



Special Feature

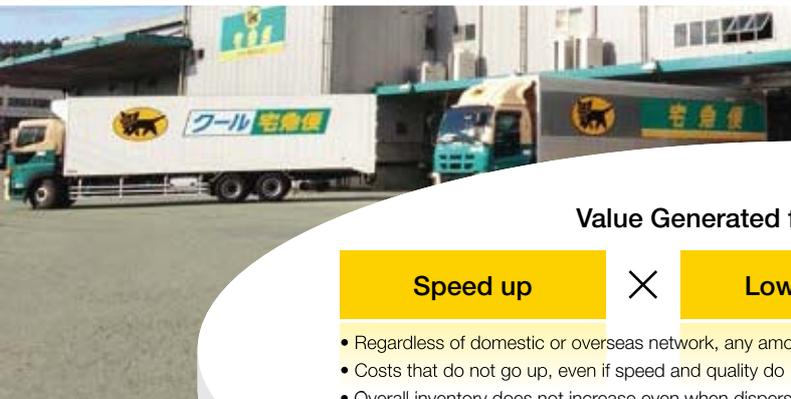
“Value Networking” Design Gathering Pace

# Offers Benefits of Wide-Ranging Added Value during Processes That Goods Flow Through

In July 2013, the Yamato Group commenced its “Value Networking” design. By innovating its domestic and overseas networks, the Group is bringing about the evolution of logistics from a focus on cost to a “means for generating new value,” thereby contributing to growth strategies for the Japanese economy and engaging in logistics reform. Seamlessly fusing its unique information technology (IT), logistics technology (LT), and financial settlement technology (FT) functions as well as the nationwide domestic and Asian “last mile” networks that are its core competence, the Group is providing innovative solutions that are dramatically improving logistics in all three areas: speed, cost, and quality.

“Value Networking”  
Design Plan Based on  
Five Engines of Reform

- Non-stop logistics network**  
that branches out from full operations and provides swift value-added services
- Cloud-based network**  
that is unrestrained by shipping location, shipping format, and shipping volume
- World’s first integrated delivery network of international refrigerated packages**
- Logistics visualization**  
that enables both senders and receivers to share
- Demand chain-perspective innovation**  
that optimizes logistics for both purchasers and suppliers



### Value Generated from Business Model

Speed up



Lower cost



Higher quality

- Regardless of domestic or overseas network, any amount of inventory can be sent from any shipping location
- Costs that do not go up, even if speed and quality do
- Overall inventory does not increase even when dispersing inventory in the interests of mitigating risks from natural disasters, for example
- No need for customers to make excessive investments in logistics and systems on their own
- International refrigerated transportation that maintains a high degree of freshness can be utilized at low cost

**Creation of High-Value-Added Business Model  
Development in Asia**  
Expansion of logistics for corporate customers  
Community-based / Lifestyle support

#### Non-delivery Businesses

IT

LT

FT

IT : Information Technology  
LT: Logistics Technology  
FT: Financial Settlement Technology



#### Delivery Business

Domestic nationwide and Asian "last mile" networks built around TA-Q-BIN



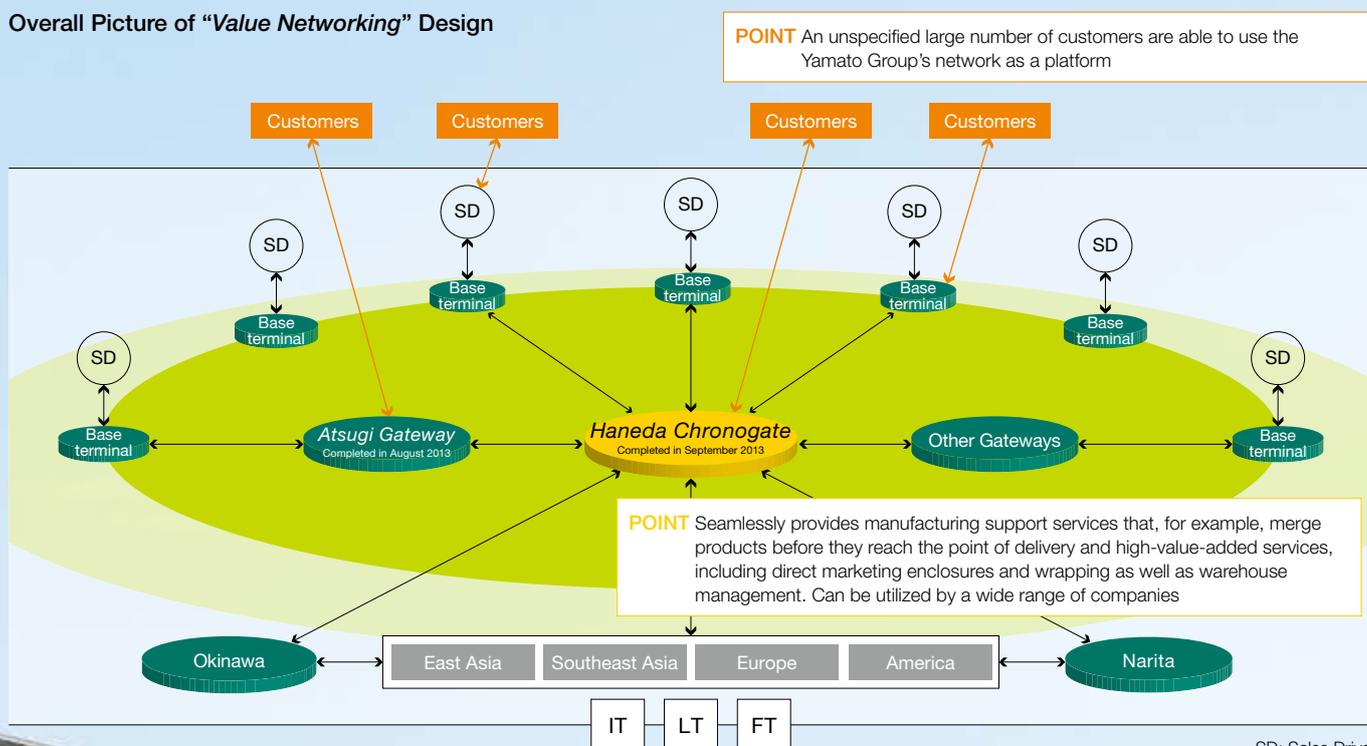
# Evolving Networks: Expanding “Value Networking” across Japan and the Rest of Asia

The challenge of changing logistics to a “means for generating new value” had already started in 2007 when acquiring land to construct the *Haneda Chronogate*. At that time, the Company was advancing four network innovations at the same time: the building of a *TA-Q-BIN* network in Asia; the construction of the *Haneda Chronogate* general logistics terminal hub to connect Japan with the rest of Asia; the establishment of “gateway” terminals to realize same-day deliveries between major cities in Japan; and the full-scale operation of the *Okinawa International Logistics Hub* to bring to fruition next-day deliveries to other parts of Asia. By fusing these projects to the *TA-Q-BIN* networks that pride themselves on their overwhelming competitiveness, we are able to provide value-added logistics at unprecedented speed and at low cost from any location in the same way as a cloud-based operation. These four networks will become even more evolved with the establishment of the network connecting the Kanto area, Chubu area, and Kansai area, which will occur following the completion of the *Chubu Gateway* in

September 2016 and the *Kansai Gateway* in fall 2017. We will further expand our operating domain going forward by integrating these networks with networks in Asia centered on the international logistics hub in Okinawa. Through this expansion, customer can select the parcel storage and shipment locations, whether in Japan or overseas. If products are accepted at the nearest customer contact points even in small lots, these points will still serve as gateways to a seamless logistics network. For this reason, the Company will be able to bring to fruition the moving of inventory to cloud computing, under which the total amount of inventory will not increase even when dispersed to locations closer to the consumption areas and points of delivery.

Without stopping the flow of goods, the Company will be capable of endowing products with added value through their assembly, merging, and maintenance, for example. Also, these solutions can be utilized by a wide range of companies, without regard to the scale or type of business.

## Overall Picture of “Value Networking” Design



## Case Study: High-value-added services based on “Value Networking” design

### Nestle Nespresso K.K.

# Major improvement in user satisfaction by integrated provision of logistics and repair operations

The premium brand “Nespresso” enables the enjoyment of authentic espresso coffee. As the brand’s convenience and premium taste have become popular, lovers of the product have been rapidly increasing in number in Japan in recent years. On the other hand, the surge in sales had resulted in a proportionate rise in the number of cases of Nespresso coffee machines that required repairs. As such, the company’s transportation costs related to repairs had been increasing as well. Moreover, the repair center was located in the suburbs, and as a result the aspect of retaining personnel to carry out the repairs had been beset with problems.

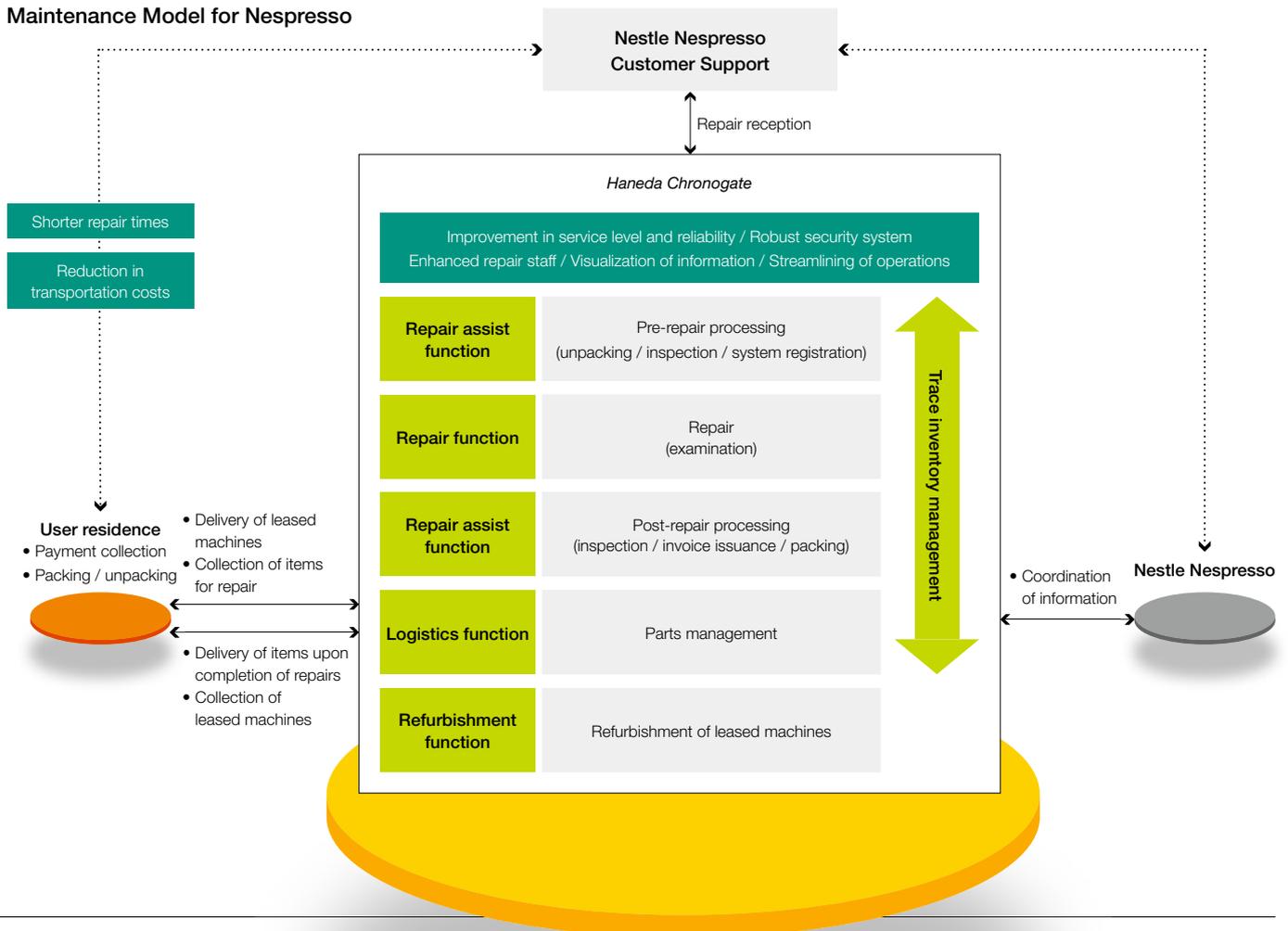
Nestle Nespresso, the company that markets Nespresso products, was attracted to the maintenance support services the Company offers as a way to resolve its problems. Seizing the opportunity provided by the completion of *Haneda Chronogate*, Nestle Nespresso transferred its repair center to inside the new facility and, in addition to entrusting the Company with

collection and delivery operations as in the past, handed over responsibility for the repair operations. By adopting this strategy, Nespresso built a system under which the entire process from the collection of machines in need of repair from homes, the repairs themselves, and the delivery of machines after repair is outsourced to the Yamato Group.

#### Comment from Nestle Nespresso

We dispensed with transporting machines between bases, which involved travel to and from the repair center and the terminal, and at the same time achieved a shortening of lead times by an average of one day and reductions in transportation costs. Furthermore, improvements other than in lead times resulted, such as the timely reporting of monthly performance data and hence faster responses, a reduction in human error through the use of operational systems, and a quicker pace in the speed of the operation through closer communication with those responsible for carrying out the repairs. As a result, we have achieved a year-on-year reduction of more than 50% in the number of user complaints relating to repairs for two consecutive years.

### Maintenance Model for Nespresso



## Case Study: Challenges Confronted in Expanding Presence in Asia

### Southern Gate Operations in Okinawa

# Realizing the provision of rapid transportation and high-value-added functions to various regions in Asia

Progress is being made in setting up borderless logistics as a result of economic growth and market expansion in Asian regions, which are bringing calls for the development of international logistics that is faster, of higher quality, and more competitively priced. In addition, there are growing needs among customers to reduce their total inventories of products to be shipped overseas. To address these needs, we have been leveraging an international logistics center in Okinawa, a strategic location for logistics in Asia, from August 2013. In November 2015, we commenced operations of the global logistics

center “*Southern Gate*” in Okinawa, thereby further strengthening our logistics functions.

While taking advantage of Okinawa's superior position, in addition to the value from existing efforts to enhance competitiveness and control costs through total inventory management, *Southern Gate* realizes non-stop logistics in a borderless manner by providing unprecedented value-added functions—including replenishment, kitting, repair and maintenance, and merging—and supports the strengthening of customers' own competitiveness.

### Southern Gate holds the key to rapid transportation to Asian regions

#### Morning flights arriving in major Asian cities

Okinawa 3:35 → Shanghai 4:35

Okinawa 5:10 → Hong Kong 6:40

Okinawa 6:55 → Taipei 7:20

Okinawa 5:30 → Singapore 9:30



#### Okinawa's Competitive Edge

- Naha Airport and Okinawa International Logistics Hub enable round-the-clock customs clearance and night-time flight arrivals and departures
- Good location for enabling short-flight access to major Asian cities
- Domestic route network expanded and enhanced (ranked second in terms of number of domestic routes served)
- Various tax incentives apply within the International Logistics Hub Industry Development Zones specified by Okinawa Prefecture

Within flight times of approximately four hours



**International Cool TA-Q-BIN Expanding in Asia**

# Realizing Seamless International Refrigerated Transportation, Contributing to Sales Channel Expansion of Japanese Agricultural and Fishery Products

Capable of shipping anything from a single item from anywhere in Japan, *International Cool TA-Q-BIN* is a seamless international refrigerated small-lot transportation service that delivers fresh Japanese seasonal ingredients to Asia via next-day deliveries at the earliest. By expedited international shipping that leverages the round-the-clock customs clearance performed at *Okinawa International Logistics Hub*, Yamato sales drivers in the regions where the service has been developed deliver to stores and residences by the shortest route in the morning two days later. For Japanese business operators, shipping easily on a daily basis to Asia, where there is burgeoning demand for Japanese agricultural and fishery products as well as foodstuffs, is greatly expanding business opportunities. In cooperation with local governments across Japan, the Yamato Group is connecting overseas restaurants with producers and operators in every area of Japan and accelerating the initiatives to increase sales channels for Japanese agricultural and fishery products.

With commencement to Hong Kong in October 2013, services have been progressively expanding to include other regions: Taiwan in March 2015, Singapore in July 2015, and Malaysia in March 2016. In addition to working to augment services, the

Company is making concerted efforts to extend the delivery areas in the regions where the service has been developed and invigorating the mutual movement of shipments from regions where *TA-Q-BIN* services have been developed, including Japan. Furthermore, in March 2016, with the aim of establishing international standards for refrigerated delivery services, we concluded a contract and commenced joint initiatives with the Japanese arm of the British Standards Institution.

**Regions Where *International Cool TA-Q-BIN* Has Been Developed**



**Business Collaboration with Leading Malaysian Parcel Delivery Company GD Express Carrier Bhd.**

# Accelerating the Building of Small-Lot Transportation Networks in ASEAN

In developing its *TA-Q-BIN* service across Asia from 2010, the Yamato Group has been engaged in providing Asia with high-quality, high-value-added logistics services that integrate small-lot transportation networks with logistics and forwarding. As part of the acceleration of this strategy in Asia, the Group concluded a business collaboration and capital alliance agreement with GD Express Carrier Bhd. (GDEX), one of the leading parcel delivery companies in Malaysia, in January 2016.

Listed on the Kuala Lumpur Stock Exchange, GDEX is a transportation business company that has, in terms of sales, the second-largest share of Malaysia's parcel delivery market. Featuring a nationwide network for parcel delivery services in Malaysia and achieving the highest profit margin in the industry, the company has managed to achieve significant growth in the business-to-business (B2B) parcel delivery sector in recent years, registering significant growth compared with other companies in the industry. With this type of strong business foundation,

the competitiveness and presence of both companies will be enhanced by integrating the strengths of the Yamato Group. Going forward, the Group will continue to expand its high-value-added small parcel network in the ASEAN region.




Company name: GD Express Carrier Bhd.  
 Headquarters: Malaysia  
 Business: Parcel delivery and other related businesses  
 Main features: Network of 193 bases in Malaysia  
 More than 2,700 staff members and a fleet of 578 trucks (fiscal year ended June 30, 2015)  
 Source: Compiled by Yamato Holdings Co., Ltd., from GDEX's website