

Structural Reform of Network Operations

In response to the progressing growth of EC and changes in customer needs and distribution structure, we will achieve the enhancement of overall network quality and efficiency by creating dedicated networks optimized to meet diverse logistic needs at the same time as reinforcing the existing TA-Q-BIN network.

Background

The existing TA-Q-BIN network was initially launched to provide CtoC services. Despite meeting the diverse BtoB and BtoC needs of small-scale to large-scale corporate clients, it has become a structure difficult to link to revenue growth with an increase in parcel delivery amount following changes in customer needs and distribution structure.

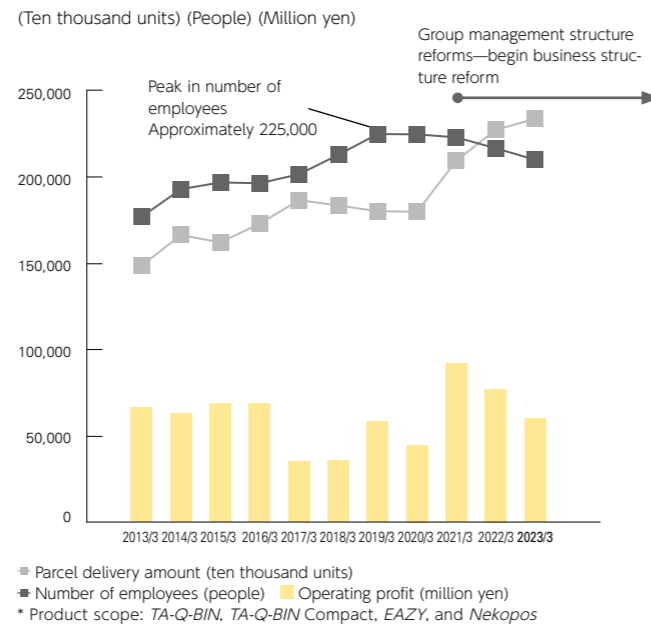
Existing Networks

- Nationwide roll out of a hub and spoke distribution model for sorting and transportation terminals and sales offices
- Operation on standardized timelines to provide uniform (high-quality) services
- Placement of full-time employees (multi-functional sales drivers) at small, multi-store sales offices

Changes in Customer Needs and Distribution Structure

- Increase in volume of parcels from large-scale corporate clients who ship from specialized warehouses, etc.
 - Increase in EC parcels with different timelines and operations
 - Changes in the balance between dispatch and arrival volumes
- Incompatibilities with existing network, which mainly focuses on small-lot parcels and standardizing operations on next-day shipping, have become apparent

Parcel Delivery Amount*/Number of Employees/ Operating Profit



Overview

Initiatives and Results to Date

(Fiscal Year Ended March 31, 2021, to Fiscal Year Ended March 31, 2023)

- ✓ Progress in building EC logistics network as a start point
- ✓ Completion of overall design to gradual launch of initiatives aimed at reinforcing existing networks

Future Initiatives

(Fiscal Year Ending March 31, 2024, to Fiscal Year Ending March 31, 2027)

- Accomplishment of existing network reinforcement
- Creation and expansion of dedicated networks optimized to meet diverse logistic needs

	Measures	Creation results
Growth domains	Creation and expansion of dedicated networks optimized to meet diverse logistic needs	<ul style="list-style-type: none"> • Expansion of value provided in response to needs • Reception of appropriate pricing based on value provided • Optimization of operating costs • Increase in job satisfaction • Maintenance and enhancement of safety, quality, and employee-friendliness
Base domain	Reinforcement of existing network at the same time as creating a dedicated network	<ul style="list-style-type: none"> • Consolidation and enlargement of sales offices • Review of terminal functions • Renewal of workstyles and the operational structure

Reinforcement of Existing Networks Base domain

1 Consolidation and Enlargement of Sales Offices

We are optimizing transportation, operation, administration, and management costs and enhancing safety, quality, and employee-friendliness at each location by consolidating and enlarging small, multi-store TA-Q-BIN sales offices, with a focus on urban areas.

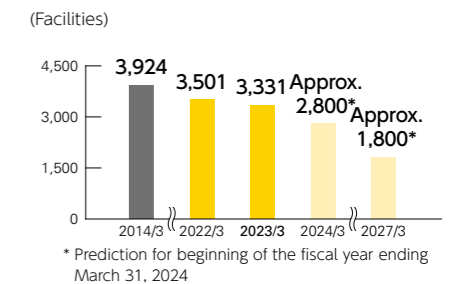
Previously: small, multi-store sales offices



In the Future: consolidated and enlarged sales offices



Trends in number of sales offices



Basic Strategies that Support Structural Reforms

Human Resource Strategy

- Promotion of appropriate human resource allocation in conjunction with renewal of workstyles and structures
- For an overview of our human resource strategy, please see page 26.

Digital Strategy

- Maximization of the initiative's outcomes through utilization of a system for optimal resource allocation in response to workload
- For an overview of our digital strategy, please see page 32.

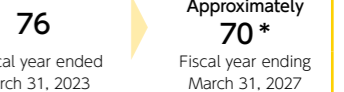
Environmental Strategy

- Encouragement to reduce GHG emissions by introducing various environmental equipment at large-scale sales offices, including a switch to EVs, solar power generation equipment, and LEDs.
- For an overview of our environmental strategy, please see page 34.

2 Review of Terminal Functions

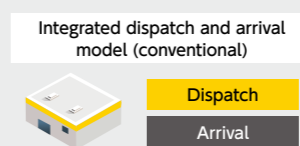
Concurrently with reviewing terminal functions, such as separating dispatch and arrival operations and integration of large-scale sales offices with terminal in light of changes in volume of parcels and timelines, we will promote maintaining and improving safety, quality, job satisfaction, and employee-friendliness and optimizing transportation and operation costs by revising definitions of duties, standardizing human resource composition (full time, part time, hourly workers, and temporary staff), and entrusting part of operations at some terminals to business partners, then reallocating employees.

Number of terminals



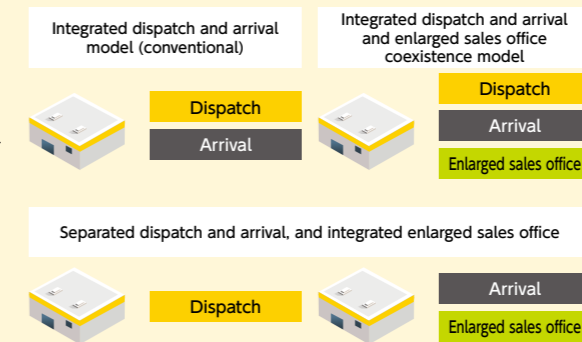
Previous Operations

- Duplication of timelines for dispatch operations and arrival operations within the same terminal, lowering operational efficiency



Future Operations

- Improvement in flow of overall operations through separation of dispatch and arrival operations and redesign of operations
- Selection and implementation of optimal methods in response to characteristics of each terminal



Began reorganization of terminals in the Fukuoka area and launched operation of new Sasaguri terminal (new and lease) from November 2022

Basic Strategies that Support Structural Reforms

Human Resource Strategy

- Promotion of optimal human resource allocation and clarification of definitions of duties

Digital Strategy and Environmental Strategy

- Reduction of GHG emissions by promoting transportation efficiency through data analysis

Structural Reform of Network Operations

3 Reform of Workstyles and Operational Structures (Sales Drivers)

We will maintain and enhance quality, employee-friendliness, and job satisfaction, strengthen our response to diversifying customer needs, and optimize operating costs by enhancing delivery efficiency subdivision and specialization of sales driver duties into sales, delivery, pickup, and other operations in line with regional characteristics based on changes in the balance between pickup and delivery workloads and the increasing burden of multi-tasking following a rise in shipping ratio for large-scale corporate clients.

Previously

Uniform nationwide SD

	Sales	Delivery	Pickup
SD	○	○	○

In the Future

Major urban areas*1 SD+DD+PD

- Maintenance of structure with approximately 60,000 drivers covering nationwide
- Enhancement of pickup and delivery productivity through specialization and creation of systems

	Sales	Delivery	Pickup
SD	◎	△	△
DD	—	◎	—
PD	△	—	◎

SD (sales driver): Specialized sales and client relations model
 DD (delivery driver): Specialized delivery model
 PD (pickup driver): Specialized pickup model

*1 Placement of drivers (employees) specializing in temperature-controlled delivery only and EAZY CREW (business partners) in places with specific demand

▶ Estimated Composition in March 2027**2

*2 Prediction for the beginning of the fiscal year ending March 31, 2024

Development

- From February 2023: Commencement of trials in some areas of Tokyo
- From January 2024: Further development in major urban areas (Tokyo, Chiba, Kanagawa, Saitama, Nagoya, and Hanshin (Osaka and Kobe) areas)

Basic Strategies that Support Structural Reforms

Human Resource Strategy

- Maximization of initiative outcomes through design of workstyles and pay conditions based on duties

Digital Strategy

- Maximization of initiative outcomes by introducing systems that flexibly rearrange operations in line with daily workload fluctuations, in conjunction with the consolidation and enlargement of sales offices

TOPIC

Basic Agreement Regarding Collaboration with Japan Post Group Aimed at Promoting Sustainable Logistics Services

We signed a basic agreement regarding collaboration with Japan Post Group to promote sustainable logistics services. This agreement will contribute to transportation services that are instrumental in enhancing convenience for customers and business growth through effective utilization of the management resources of both companies, to resolving social issues, including the "2024 problem" faced by the logistics industry, and to environmental issues.

Strengths of Both Groups

Yamato Group (Yamato Transport)

Nationwide network of pickup and delivery trucks
 → Approximately 35,000 2t and 4t trucks*

* Installation of temperature-controlled equipment in 95% of trucks (approximately 33,000) → average refrigeration capacity for temperature-control of 2t trucks is 2,000 liters

Japan Post Group (Japan Post)

Nationwide network of pickup and delivery bikes and mini vehicles
 → Approximately 82,000 bikes
 Approximately 30,000 mini vehicles

Utilization of network resources

Details of Cooperation

From February 2024: Direct mail service area

- End of *Kuroneko DM-Bin* on January 31, 2024, and launch of new service, *Kuroneko Yu-Mail* (tentative)
- Delivery of packages accepted from customers by Yamato Transport on the Japan Post delivery network

From October 2023 in Stages: Small, thin parcels

- End of *Nekopos* in stages from October 2023 and launch of new service, *Kuroneko Yu-Packet*
- Delivery of packages accepted from customers by Yamato Transport on the Japan Post delivery network

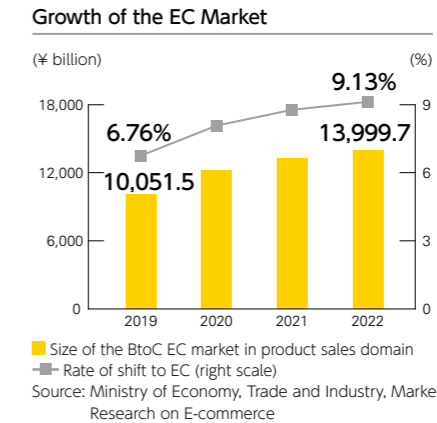
Creation and Expansion of Dedicated Networks Growth Domain



Alongside initiatives reinforcing our existing network, we are promoting dedicated networks optimized to meet diverse logistics needs in areas where demand is concentrated. Accordingly, at the same time as expanding the value we provide in response to customer transportation needs, which existing networks could not sufficiently meet, we will increase the growth capabilities and profitability of the Yamato Group through reception of appropriate pricing based on this value.

1 EC Logistics Network

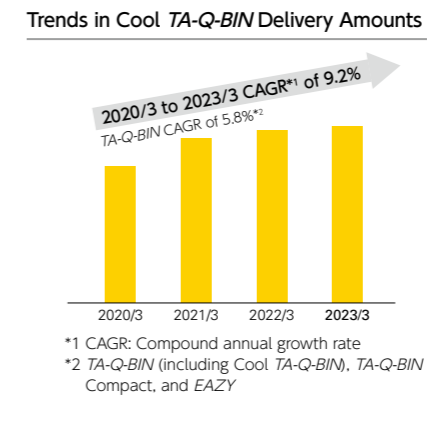
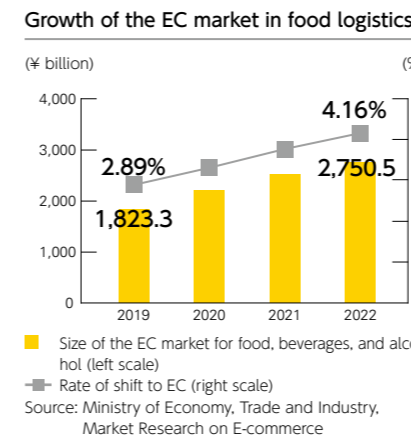
By responding to the increase in EC parcels, which differ from conventional TA-Q-BIN in terms of timelines, delivery method, pricing, and other factors, and by creating flexible capacity through coordination with business partners, we are expanding sales opportunities for EC operators, reducing lead times between order by EC users and arrival, and improving customer experiences through real-time communication and diverse delivery methods.



Gradual Opening and Development of EC Delivery Centers in Urban Areas



2 Network Dedicated to Temperature-Controlled Deliveries



By expanding capacity through the establishment of two large-scale concentrated facilities in the Tokyo metropolitan area in response to increasing demand for BtoC and BtoB temperature-controlled deliveries, we will contribute to the expansion of sales opportunities, such as for food manufacturers and sales business operators, and provide the value of reducing overall logistics costs by optimizing the entire supply chain.

Low Temperature Transportation and Delivery Center (South Tokyo Area)
 (Commenced operation in June 2023)

3 Specialized Corporate Transportation and Delivery Network

Based on various risks in customer supply chains, such as changes in consumer trends and industry structures, decreases in workforce, and responses to the "2024 problem" and environmental issues, we will expand the value we provide through our response to standardization of operations to the transportation needs outside the scope of TA-Q-BIN transportation needs by reorganizing group resources and reinforcing collaboration with business partners.

Service Example: JITBOX Chartered Delivery

- Transportation service, from pickup to delivery, that loads customer packages onto a metal cage on wheels
- Alternative service to chartered truck delivery that provides value of timely delivery and high-frequency delivery in the appropriate quantity

