

# Structural Reform of Networks and Operations

We will optimize costs while responding to needs in growth domains to achieve sustainable growth by drastically reforming the structure of our networks and operations in response to the growth of EC and changes in customer needs and the logistics structures.

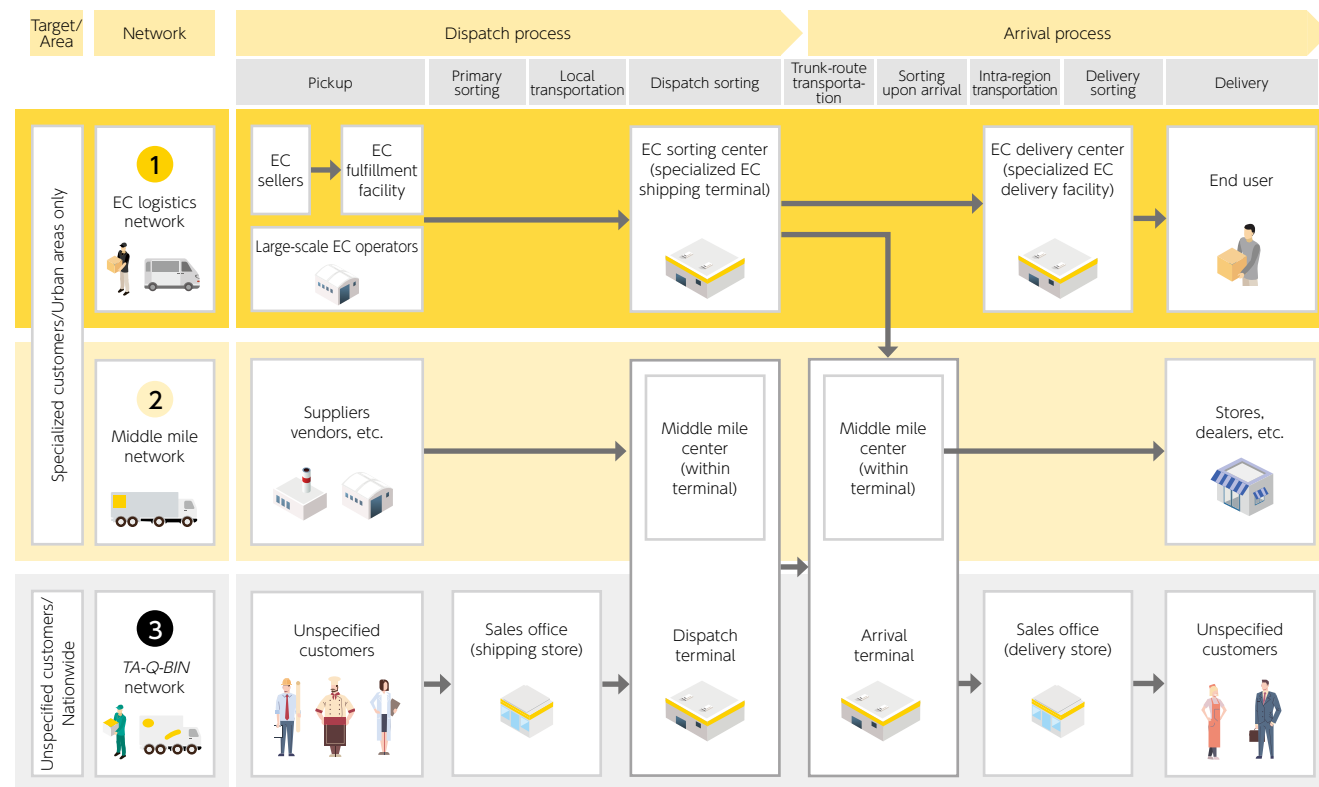
## Concept and Background of Structural Reforms



- Increase in quantity of large corporate clients  
→ Incompatible with the TA-Q-BIN network, which has a principle objective of collecting small-lot deliveries
- Increase in EC parcels with different timelines and operations  
→ Incompatible with existing (TA-Q-BIN) network, which is standardized based on next-day delivery
- Changes in operational schedule at terminals  
→ Shift in time schedule for dispatch and arrival sorting operations

Details can be found on our corporate website.  
[https://www.yamato-hd.co.jp/investors/library/business\\_briefing/pdf/E\\_network\\_operations\\_presentation\\_220930.pdf](https://www.yamato-hd.co.jp/investors/library/business_briefing/pdf/E_network_operations_presentation_220930.pdf)

## Overview of Network Created through Structural Reforms



## Last Mile Carriers

	EAZY CREW	Middle mile drivers	Sales drivers
Network	EC logistics network	Middle mile network	TA-Q-BIN network
Type	Corporate partner (outsourcing contract)	Employee (employment contract)	Employee (employment contract)
Main function	Specialized EC delivery	Route pickup and delivery for corporate clients	Sales, pickup, delivery, etc.
Product	EAZY	All	All
Area covered	Specialized regions (urban areas)	Specialized regions (urban areas)	Nationwide

## Specific Initiatives and Targets

<p><b>1</b></p> <p>Creation and Development of EC Logistics Network</p>	<p>Specific Initiatives</p> <ul style="list-style-type: none"> <li>• Establish EC sorting center (specialized EC shipping terminal)</li> <li>• Develop EC delivery center (specialized EC delivery facility)</li> </ul> <p>→ Direct connection to EAZY CREW for efficiency</p>	<p>Targets</p> <ul style="list-style-type: none"> <li>• Capture EC demand by enhancing service level</li> <li>• Optimize costs by simplifying operational processes and expand controllable capacity through collaboration with business partners</li> </ul> <p>▶ For expected results, please refer to <b>page 28</b>.</p>
<p><b>2</b></p> <p>Creation of Middle Mile Network</p>	<p>Specific Initiatives</p> <ul style="list-style-type: none"> <li>• Establish route pickup and delivery</li> </ul> <p>→ Delivery of products in the necessary volume, at the required time, and through an appropriate method of transportation, from large-lot to numerous small-lot deliveries</p>	<p>Targets</p> <ul style="list-style-type: none"> <li>• Provide one-stop value across customers' entire supply chains by combining transportation and delivery networks, such as warehouses, TA-Q-BIN networks, and route pickup and delivery, with inventory management system</li> </ul> <p>▶ For examples of value provided to customers, please refer to <b>page 22</b>.</p>
<p><b>3</b></p> <p>Consolidation and Enlargement of TA-Q-BIN Sales Offices</p>	<p>Specific Initiatives</p> <ul style="list-style-type: none"> <li>• Consolidate and enlarge size of small, multi-store TA-Q-BIN sales offices</li> <li>• Integrate sales offices with terminals (in same building)</li> <li>• Redefine the role of terminals</li> </ul>	<p>Targets</p> <ul style="list-style-type: none"> <li>• Optimize TA-Q-BIN network in light of capacity of specialized networks for the EC domain, corporate domains (such as large parcels and route pickup and delivery), and refrigerated delivery services</li> </ul> <p>▶ For expected results, please refer to <b>page 28</b>.</p>
<p><b>2 3</b></p> <p>Launch of Dedicated Refrigerated Delivery Bases</p>	<p>Specific Initiatives</p> <ul style="list-style-type: none"> <li>• Launch large-scale consolidated facilities in two locations, with a focus on the Tokyo metropolitan area and three neighboring prefectures (Chiba, Kanagawa, and Saitama)</li> <li>• Minimize duplicate costs through simultaneous redeployment of facilities and personnel</li> </ul>	<p>Targets</p> <ul style="list-style-type: none"> <li>• Capture demand by expanding capacity to handle delivery of refrigerated products, which is a growth domain</li> </ul> <p>▶ For examples of value provided to customers handling room temperature and refrigerated products, please refer to <b>page 22</b>.</p>
<p><b>1 2 3</b></p> <p>Reform of Operations and Creation of IT System</p>	<p>Specific Initiatives</p> <ul style="list-style-type: none"> <li>• Deploy and utilize resources in line with workload and establish mechanisms for adjusting operations in line with capacity</li> </ul>	<p>Targets</p> <ul style="list-style-type: none"> <li>• Promote the above initiatives and enhance their results</li> <li>• Optimize costs by implementing operations in line with workload</li> </ul>

## Structural Reform of Networks and Operations

### Anticipated Effects (The Last Year of One Yamato 2023)

#### 1 Creation and Deployment of EC Logistics Network



- Promote efficiency by directly connecting EAZY CREW with EC sorting centers (specialized EC shipping terminals) and EC delivery centers (specialized EC delivery facilities)

Phase One: April 1, 2020 to March 31, 2021

Creation of EC last mile network (organizing of EAZY CREW)

Phase Two: July 1, 2021 to March 31, 2022

Creation of EC sorting center

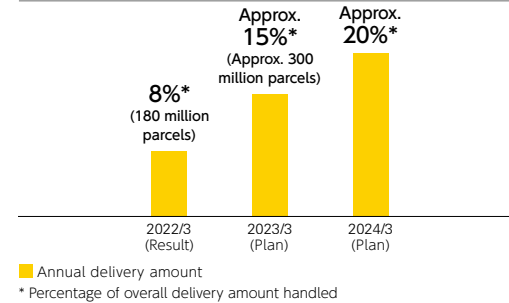
Phase Three: From October 1, 2022

Development of EC delivery center

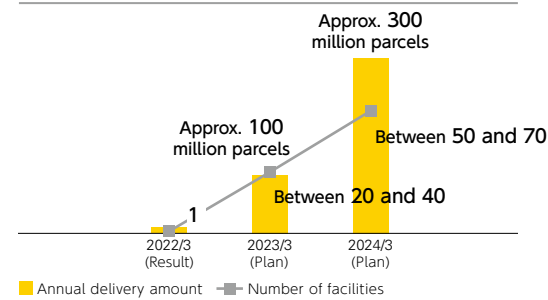
Reduce operating costs by increasing the number of EC parcels handled through simplified processes while optimizing costs through the consolidation of regional sales offices where EC parcels are transferred

**Anticipated Effects** Reduction of Operating Expenses : ¥24 billion

Annual Delivery Amount of EC Sorting Centers (Four Locations)



Annual Delivery Amount of EC Delivery Centers / Number of Facilities



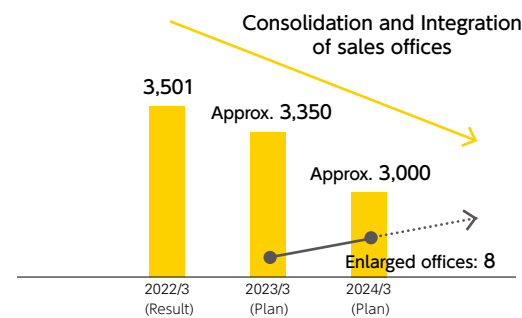
#### 3 Consolidation and Enlargement of TA-Q-BIN Sales Offices

- Rebuild the existing TA-Q-BIN network in conjunction with separating operations, such as EC delivery and the delivery of products for corporate clients, by creating an EC logistics network and middle mile network
- Optimize transportation, operation, administration, and management costs and enhance safety, quality, and employee-friendliness at each location by consolidating and enlarging small, multi-store TA-Q-BIN sales offices (focused on urban areas)
- Optimize transportation and operation costs by integrating terminals with TA-Q-BIN sales offices and separating dispatch and arrival operations through the redefinition of functions at existing terminals

Commence operations at eight large-scale locations with terminal functions in conjunction with consolidating TA-Q-BIN sales offices to optimize transportation, operation, administration, and management costs at each location

**Anticipated Effects** Reduction of Operating Expenses : ¥8 billion

Number of Sales Offices



Shorten the time to commence operations by utilizing multi-tenant facilities

### MESSAGE

We will contribute more than ever before to customers' businesses and lifestyles by realizing fast shipping and enhanced quality, in addition to optimizing costs, through the structural reform of networks and operations.

#### PROFILE

**Akihiro Kazuma**

Senior Managing Executive Officer, Yamato Transport Co., Ltd. Responsible for overseeing Transport and Delivery Operation

Mr. Kazuma's work history includes time at Nissan Motor Co., Ltd. and Nissan North America, Inc. as well as experience as director of Supply Chain Management and Transportation and vice president of Operations, JP Supply Chain Management and Transportation at Amazon Japan G.K. He has been in his current position since May 2022.



#### Changes in Operation Following a Shift in Composition of Customers and Packages

Yamato's annual delivery amount has increased by approximately 900 million parcels in the last 10 years, following the progress of e-commerce (EC) adoption in all industries. In particular, there have been changes in the way essential operations are carried out in the process of delivering parcels from clients to recipients, including pickup, transportation, sorting, and delivery, alongside a clear increase in business-to-consumer parcels from large corporate clients.

For example, major EC operators tend to set up large warehouses near cities, including in Tokyo and three of its neighboring prefectures (Chiba, Saitama, and Kanagawa), where demand is concentrated, to ship large volumes of packages. They do not have small-lot pickup operations from numerous locations to meet conventional customer-to-customer demand. There have also been changes in the timeline of transportation and sorting operations. Conventional TA-Q-BIN has standardized operations with a basic timeline of daytime pickup, nighttime shipping, sorting, and trunk-route transportation, with delivery from the next morning. For EC parcels, there have been deviations from the conventional timeline of operations, as well as a drop in operational efficiency and appearance of additional costs to ensure the sequential packing and shipping of late-night orders by buyers.

#### Initiatives for Structural Reform of Networks and Operations

Under the medium-term management plan "One Yamato 2023," we are engaging in the structural reform of networks and operations by optimizing costs while responding to these changes and meeting needs in growth domains to achieve sustainable growth.

First, we are working ahead of the curve to create an EC logistics network that leads to revenue growth for Yamato, which is seeing increasing demand for EC. By creating a specialized EC network that enables us to be responsible for consistent operations, from pickup and sorting to transportation and delivery of packages from major EC operators, we will optimize costs by expanding capacity and simplifying operational processes as well as enhance flexibility in response to fluctuations in demand.

At the same time as the creation of this EC logistics network, we are making progress with consolidating and increasing the size of TA-Q-BIN sales offices. To date, we have been integrating the small-scale, multi-store bases in a timely manner; however, we are

strategically consolidating and enlarging bases currently existing linked with the separation of transporting and delivering EC parcels. At the same time, we are also reviewing the purpose of facility functions. We have traditionally carried out sorting operations for shipping and delivery at the same facility. Since there has been a shift in the balance of these two, going forward, we will optimize operations by operating isolated sorting facilities for shipping and delivery and consolidating and integrating sorting operations for packages for delivery with larger sales offices. Regarding our refrigerated delivery service that handles refrigerated and frozen products, we will create specialized refrigerated sorting facilities and delivery bases in urban areas, maintain and enhance quality, and expand capacity in response to an increase in demand for pick-up and the need for refrigerated delivery for corporate clients during the COVID-19 pandemic.

At the same time, we will engage in creating an operational structure to maximize the effects of these initiatives. For example, since not all parcels are designated to be delivered in the shortest time possible and there are packages with time before their designated delivery date, we can enhance the productivity of our networks if we can standardize the workload by holding these parcels back. We will standardize operations by managing capacity and utilize data and digital technology to create a structure that flexibly changes operations in response to factors such as customer demand and capacity status while integrating ideas from the front line.

These are significant issues that we should tackle in the medium to long term and we will continue to do so during and beyond the period of the medium-term management plan, leading to the creation of further value.

#### Aim to Create Infrastructure That Satisfies Both Customers and Employees

Our structural reform of networks and operations aims to optimize costs, make operations more efficient, enhance the speed and quality of speed and shipping, and improve the working environment and safety of employees. In reality, by creating an EC logistics network for large corporate clients we have been able to shorten the lead time for shipping through measures including the extension of operational hours for next-day and same-day shipping. We will promote these transformation initiatives with the aim of further contributing to growth in the businesses, lifestyles, and industries of our customers as a part of the social infrastructure, not just our own growth.