

# Sustainability

Yamato Group: Creating Shared Value (CSV) Initiatives

## Advancing Together with Society, a Growing Yamato Group

The Yamato Group is working to improve its own competitiveness by linking the various changes occurring in society with its own growth opportunities.

### Yamato Group Risk / Issue Approach Policies

In this section, we introduce the risks and issues recognized by the Yamato Group and its own approaches in response to them.

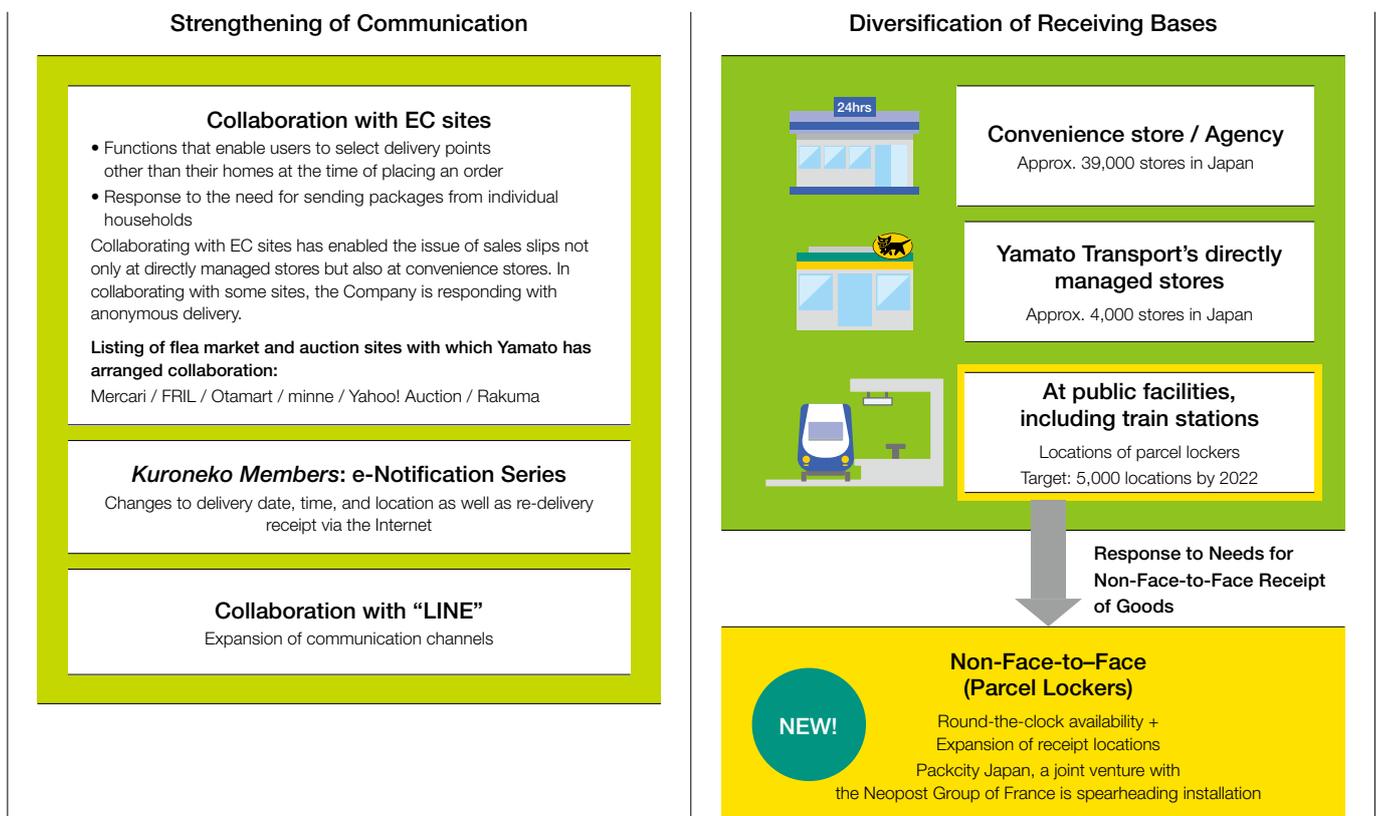
Recognized "Change"	Yamato Group Approach	Approach Linked to Growth Opportunities
Globalization of logistics	Realization of the "Value Networking" design Acceleration of approaches in Asia Collaboration with e-commerce (EC) business operators and flea market sites	<ul style="list-style-type: none"> <li>• Realize network innovations → For more details, please see p. 20.</li> </ul>
Expanding need for increased trade activity and inter-regional logistics due to high-growth ASEAN markets and TPP		<ul style="list-style-type: none"> <li>• Expand borderless network centered on Okinawa → For more details, please see p. 22.</li> </ul>
Diversification of needs (Expansion of e-commerce market / person-to-person transaction markets)		<ul style="list-style-type: none"> <li>• Collaboration with auction sites and flea market sites → For more details, please see p. 43.</li> </ul>
Personnel shortages	Human resource strategy to underpin the "Value Networking" design	<ul style="list-style-type: none"> <li>• Secure and develop diverse human resources → For more details, please see p. 44–45.</li> </ul>
Advance of social issues, such as Japan's decreasing birthrate and aging population	Platform-building in collaboration with local governments (Project G)	<ul style="list-style-type: none"> <li>• Strengthen collaboration with local governments → For more details, please see p. 46–47.</li> <li>• Expand bus routes used for combined passenger-cargo operations</li> <li>• Support for watching over seniors/collection of recalled products</li> <li>• Lifestyle Support Service</li> <li>• Diversity</li> </ul>
Increases in CO <sub>2</sub> emissions and volume of waste	Build environment-friendly logistics systems	<ul style="list-style-type: none"> <li>• Balancing the reduction of environmental impact and streamlining logistics by promoting modal shift → For more details, please see p. 49.</li> </ul>



## Change: Diversification of needs (Expansion of e-commerce market / person-to-person trading markets)

# Enhancing customer interaction and improving profitability through a customer contact point strategy

In association with changes in lifestyle and the expansion of the e-commerce (EC) market, the needs on the product and shipment receiving side are diversifying. In addition to providing a succession of new services in keeping with the changing times, the Yamato Group is pressing ahead with its customer contact point strategy. This strategy focuses on strengthening communication and diversifying receiving locations to respond to new demand, including delivery at the time the customer wants and delivery to those customers who do not wish to receive items face-to-face.



## Issue: Personnel shortages

# Human resources strategy to underpin the "Value Networking" design

Human resources who possess flexibility and a wide field of view that defy conventional frameworks will be indispensable in continuing to provide new value and services through the "Value Networking" design. By hiring human resources who hail from a range of backgrounds, the Yamato Group would like them to lead by breathing fresh air in the form of new value throughout the Company for the creation of corporate value for the Group as a

whole and value that can be shared with society. Human resources create new value. The Company is endeavoring to design workplaces where each and every employee can feel actively engaged, irrespective of gender, age, or nationality.

 For more details, please refer to the following pages.

## Special Interview: Human Resources Strategy to Underpin the “Value Networking” Design

### Fostering and producing in great numbers human resources with flexible creative power unconstrained by business type or category as well as the ability to take rapid action

For more of an insight into the human resources strategy that underpins progress with the “Value Networking” design, the person in charge of human resources development explains the main business company, Yamato Transport.

#### Changing Awareness from Individual Optimization to Overall Optimization

The Yamato Group has been successful in increasing the advancement of *TA-Q-BIN* that has the “last mile” network as its strength. In order to create further innovation in a business that already has finely tuned quality and competitiveness, the key is to change the way of thinking of the employees involved.

For instance, in the case of considering solutions for customers in the B2B market, unless this was carried out in a total solutions manner, the solutions will not meet customer needs. Responding to needs requires a full understanding of the peripheral logistics functions possessed by each company in the Yamato Group and the consistent provision of those functions, from upstream to downstream, to create benefits for the customer. Although *TA-Q-BIN* is the Group's greatest strength, *TA-Q-BIN* is merely part of the solution and one function of logistics. Without an awareness of these aspects by employees who are well-versed in the Delivery Business, the next innovation will not arise. Based

on the current conditions where a large number of companies from other industries are entering into the logistics industry, our human resources need to possess extensive judgment unconstrained by business type or category and be aware of the movements of other companies. These human resources also need to have flexible creative power to be able to compete against other companies with the strength of the Yamato Group as well as the ability to take rapid action.

#### Development of Human Resources

In order to have its human resources acquire a deep understanding of each business and an expansive outlook that assesses the diverse needs of customers, the Yamato Group is introducing personnel exchange initiatives both within the Group and with other companies.

At their seconded locations, I have witnessed employees actively engaging in such tasks as participating in front line projects and promoting sales activities. Upon returning to their



respective Group company, employees take on even more active roles by leveraging their expanded outlook. We anticipate that such employees will grow to become the next generation of management that will oversee the future of the Group.

For younger employees, mainly those in their 20s, we have introduced a job rotation system within the Group. By giving these employees a chance to view the strengths of the entire Group, not just the Group company to which they belong, we hope they can receive inspiration for future innovations. Also, Yamato Transport dispatches trainees to local subsidiaries overseas in areas where we are developing *TA-Q-BIN* services, providing them with an opportunity to study local work practices and engage in communication with local staff. In this way, Yamato Transport is also focusing its efforts on developing global human resources within Japan.

### Response to Structural Issue of Decreasing Working Population

The position that is affected the most from a decrease in the working population is the position of sales driver, which serves as the core for the “*Value Networking*” design. Accordingly, securing human resources for this position is a pressing issue. Based on the forecast for the average age and age composition of sales drivers in 5 and 10 years, Yamato Transport is endeavoring to bolster its efforts to attract young adults as potential employees. One of these efforts is strengthening the connection with high schools across the country. While creating trust-based relationships through such means as visiting teaching staff at targeted high schools, the numbers of high school graduates that are being hired is steadily increasing.

Furthermore, in urban areas where competition to acquire human resources is intense, we are taking a wide variety of countermeasures such as using an in-house recruiting system to relocate employees who have the desire to take on challenges in new locations across the country as well as upgrading our dormitories and carrying our recruitment campaigns to attract new hires from other areas. Going forward, we plan to establish a system that takes into consideration a variety of factors such as employment conditions and time slots in which it is easy for a diverse group of human resources to work. In addition to female homemakers, who we have been actively hiring, this diverse group will include seniors and students.

At the same time, with regard to the personnel who carry out the sorting work at base terminals that represents the heart of the *TA-Q-BIN* network, we have been encouraging the employment of foreign nationals in connection with Japanese-language schools for a number of years. Even human resources who are not accustomed to the Japanese language or the business practices in Japan exercise their strengths by using our multilingual business operations manual.

Also, for employees who wish to enhance their abilities, we have established a path that leads to a career in a central position that oversees the future of the Company.

### Making Diversity a Growth Engine

Respecting the diversification in employee lifestyles, the Group is promoting the creation of environments in which each and every employee can play an active role, irrespective of age or gender. To take Yamato Transport as an example, besides guest operators and call center operators who are in direct contact with customers, and even in the pickup and delivery work, which is often perceived as work that is done by men, Yamato Transport is increasing the means of delivery, such as trolleys and bicycles, and providing environments that proactively accommodate female employees.

Furthermore, with regard to systems for balancing work life with childcare and nursing care, we are holding discussions between labor and management based on the voices of employees, creating and distributing handbooks, and showcasing the personal experiences of those who have used these system via the Company intranet. In these ways, we are continuing to raise awareness so that employees will make use of these systems. By building mechanisms and systems so that employees can balance life events with their careers and the ways they work, we will continue to pursue a rewarding workplace where employees can work with peace of mind.

With regard to foreign employees, we commenced with the direct hire of personnel from other Asian countries seven years ago, in association with the business strategy involving the full-scale development of *TA-Q-BIN* services overseas. Not only do we recruit students who are on exchanges at Japanese universities, we engage in local hiring activities as well. When hiring foreign nationals, in addition to their language-learning ability, we focus our attention on getting to know the candidates, placing emphasis on their background, to determine whether or not candidates have gained true communication skills through overseas experiences such as studying abroad that lead to mutual understanding. There have been many cases where we have had foreign nationals play in active role in global operations after joining the Company and experience work life in Japan. However, there have also been foreign employees who have made a career for themselves as specialists in logistics services. In this way, the role foreign employees play has become more expansive. Recently, foreign employees have been advancing into the management ranks.

### Megumi Hasebe

Manager,  
Department of Human Resource Training and  
Development  
Yamato Transport Co., Ltd.





**Change: Advance of social issues, such as Japan’s decreasing birthrate and aging population**

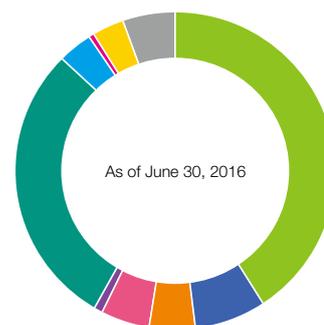
# Promotion of CSV in Cooperation with Local Communities (Project G)

In aiming to become the “company most loved and trusted by society,” the Yamato Group is promoting Project G, which engages in revitalizing local communities and resolving issues in cooperation with local governments and local government agencies. Project G’s solutions include expanding the sales channels for specialty products and watch-over service support for the elderly all over Japan.

**Number of Project G Solutions:** **1,770** (As of June 30, 2016)

**Breakdown of Numbers of Project Agreements with Local Governments**

■ Watch-over support	132	■ Disaster relief support	92
■ Shopping support services	22	■ Hometown tax payments	11
■ Product support services	14	■ Combined passenger-cargo operations using buses	2
■ Tourism promotion support	15	■ Comprehensive support	11
■ Event support	3	■ Other	17



**Main Initiatives in Each Region Commenced from the Fiscal Year Ended March 31, 2016, Onward**

Period	Region	Collaboration	Specific Initiative(s)
Apr. 2015	Akita Prefecture	Yamato Transport Co., Ltd. Yamato Multi-Maintenance Solutions Co., Ltd.	<ul style="list-style-type: none"> <li>Provision of watch-over service for elderly residents when making deliveries</li> <li>Support service for collection of recalled products (for the elderly)</li> </ul>
Jun. 2015	Iwate Prefecture	Yamato Transport Co., Ltd. Northern Iwate Transportation Inc.	<ul style="list-style-type: none"> <li>Commencement of combined passenger-cargo operations using buses</li> </ul>
Sep. 2015	Miyazaki Prefecture	Yamato Transport Co., Ltd. Miyazaki Kotsu Co., Ltd.	<ul style="list-style-type: none"> <li>Commencement of combined passenger-cargo operations using buses</li> </ul>
Oct. 2015	Shimane Prefecture	Yamato Transport Co., Ltd. Yamato Home Convenience Co., Ltd.	<ul style="list-style-type: none"> <li>Sales of cover letter and box with an original design</li> <li>Support for people relocating to and promotion for settling in Shimane (Special offer for removal services, etc.)</li> </ul>
Jan. 2016	Akita Prefecture	Akita Meat Trading Center NobleMono (Thailand) Yamato Group	<ul style="list-style-type: none"> <li>Expansion of overseas sales channels for Akita beef</li> <li>Yamato Group agent for trade, export procedures, international transport, commodity price settlement, etc.</li> </ul>
Feb. 2016	Miyazaki Prefecture	Yamato Transport Co., Ltd. Yamato Multi-Maintenance Solutions Co., Ltd.	<ul style="list-style-type: none"> <li>Provision of watch-over service for elderly residents when making deliveries</li> <li>Support service for collection of recalled products (for the elderly)</li> </ul>
Apr. 2016	Tama City, Tokyo	Urban Renaissance Agency Yamato Holdings Co., Ltd.	<ul style="list-style-type: none"> <li>Setting up of community center</li> <li>Receipt of TA-Q-BIN items, installation of parcel lockers, shopping agency</li> <li>Consolidation and bulk delivery of shipments from other home delivery business operators</li> <li>Housework support</li> <li>Watch-over service, etc.</li> </ul>
Jun. 2016	Tokyo metropolitan area	Yamato Transport Co., Ltd.	<ul style="list-style-type: none"> <li>Agreement to support the elderly</li> </ul>

**Activity Showcase**

**Delivering Peace of Mind by Watching over Seniors / Collecting Recalled Products**

All over Japan, the Yamato Group is engaged in the areas of life-style support, which includes watching over seniors and assisting with their shopping, and sales promotion support, such as through expanding the sales channels for specialty products. In February 2016, watch-over service support for the elderly and recalled product collection initiatives aimed at households with elderly occupants were commenced in Nichinan City, Miyazaki

Prefecture. Besides contacting the local government in the case that there is concern that a senior at a delivery location has been absent for a long period of time or is suffering from poor health, this service delivers information on recalled products and local government publications to seniors’ residences by TA-Q-BIN. Should such a product be found, its collection is expedited. In the years to come, while liaising with local governments, the Group will promote initiatives that are linked to the safety of local residents.

## Activity Showcase

### Lifestyle Support Services That Utilize Tama New Town's Community Base

In April 2016, in collaboration with the Urban Renaissance (UR) Agency and Tama City, Yamato Holdings commenced lifestyle support services with the aim of making the lifestyles of the people living at Tama New Town more abundant. While Tama City and UR provided the venues in the form of Tama area and UR housing complexes, the Yamato Group offers the following services.



- TA-Q-BIN receipt services, installation of parcel lockers, collaboration with NPOs and residents' associations, and urban and regional information dissemination
- Deliveries not only by Yamato TA-Q-BIN but also consolidation and bulk delivery of shipments from other parcel delivery business operators
- Acceptance of product orders by phone, website, or at a base, delivery of purchased items from store to collection and sorting
- Delivery of products on the same day, from local retail store to residence
- Provision of household support services, which include cleaning, changing light bulbs, and the assembly of furniture, and support for watching over residents
- Proactive employment of people who are resident in the Tama area as staff members for base reception and bulk delivery tasks



### Achievements of Combined Passenger-Cargo Operations: TA-Q-BIN Transportation That Utilizes Scheduled-Route Passenger Buses

With the dual aim of improving lifestyle services for local residents—by maintaining scheduled bus networks in areas where the processes of depopulation and an aging population are taking hold—and streamlining logistics, Yamato Transport commenced combined passenger-cargo operations in collaboration with bus operators. Currently, the service is in operation in Iwate and Miyazaki prefectures. By switching part of the sector normally operated by truck over to transportation by scheduled-route bus, these operations have led to a reduction in CO<sub>2</sub> emissions and

enabled the realization of lower environmental impact.

Securing this new source of income has helped bus operators maintain bus routes. From Yamato Transport's point of view, the initiative has allowed its sales drivers to increase the amount of time they stay in their areas and enabled them to perform more region-specific services, such as being in the position to extend pickup times. For local residents, the initiative has led to an improvement in lifestyle services, including being able to steadily utilize scheduled-route buses that represent transportation infrastructure lifelines. In June 2016, this initiative won the Logistics Environmental Conservation Award at the 17th Logistics Environmental Awards sponsored by the Japan Association for Logistics and Transport, which evaluates initiatives of this type.



### Promotion of Diversity toward Lasting Development

Faced with changes in various forms of social structure, including labor shortages caused by the declining and aging population as well as the diversification of needs, the Company respects diverse values and each and every employee who has ideas and awareness—regardless of gender, nationality, or age—and works to create workplaces in which people are able to display those abilities to the fullest extent. Consciously incorporating the values of diverse employees into the organization and leading to stronger corporate competitiveness and growth is what the Yamato Group considers diversity.

In August 2014, Yamato Holdings established the Diversity Promotion Department and encourages diversity along the following three lines:

- Fostering an awareness of diversity: Each and every person has a common awareness with regard to the promotion of diversity
- Creating environments in which it is easy to work: Set up environments that enable any person to equally make significant contributions, such as reviewing ways of working and encouraging a work-life balance
- Supporting career formulation: Support for each and every employee to enable him or her to realize personal growth through work

### Diversity of Yamato Group in Numbers (April 2015 – March 2016)

610 persons took childcare leave  
(including 41 male employees)

474 persons worked shorter hours for childcare  
(including 9 male employees)

25 persons took nursing care leave  
(including 9 male employees)

29 persons worked shorter hours for nursing care  
(including 13 male employees)



Safety

## Safety Measures toward Achievement of Zero Accidents

The Yamato Group deems community streets and roads as the places to carry out its business activities. Based on our corporate stance of thorough safety management that keeps respect for human life as its top priority, the Group thoroughly adheres to its philosophy of placing safety first and business second to maintain respect for human life as a priority at all times.

### Safety Management Disclosure Information

With ensuring the safety of transport business operators as its goal, the Yamato Group has built up a transport safety management system, based on the Transport Safety Management System stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, and remains actively involved in its implementation. Results for the fiscal year ended March 31, 2016, and part of the goals for the fiscal year ending March 31, 2017, are listed below.

#### Transport Safety Goals and Achievement Status (Yamato Transport Co., Ltd.)

##### Traffic Accidents

Item	Results for the fiscal year ended March 31, 2016	Goal for the fiscal year ending March 31, 2017
No. of serious traffic accidents	6	0
No. of serious work-related accidents	0	0

Source: Yamato Transport's publicly disclosed "Transport Safety Management" information (Japanese-language only)

#### Budget / Results Relating to Transport Safety

##### Results for the Fiscal Year Ended March 31, 2016

1. On-board See-T Navi system Installation expenses .....¥229.0 million  
Maintenance fees .....¥324.0 million
2. Long-running no accident commendation awardees amount .....¥575.0 million
3. Expenses related to long-running no accident commendation ceremony.....¥59.5 million
4. Expenses related to Nationwide Safety Meet .....¥7.1 million

##### Budget Plan for the Fiscal Year Ending March 31, 2017

1. On-board See-T Navi system maintenance fees.....¥315.0 million
2. Long-running no accident commendation awardees amount .....¥604.5 million
3. Expenses related to long-running no accident commendation ceremony.....¥65.8 million
4. Expenses related to Nationwide Safety Meet.....¥7.1 million
5. Introduction of Event Data Recorders.....¥77.0 million

#### Training of Sales Drivers Who Prioritize Safety Above All Else

To train excellent drivers who prioritize safety above all else, the Yamato Group has expanded and upgraded its training system and engages in the provision of detailed guidance on a daily basis.

Yamato Transport drivers hired following a rigorous aptitude test receive training when they join the Company that includes safety training and other training for approximately one month after they have entered the Company. After earning their internal Yamato licenses, they come to the actual business of driving for the first time. Even after that, they hone their driving skills through training sessions one year after joining, regular ride-along instruction and on-the-road patrols by safety experts and safety specialists, and a driving aptitude examination once every three years.

### Ingraining Safety Awareness into Employees

The Yamato Group implements its "Zero Traffic Accidents Campaign" in spring and the fall. During the fall campaign in the fiscal year ended March 31, 2016, the aim was to achieve zero accidents with the themes of ensuring safety at traffic crossings (including when pulling onto and off of the road\*) and paying particular attention to children and the elderly as well as motorcycles and bicycles.

The Yamato Group also holds the Yamato Transport Nationwide Safety Meet with the aim of improving the safe driving levels as professional drivers, maintaining safety awareness throughout the Company, and improving driving technique. For the Fifth Yamato Transport Nationwide Safety Meet held in October 2015, a new category for female drivers was established.

\* Including to and from customers' properties, etc., as well as parking lots



### Supporting Safety by Thorough Maintenance Management

Covering the more than 4,000 pickup and delivery base locations of the Yamato Group, Yamato Autoworks is responsible for 50,000 vehicles and their maintenance inspections. Their major maintenance factories are in operation around the clock throughout the year. Aside from naturally responding quickly in the event of a breakdown, they support the mandatory periodic inspections carried out on vehicles by collective management throughout the year. Furthermore, they perform preventive maintenance to carry out maintenance before breakdowns occur by frequently checking the status of vehicles and gathering information. Of the approximately 940 mechanics, the number that hold automobile inspector qualifications, which enable them to carry out complete inspections to determine whether vehicles meet safety standards once maintenance has been completed, has climbed to 590 (as at March 31, 2016). During maintenance, the accuracy of inspections is raised by double checks by another mechanic who carries out interim and maintenance completion inspections.



Environment

# A Thoroughly Ecological Approach to Transportation to Achieve Cost Reduction

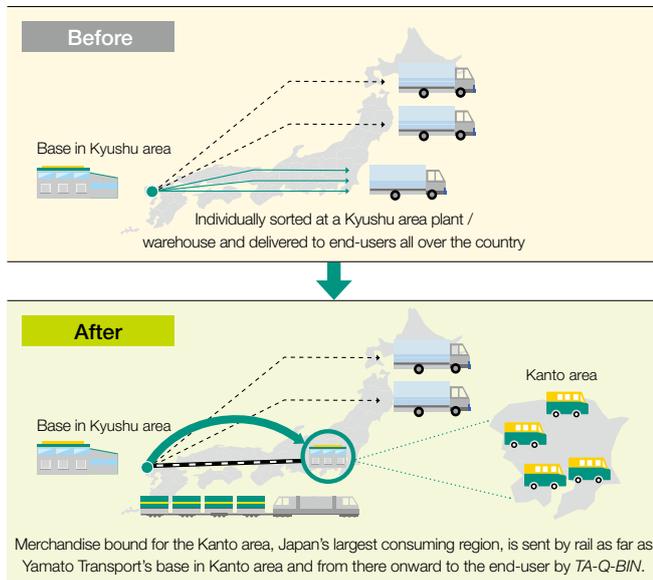
By considering that efforts form part of a corporation's responsibility to society, the Yamato Group refers to its environmental conservation initiatives as "Necology." The Group establishes environment-friendly logistics by thoroughly ensuring the environmental friendliness of all aspects, especially for packaging, transportation, and delivery.

## Companywide Promotion of Modal Shift

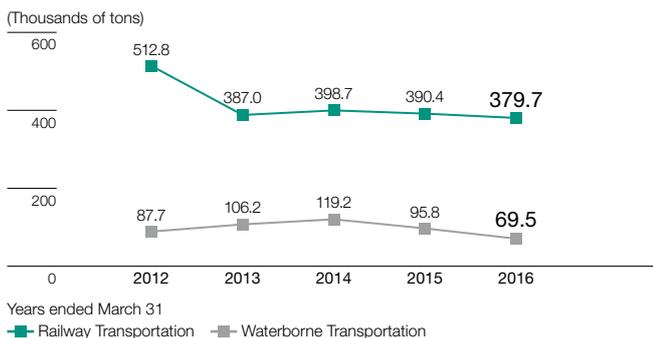
As an initiative designed to reduce CO<sub>2</sub> emissions, the Yamato Group is encouraging all its companies to perform a modal shift that utilizes railways as its trunk-route transport. The Group's efforts to bring about an increasing shift away from trucks, by switching to the use of railways when shipping freight originating in the Kyushu area and bound for the Kanto area, reduced the total number of trucks in a year by approximately 2,300 vehicles and realized a decrease in CO<sub>2</sub> emissions of about 1,800 tons.

Following an assessment of this initiative, Yamato received the Modal Shift Excellent Business Entity Award (Grand Prize) at the 13th Annual Awards Ceremony for Excellent Business Entities Working on Modal Shift that has the Japan Association for Logistics and Transport as its main sponsor.

## Utilizing Railways for Long-Distance Transportation



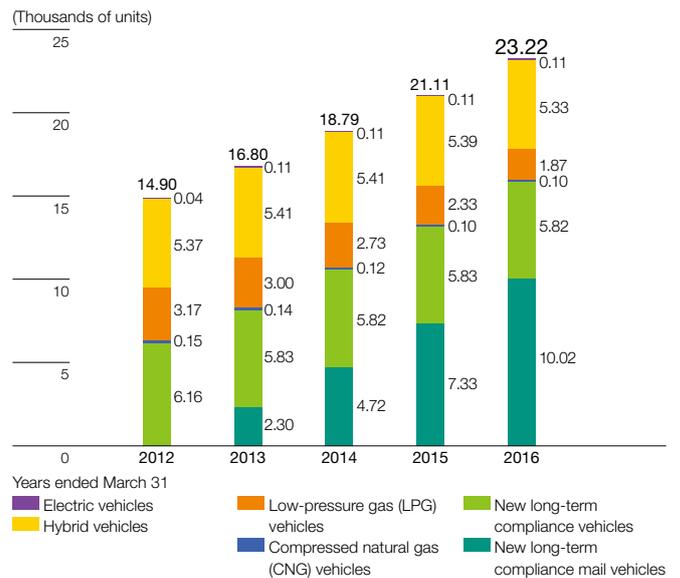
## Modal Shift Volume Trends (Yamato Transport Co., Ltd.)



## Promoting Area-Compatible Consolidated Deliveries, Keeping Down Vehicle Numbers

Apart from the occasional use of a mini vehicle, the satellite centers set up to undertake pickups and deliveries using bicycles and hand-pushed trolleys are being developed primarily in urban and densely populated areas. For pickups and deliveries in areas close to sales offices, use is being made of hand-pushed trolleys, three-wheelers (a trailer towed by an electric bicycle), and mini vehicles. In areas further afield from sales offices, plans are being made to reduce vehicle numbers by selecting the pickup and delivery method best suited to the area, such as promoting team-based pickup and delivery that combines vehicles and hand-pushed trolleys.

## Low-Emission Vehicle Introduction Patterns (Yamato Transport Co., Ltd.)



## CO<sub>2</sub> Emissions from Yamato Transport Vehicles

