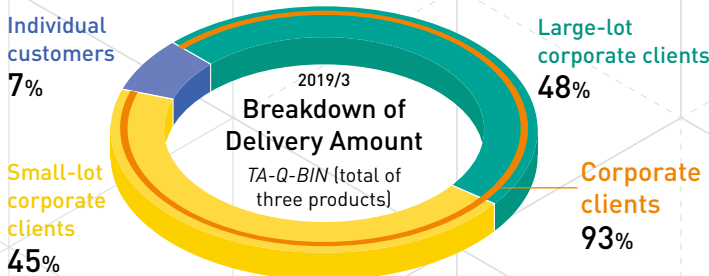
To improve profitability, we have been promoting adequate pricing initiatives since the fiscal year ended March 31, 2018. In October 2017, we revised the basic TA-Q-BIN fees for individual customers for the first time in 27 years. We are also continuing negotiations to revise prices with our corporate clients utilizing the “corporate client pricing system.”* As a result, we were able to raise the TA-Q-BIN unit price (excluding *Nekopos*) by ¥128 over a two-year period, from ¥574 in the fiscal year ended March 31, 2017, to ¥702 in the fiscal year ended March 31, 2019.

In the fiscal year ending March 31, 2020, we are pursuing adequate pricing initiatives and promoting sales toward new customers. In addition, we are undertaking efforts to boost productivity in our “last mile” network and our business domains as well as control costs at an appropriate level.

* A system that reflects not only shipping volumes but also costs related to absence during delivery and cost fluctuations caused by changes in the external environment within TA-Q-BIN fees

Status of Adequate Pricing Initiatives and Unit Price Fluctuations

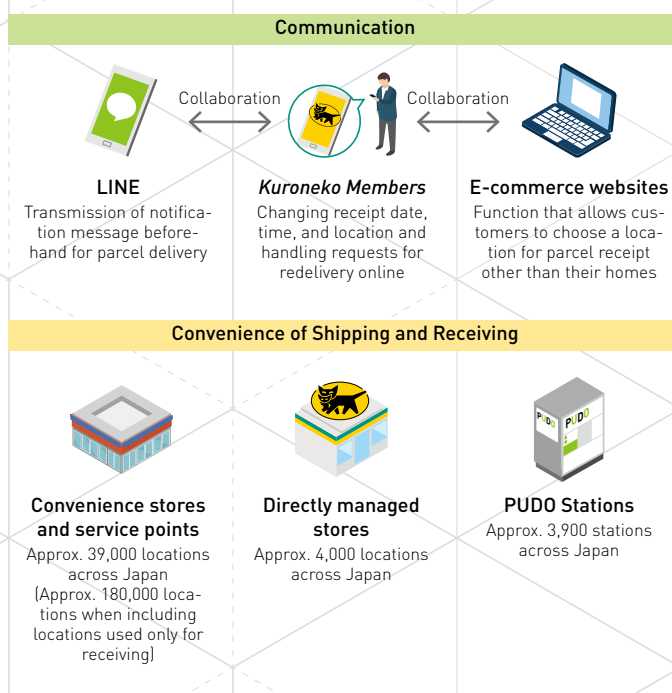
- April 2017** Commenced negotiations to revise prices centered on large-lot corporate customers
- October 2017** Revised basic fees for TA-Q-BIN service (first time in 27 years)
 - A unit-price increase of approximately 15% for individual corporate clients
- October 2017** Gradually revised pricing for corporate clients
- April 2018** Continued to engage in negotiations to revise prices centered on large-lot corporate customers



Diversifying Touchpoints and Improving Service Convenience

To improve the level of convenience for our customers and increase our pickup and delivery efficiency, we are working to enhance and diversify our touchpoints. In addition to being able to ship and receive parcels from all locations in Japan directly managed by Yamato Transport as well as from convenience stores, our customers can also make use of our open-type parcel lockers, called PUDO Stations, which we are establishing at train stations, supermarkets, and other locations. By doing so, we are making it possible for customers to ship and receive parcels in a manner that better fits their lifestyles.

Additionally, for *Kuroneko Members*, a members-only service for individual customers, we are collaborating with e-commerce websites and the communication app *LINE* to provide additional options for customers to receive parcels at locations other than their homes as well as a function that sends out a notification message beforehand. Through such efforts, we are pursuing even higher levels of convenience for our customers.



	End of March 2017	End of March 2018	End of March 2019
▶ Ratio of deliveries received at other than home	3.8%	4.9%	6.6%
▶ Number of PUDO Station units installed	240	2,637	3,913
▶ Number of <i>Kuroneko Members</i>	Approx. 17 million	Approx. 21 million	Approx. 28 million

Open-Type Parcel Lockers (PUDO Stations)



▶ Merits of PUDO Stations

“Open-type” allows for use by multiple home delivery operators

- Can be used not only by Yamato Transport but also by numerous other major home delivery operators

Equipped with functions for shipping

- No face-to-face reception, enabling anonymous shipping
- Can ship products purchased on YAHUOKU!, an online auction and flea market app
- Can ship items through the Mercari flea market app
- Can receive and return items from fashion rental services

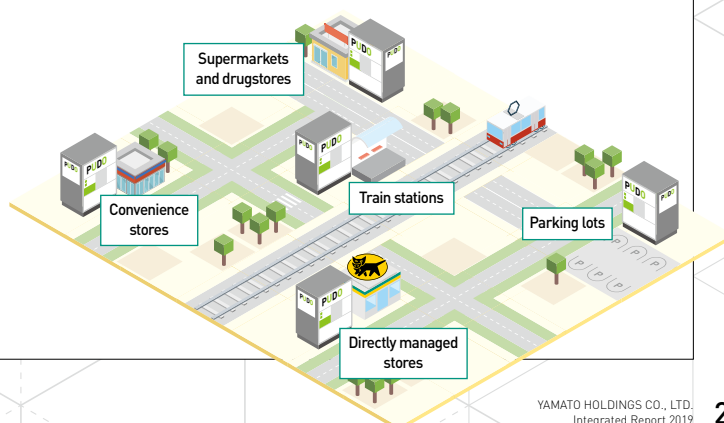
▶ Advantages of using PUDO Stations

Customer

- Enhanced options for the time and location of receiving or shipping parcels (from apps such as YAHUOKU! and Mercari)

Home Delivery Operators

- Improved delivery productivity (enhanced profits)
- Reduction of wasted space caused by establishing separate lockers for each company



Establishing a New Diversified “Last Mile” Network

To establish an even more efficient “last mile” network, we have introduced a network centered on “Anchor Cast” (drivers who handle TA-Q-BIN delivery during the early evening and nighttime hours). In addition to responding to the rising need for nighttime deliveries, reducing the long working hours of our employees, and establishing a more employee-friendly working environment, the aim of establishing a diversified “last mile” network is to increase the amount of time our sales drivers interact with customers.

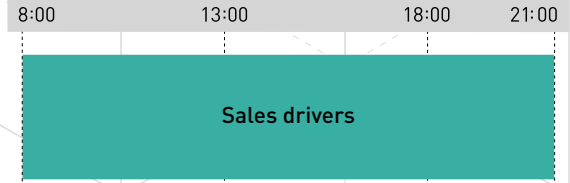
Before

- Full-day work by sales drivers
- Increase in working hours
- Insufficient time interacting with customers

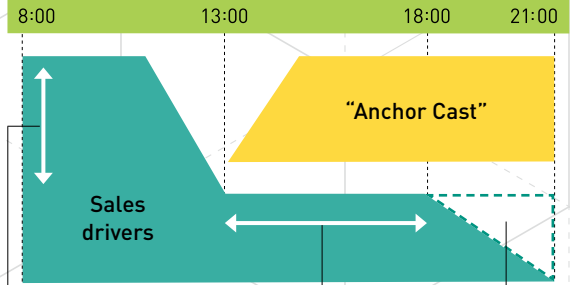
After

- Response to increasing need for nighttime deliveries
- Creation of employee-friendly working environment
- More time interacting with customers

Before



After



Create pickup and delivery capacity

Increase time interacting with customers

Transfer control to “Anchor Cast”

Progress and Results of Introducing “Anchor Cast”

▶ Key Management Indicators (Results from September 2019)

SD: Sales drivers AC: Anchor Cast

■ Number of AC (as of September 30, 2019)

Approx. **6,500** (up roughly 4,700 compared with the same month of the last year)

■ Percentage of deliveries performed by employees (SD, AC, etc.)

94.3% (up 6.1 percentage points compared with the same month of the last year)

■ Parcels collected per SD at work

Up **2.5** parcels year on year

■ Number of SD at work in the morning*

Up **5.6%** year on year

* Increase in the number of SD at work in the morning reflects the establishment of a highly efficient operating structure



▶ Reaction of Our Sales Drivers and Anchor Cast



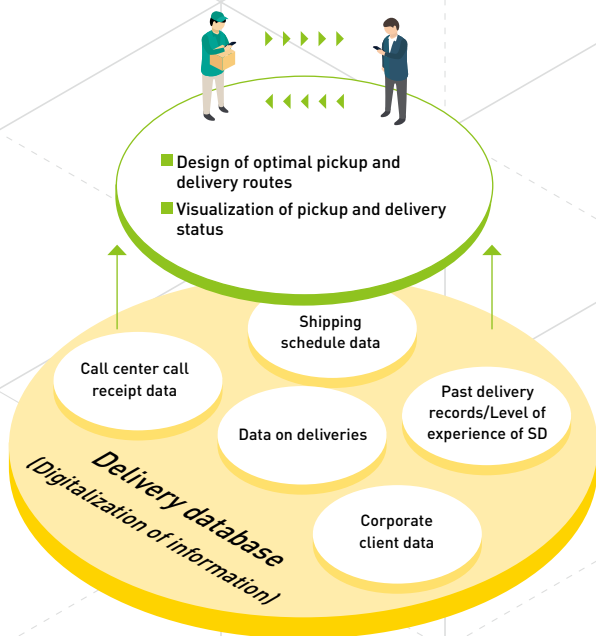
- I did overtime work in my previous job, but since becoming an Anchor Cast I have been able to finish work at the time stipulated in my contract, so I find it very comfortable to be an Anchor Cast. (Shinshu Kawanakajima Center, Nagano Main Branch Office)
- Since becoming an Anchor Cast, I have been able to lead a fulfilling life as I can spend time on my hobbies and life's work in the mornings and have a stable income. (Akatsuka Center, North Tokyo Main Branch Office)



- Handing over afternoon package deliveries to Anchor Cast has allowed me to focus on client liaison (sales) and heightened my motivation in pursuit of incentive increases. (Maebashi-Katakai Center, Gunma Main Branch Office)
- The addition of Anchor Cast has made it possible for all sales drivers at TA-Q-BIN centers to take a break at the same time, thereby helping to increase interactions between drivers. As a result, workplace communication has improved. (Narayama Center, Nara Main Branch Office)
- Working styles have changed from working from morning until night (like a starting pitcher who pitches the entire game) to handing over afternoon and evening deliveries to Anchor Cast. I feel that being able to get home early more often has helped the retention of new sales drivers. (Minato Office, Osaka Main Branch Office)



- Enhancing the proficiency level of Anchor Cast
- Training designed to promote the sales activities of sales drivers



Streamlining Operations by Leveraging Digital Technology

We will move forward with the digitalization of information by leveraging our core system, the 8th NEKO System. The data we accumulate through this system will be used in such tasks as designing optimal pickup and delivery routes and monitoring pickup and delivery status. The introduction of the 8th NEKO System will not only enhance the operational efficiency of our sales drivers, but it will also lead to an improvement in employee-friendly working environment. Going forward, we will continue to renew the 8th NEKO System with the aim of further increasing our operational efficiency and providing new value to our customers.

Benefits

- Reduction in rate of absence
- Improvement in productivity
- Improvement in customer satisfaction
- Reduction in CO₂ emissions

Joint Trunk-Route Transportation That Provides Greater Transportation Efficiency

Amid the increasingly serious shortage of heavy-duty truck drivers who perform trunk-route transportation and the aging of drivers in the logistics industry as a whole, the Yamato Group has commenced the operation of joint transportation that utilizes the Super-Full Trailer 25 for trunk-route transportation between Kanto and Kansai, with a view to providing more efficient trunk-route transportation, in partnership with three other logistics companies.

Under joint trunk-route transportation, trucks belonging to Seino Transportation, Nippon Express, and Japan Post combine with Yamato Transport's trailers at *Kansai Gateway* and *Atsugi Gateway* to carry out trunk-route transportation. Combining the trailers of different service providers to conduct operations using one vehicle results in more efficient transportation that transcends the boundaries of service providers and is expected to be an effective means to resolving the labor shortage issue faced by the logistics industry as a whole.

Furthermore, this initiative has received certification under a law relating to logistics efficiency and a plan pertaining to energy conservation through combined passenger and freight transportation from the Ministry of Land, Infrastructure, Transport and Tourism.

Issues Facing the Logistics Industry as a Whole

- Shortage of heavy-duty truck drivers who perform trunk-route transportation
- Difficulty in securing human resources due to a decline in the working population and other factors

Benefits of Introduction

- Increase in load capacity (twice the capacity of previous heavy-duty trucks)
- More efficient transportation that transcends the boundaries of service providers
- Reduction in CO₂ emissions through a reduction in the number of vehicles



Super-Full Trailer 25



Departing ceremony for joint transportations



Realizing joint transportation by combining the trailers of multiple service providers