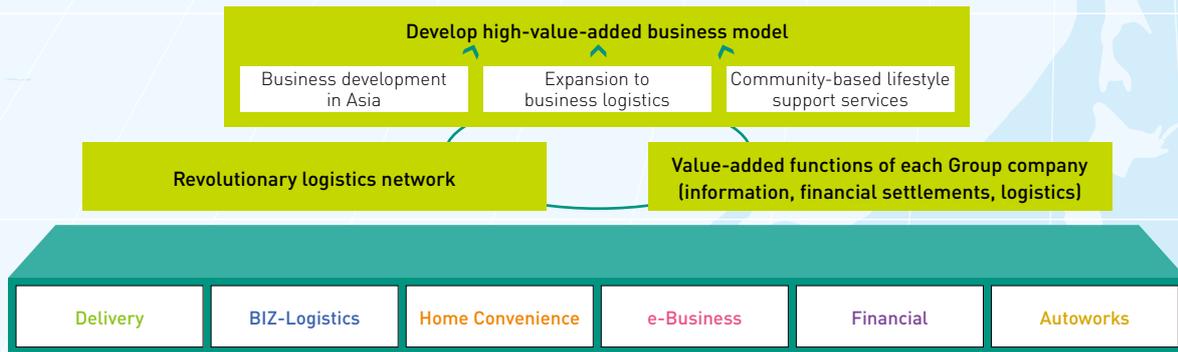


3. Continuously Evolving Our “Value Networking” Design

The “Value Networking” design, which we commenced in 2013, revolutionizes logistics operations by combining our “last mile” network in Japan and Asia—the core competence of the Yamato Group—and our non-delivery businesses to evolve logistics from simply moving things to a means of creating value, thereby giving birth to high-value-added business models. This design continues to gradually evolve over the years through such means as establishing main core terminals, centered on *Haneda Chronogate*, and logistics networks both in Japan and overseas, as well as through the creation of services that offer added value.

Overview of “Value Networking” Design



Speedy Transportation Essential for Added Value Creation

Through our gateways established in Kanto, Chubu, and Kansai, and our frequent trunk-route transportation, we are able to offer our customers logistics solutions for the management issues they face. These solutions include the integration of inventory storage locations and the adjustment of product inventories.

Commencement of Operations of Kansai Gateway

In November 2017, we commenced full-scale operations of *Kansai Gateway* in the Kansai region, which represents the economic and industrial center and largest consumer market of western Japan. By combining the Yamato Group’s highly regarded “last mile” network and high-quality logistics processing functions through the use of cutting-edge material handling equipment,* *Kansai Gateway* revolutionizes logistics operations in terms of enhancing speed and shortening process times.



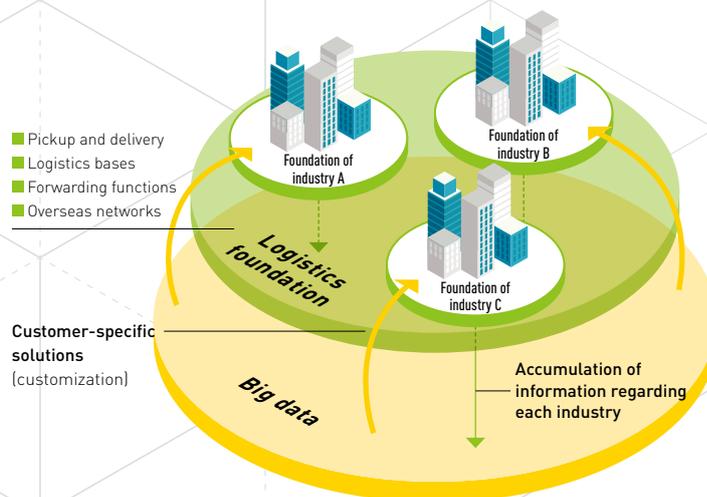
* Manufacturing equipment that automates sorting and transportation processes

Speedy Transportation Network



Industry-Wide Platforms – The Key to Evolving Our “Value Networking” Design

With the aim of further evolving our “Value Networking” design, we are working to establish industry-wide platforms in the corporate and global domain. By leveraging the broad range of data we receive in each industry via our daily contact with clients and organically combining our long-cultivated, innovative network foundation with functions for creating added value, we are offering solutions that address the needs and issues shared across various industries. By doing so, we are expanding the areas in which we can contribute to the business growth of our customers.



Platform for Healthcare Industry That Leverages Our Abundant Track Record and Advanced Know-How

Logistics operations for medical devices and pharmaceuticals require a safe, secure, and high-quality logistics structure. Such operations also require logistics facilities that fulfill the standards laid out in the Pharmaceuticals and Medical Devices Law and the submission of requests to various institutions, starting with the Ministry of Health, Labour and Welfare. Yamato Logistics is leveraging its over 10 years of experience and solid track record related to medical logistics to not only carry out the transport of medical devices and pharmaceuticals on behalf of companies in the healthcare industry but also provide “loaner support services,” which offer comprehensive support that covers everything from lending surgical equipment used at hospitals to cleaning, maintaining, and relending such equipment. By conducting the cleaning and



“Loaner support services” in operation

maintenance of this equipment at locations within the Yamato Group’s speedy transportation network, Yamato Logistics is reducing the lead times for each loan and drastically improving inventory turnover.

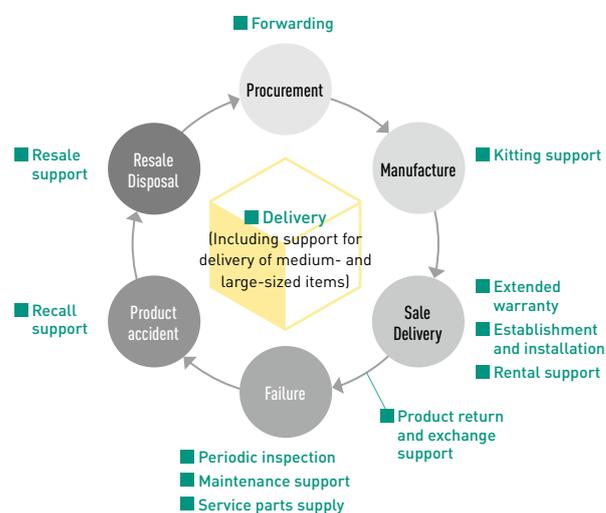
Support for Manufacturers’ Products throughout Their Entire Lifecycle

In April 2018, the Group was restructured, transferring the Multi-Maintenance Business and Risk Management Business of Yamato Multi-Maintenance Solutions Co., Ltd. (YMM), the Technical Network Business of Yamato Home Convenience Co., Ltd. (YHC), and the Setup and Logistics Solution Business of Yamato System Development Co., Ltd. (YSD) to Yamato Logistics Co., Ltd. (YLC). Through this reorganization, we put in place a

structure for providing support for the products of manufacturers throughout their entire lifecycle.

Until now, YMM developed its business centered on so-called “reverse logistics,” which entails after-sales services such as maintenance services for products after they have reached the end user and recall support. However, by integrating YMM into YLC, we will now be able to conduct forward logistics operations, which handle products before they reach the end user. We will also be able to offer comprehensive support to manufacturers throughout the entire lifecycle of their products, from procurement and manufacturing to sale, maintenance, recall, refurbishing, resale, and disposal. In these ways, we will provide new value going forward.

Functions for Support throughout Product Lifecycle



Accelerating Expansion with a Global Five-Zone System

Events such as the addition of Hong Kong and ASEAN to the Free Trade Agreement (FTA) denote an accelerating movement toward a “mega FTA,” which sees economic zones in terms of entire regions and not single countries. As the flow of people, goods, and money is becoming more borderless, production systems are becoming dispersed across countries and regions, with distribution processing needs in the supply chain steadily increasing in kind.

To respond quickly to these changes in the global economic environment and support the business of Japanese manufacturers and producers, the Yamato Group is promoting global expansion via a five-zone system targeting Japan, East Asia, Southeast Asia, Europe, and the Americas.



Moving to a Cross-Border Networking Platform

Currently, we are working to create added value by establishing our five-zone system and making connections at each of these zones. As part of these efforts, in addition to our “last-mile” speedy transportation network, we are building a platform that offers functional solutions for our forwarding and trunk-route transport services as well as for distribution processing, and other operations at our logistics bases.

What is important to this process is expanding our network in a swift manner while leveraging the strengths of the Yamato Group, namely our understanding of the demand chain from a customer point of view and the expertise that we have developed over the years. Instead of relying on self-sufficient policies, we are building a global platform while utilizing M&A and our partnerships with other companies, which include our acquisition of the Malaysia-based Overland Total Logistic (OTL) Group and investment in the Guangzhou Wisepower Transportation & Distribution Group based in Guangzhou, China.

Globally Expanding the Cold Chain

Cross-border transport is not limited to industrial and consumer goods, and is expanding to include foodstuffs such as agricultural and marine goods. Leveraging the certification of international standards related to small-lot, chilled and frozen delivery services, the Yamato Group is taking active steps to build a cross-border network with high added value.

Acquisition of PAS1018, International Standard for Small-Lot, Chilled and Frozen Delivery, and Its Expansion Worldwide

PAS1018 was adopted as an international standard in order to establish an environment for the safe and secure use of small-lot, chilled and frozen delivery services across the globe, particularly in Asia. PAS1018 was also adopted to improve convenience in day-to-day life, stimulate regional economies, and contribute to the growth of markets related to chilled and frozen parcel delivery services.

Headed by the Yamato Group, this standard was formulated in collaboration with 21 institutions from four countries, including Japanese logistics companies, overseas organizations and shipping companies, and various experts, via a fair and neutral process. The standard was launched by the British Standards Institution* in February 2017.

As of December 31, 2018, eight companies within the Yamato Group have obtained certification, and we are working with our partners—including JD.com, one of China’s largest retailers—to create a cross-border network with high added value.

* The British Standards Institution is a professional standards formulation organization that was established in 1901, and is the world’s first national standards institution and a founding member of ISO.

