

Structural Reform of Network Operations

September 30, 2022

Yamato Holdings Co., Ltd.



1. Background of Structural Reforms of Network Operations

- Growth of EC, and changes in customer needs and distribution structure since 2010
→ Issues in the existing (TA-Q-BIN) network have become apparent



2. Aim of “Structural Reforms of Network Operations”

Fundamentally reforming our network and operational structure in order to respond to the expansion of e-commerce and changes in customer needs and distribution structure

- Capture growing demand, mainly driven by EC, through a designated network that is more efficient and optimized for its characteristics
- For the existing TA-Q-BIN network, productivity will be improved by measures such as consolidating and enlarging facilities

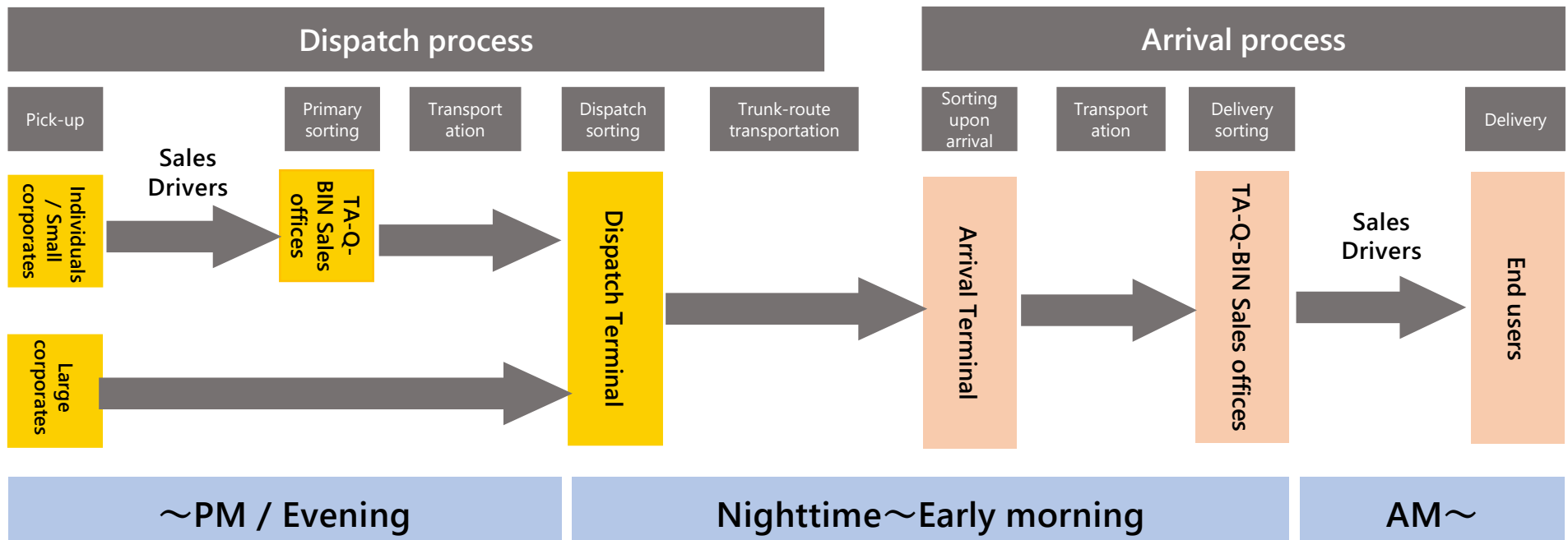
**Connecting growing demand
to our stable profit growth**

3. Structure of Existing (TA-Q-BIN) Network (Characteristics and Overview)

【Characteristics】

- Nationwide deployment of sorting and transportation Terminals and Sales offices through a “Hub & Spoke” structure
- Operating under a standard daily timeline in order to provide a unified (high quality) level of service
- Allocating employees (multi-function Sales Drivers) to numerous small TA-Q-BIN Sales offices

【Overview】



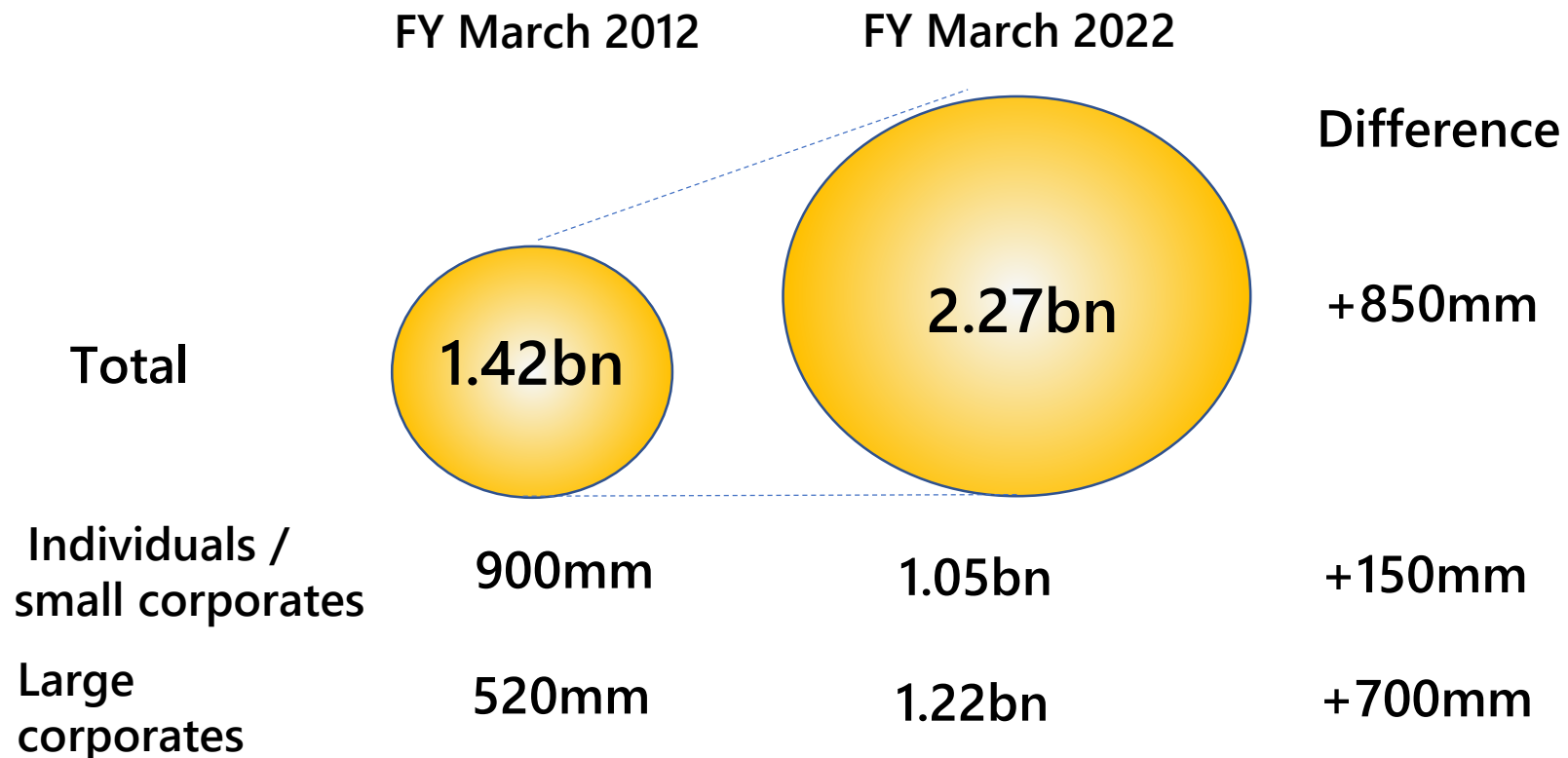
4. Background of Structural Reform (Changes in Demand ①)

Growth in volume from large corporate clients

→ Mismatch with existing (TA-Q-BIN) network, which focuses on collecting small-lot parcels

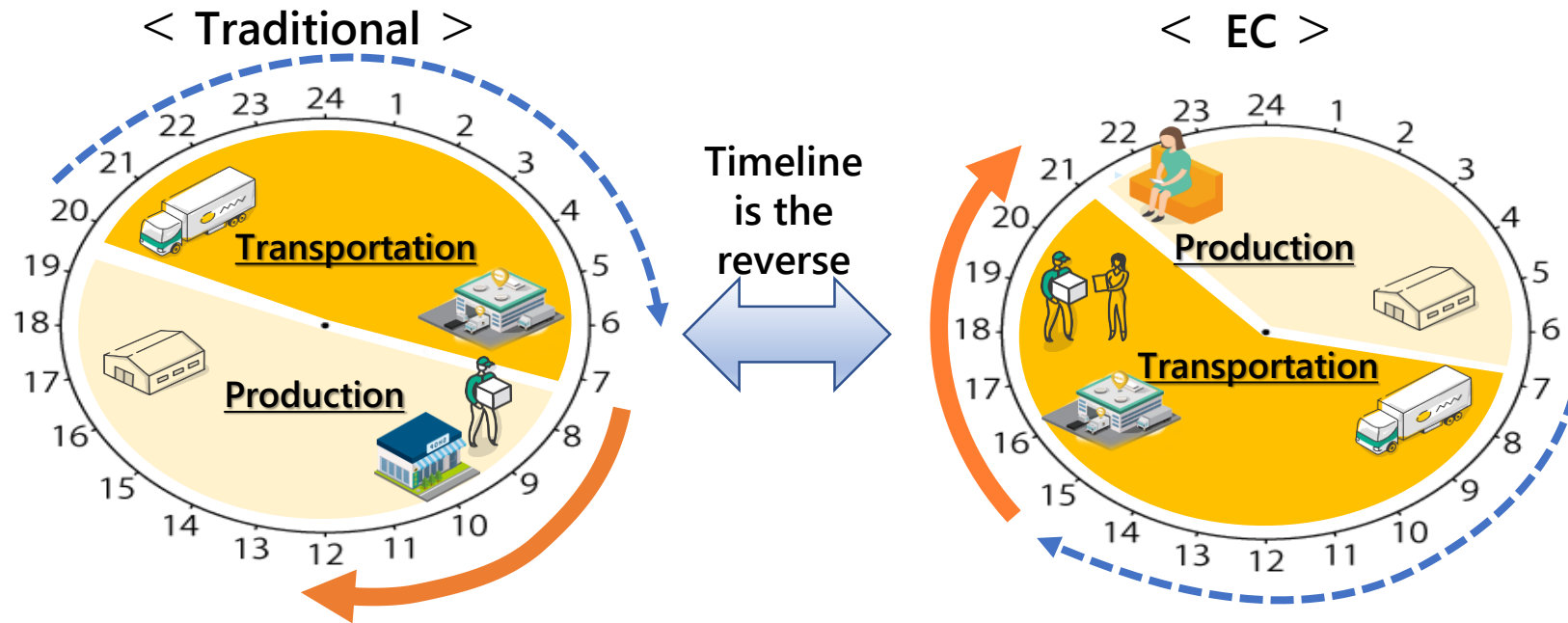
【Breakdown of TA-Q-BIN volume growth over the past 10 years】

(No. of parcels)



5. Background of Structural Reform (Changes in Demand ②)

Growth in EC parcels, which require a different timeline and operation
→ Mismatch with the existing (TA-Q-BIN) network, which is standardized based on “Next-day delivery”



- Costs incurred unnecessarily, in order to accommodate EC parcels into traditional timeline (facilities, transportation)
- Decline in operational efficiency, due to “distortions” caused in traditional timeline due to EC parcels
- Less time for SD (Sales Drivers) to pick-up and engage in sales activities, because of having to deliver EC parcels in the afternoon

6. Background of Structural Reform (Changes in the work schedule in terminals)

The time schedule of dispatch and arrival sorting operations, which were conducted during the nighttime - late night - early morning - morning hours at existing terminals, has been changed

【Daily work schedule in terminals (basic pattern)】

hours	12	13	14	15	16	17	18	19	20	21	22	23	24	1	2	3	4	5	6	7	8	9	10	11	
operation							sorting operation (dispatch)				sorting operation (arrival)												sorting operation (arrival)		

【Now】

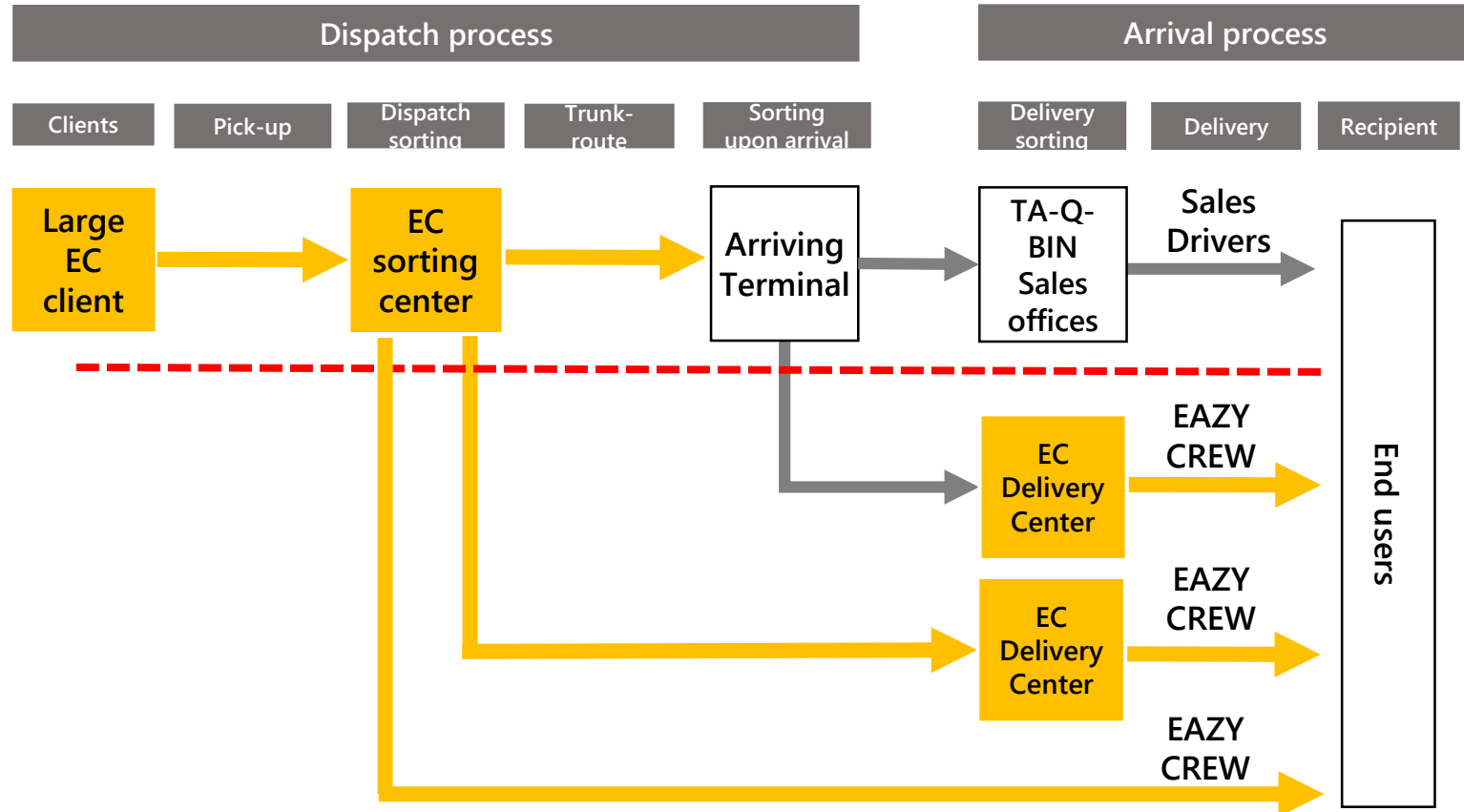
hours	12	13	14	15	16	17	18	19	20	21	22	23	24	1	2	3	4	5	6	7	8	9	10	11
operation	sorting operation (arrival)						sorting operation (arrival)									sorting operation (arrival)								
	sorting operation (dispatch)																							

7. Background of Structural Reform (Aim and Overview)

【Aim】

- Securely capture growing EC demand (Flexible capacity)
- Simplifying operation process (Reduction of operating costs)
- Collaboration with partners (Asset Light)

【Overview】



8. Comparison Between Existing Network and EC Logistics Network

- Development of EC logistics network in urban areas for specific EC platformers
 → Flexible networking according to EC characteristics and demand
 (collaboration with external partners)

	Existing network	EC logistics network
Clients	Numerous	Certain EC operators
Region	Nationwide	Urban areas
By whom	Yamato's own employees	External partners
Cost	Personnel expenses, Commission expenses, Vehicle hiring expenses, etc.	Commission expenses

	Terminals (Bases)	EC Sorting Centers
Function	Sorting and transportation for both dispatch and arrivals	Sorting and transportation of parcels to be dispatched
Equipment	Numerous equipment needed to accommodate all sorts of parcels (material handling, temperature-controlled equipment, etc.)	Simple equipment only, since parcels are mainly within a certain standard

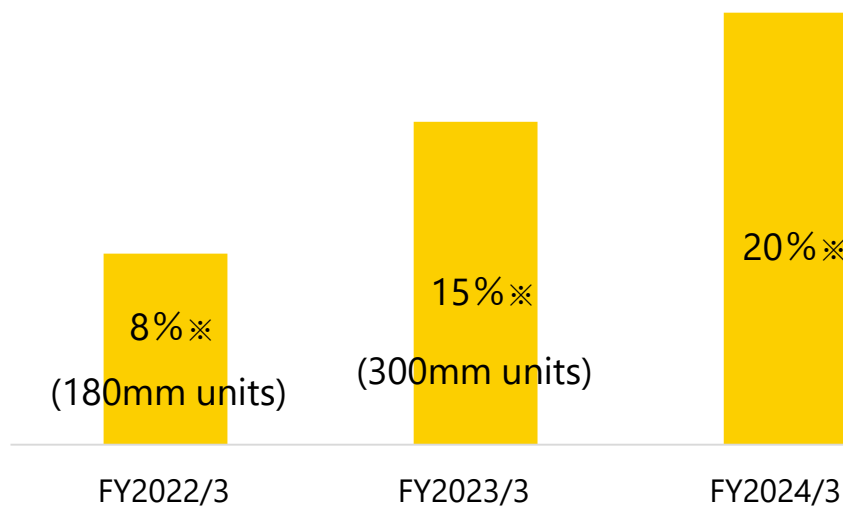
	TA-Q-BIN Sales offices	EC Delivery Centers
By whom	Sales Drivers	EAZY CREW
Role	Pick-up, delivery, sales	Delivery only

9. Progress and Development of Building EC Logistics Network

- EC Sorting Centers now in place ~Can adapt flexibly to changes in volume
- EC Delivery Centers to be established in accordance with the consolidation of existing last-mile facilities (TA-Q-BIN Sales offices)

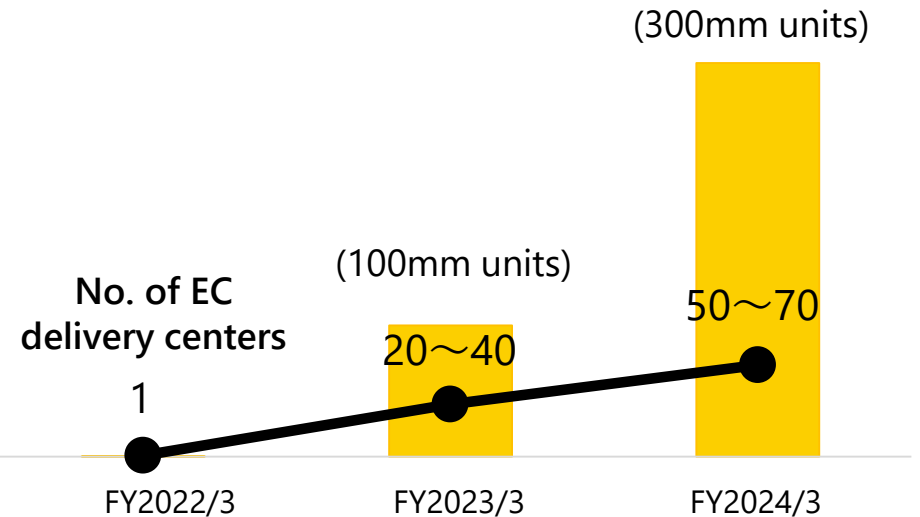
EC Sorting Centers
Annual volume and no. of facilities

(Opened 4 facilities during Q2-4 of FY 2022/3 (Completed))



EC Delivery Centers
Annual volume and no. of facilities

(5 facilities opened during Q3 of FY 2022/3 ~ Q1 of FY 2023/3)



※Ratio of EC logistics network out of total volume

10. Anticipated Effects of the EC Logistics Network

24 billion yen of operating expense reduction expected (FY 2024/3)

- With the deployment of EC Delivery Centers, EC parcel capacity can be increased through a simplified and End-to-End process*

 - * EC logistics network, that does not require the existing (TA-Q-BIN) Terminals and Sales offices on the arriving (destination) side

 - Expect handling volume of 300 million parcels with EC logistics network (FY 2024/3)

- Optimize operating costs

 - Expecting a cost reduction of 80 yen per parcel compared to the existing (TA-Q-BIN) network

- In accordance with the deployment of EC Delivery Centers, consolidate TA-Q-BIN Sales offices in locations/regions where parcels will shift to the new network

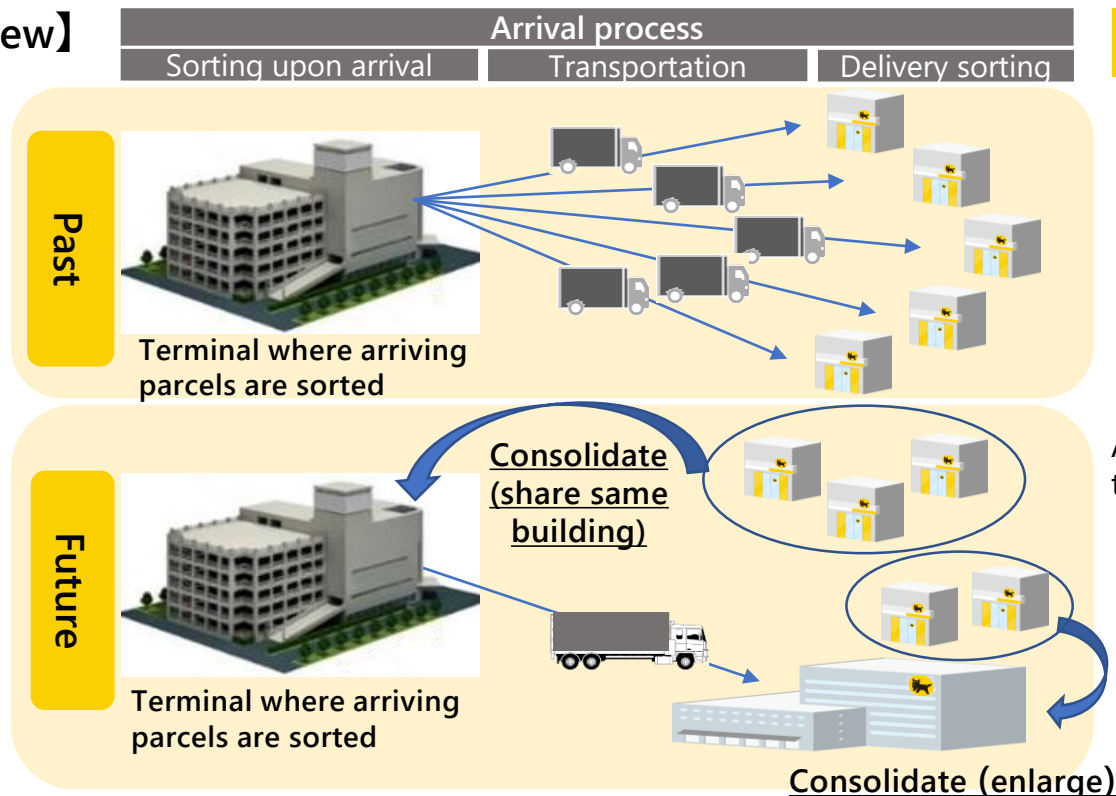
 - Optimize transportation & delivery, operations, admin and management cost

11. Consolidation and Enlargement of Existing (TA-Q-BIN) Sales offices (Aim and Overview)

【Aim】

- Consolidating and enlarging the numerous small TA-Q-BIN Sales offices in urban areas
→ To optimize transport, operations, admin and management costs of each facility, while improving safety, quality and the work environment
- Redefine functions of the existing Terminals, and optimize transportation and operation costs by integrating the Terminals with TA-Q-BIN Sales offices, as well as separating dispatch and arrival operations

【Overview】



Traditional facility (image)



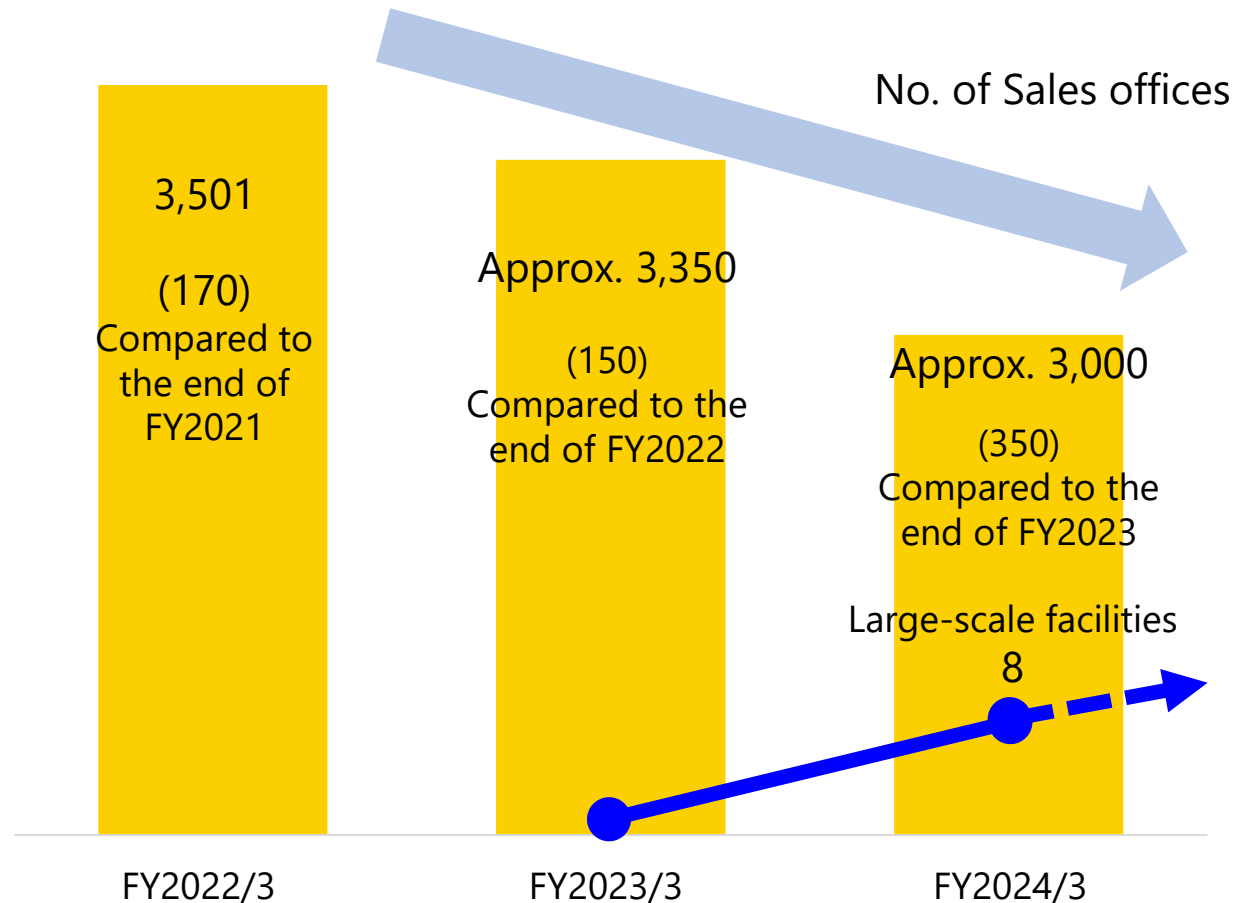
Large facility (image)

Around 10 times the average size of traditional facility



12. Consolidation and Enlargement of Existing (TA-Q-BIN) Sales offices (Progress)

- Have been reducing the number of last-mile facilities according to plan from around 4,000 in FY 2019/3, to around 3,500 facilities in FY 2022/3
 - Expect to reduce to around 3,000 locations by the final year of the current Medium-term Management Plan



13. Anticipated Effect of the Consolidation and Enlargement of TA-Q-BIN Sales offices

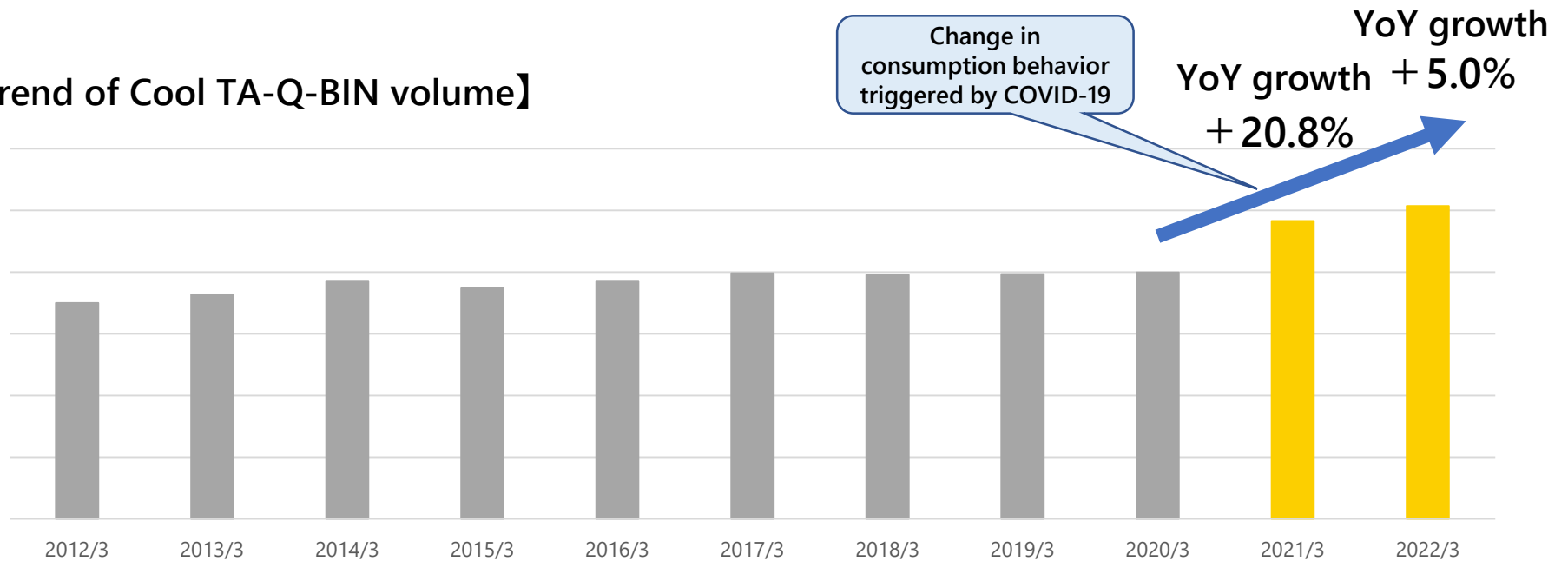
8 billion yen reduction in operating expense expected (FY 2024/3)

- Consolidate last-mile facilities (TA-Q-BIN Sales offices), and start operation of 8 large facilities with functions of sorting terminal (from FY 2024/3)
 - Optimize transport, operations, admin and management costs which were being incurred separately in each facility
- Will continue consolidation in FY 2025/3 onwards (during the next Mid-term Management Plan period) , and achieve further positive effects

14. Setting up facilities that serve “Cool-designated Terminals” (and “Last-mile Integration Facilities”)

Demand growth for temperature-controlled deliveries, triggered by the COVID-19 pandemic
~Mismatch with capacity

【Trend of Cool TA-Q-BIN volume】



•By setting up facilities that serve as both “Cool-designated Terminals” and “Last-mile Integration Facilities” in the urban areas with strong demand, we aim to capture the growing demand, together with improving efficiency of sorting and transportation operations

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