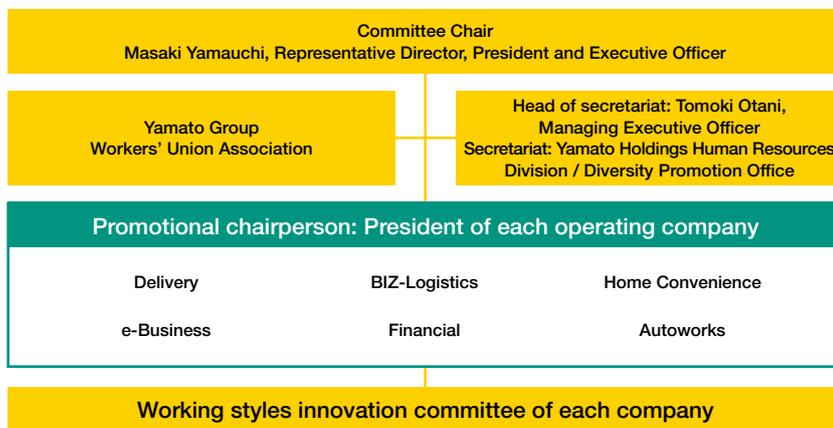


1. Reforming Working Styles to Implement “Inclusive Management”



The Yamato Group has made the notion of “Reforming Working Styles” a matter of priority in order to continue to provide high-quality services. By enhancing “employee-friendly” and “rewarding” working environments across the entire Group and implementing “inclusive management,” a Yamato Group founding principle, we aim to realize sustainable growth.

Establishment of the Yamato Group Working Styles Innovation Committee



We established the Yamato Group Working Styles Innovation Committee, which is chaired by the president of Yamato Holdings, in April 2017 with the aim of moving forward with reforming working styles on a Groupwide basis. The committee has laid out “observance of compliance,” “promotion of diversity,” and “work process revision and enhancement and communication” as its three main principles and is promoting efforts to realize these principles through collaboration between management and labor unions.

The Yamato Group’s Main Initiatives for Reforming Working Styles

Strengthening Management Structure

April 2017– | Yamato Transport

Revising Rules for Managing Working Hours and Digitizing Building Exit and Entry Data

To manage working hours in an easy-to-understand and highly transparent manner, Yamato Transport transitioned from rules stipulating that working hours be managed via mobile terminals to rules that establish the time employees arrive at and leave the office as their working hours. Starting from August 2017, the time employees start and finish work has been digitized and determined by registering building entry and exit times via a tablet device.

April 2017– | Yamato Transport

Reorganizing Regional Branches (Transitioning from 71 branches to 88)

To strengthen the foundation of the Delivery Business through such means as maintaining and improving the quality of services we offer our customers, recruiting new talent, and cultivating our employees, we reorganized the management structure of our regional branches, which act as the core of our regional management across Japan. Through this reorganization, we established 17 new regional branches.

Revitalizing Communication and Promoting Diversity

June 2017– | The Yamato Group

Sharing Insights between the President, Executive Officers, and Employees at Panel Discussions

The Yamato Group holds panel discussions on a continuous basis in order to realize even better working styles. These discussions provide an opportunity for the Group’s president and executive officers to directly communicate the purpose and vision behind “Reforming Working Styles” to Group employees. At the same time, these discussions allow employees on the front lines to directly communicate their opinions and proposals for improving work processes to the president and executive officers.

March 2017– | The Yamato Group

Supporting Career Development through the Female Leaders Meeting

With the aim of supporting career development, the Yamato Group has held the Female Leaders Meeting—a Groupwide program



that encourages female employees to achieve self-fulfillment—a total of nine times, with 260 employees participating. In addition, the Group conducts training for the supervisors of meeting participants geared toward the empowerment of female employees. The Female Leaders Meeting gives participants a chance to consider their own career path and helps enhance their motivation.

Introducing New Working Styles

March 2017 and gradually onward | Yamato Logistics, Yamato Transport, etc.

Implementing a Work Interval System

To ensure employees have ample time for their private life and sleep, and to establish a working environment that promotes work-life balance, Yamato Logistics, Yamato Transport, and other Group companies have introduced a system whereby employees are required to take a certain amount of time off between their check-out time and their check-in time the following day.

May 2018– | Yamato Transport

Implementing the Use of “Anchor Cast” (Drivers for early evening and night deliveries)

To reform the working styles of its sales drivers and secure its pickup and delivery capacity, Yamato Transport has implemented a new working style involving the handling of early evening and night deliveries and introduced a new personnel system accordingly.

▶ Please refer to [Establishing a New Diversified “Last Mile” Network](#) on page 23 for more details.

May 2018– | Yamato Transport

Introducing a System Allowing Transition to Permanent Employment Contracts

To create a working environment where employees can work with even greater peace of mind, Yamato Transport has introduced a system that allows full-time employees on fixed-term contracts who have worked continuously for over three years to transition to permanent employment contracts ahead of the five-year period designated by law. This system can also be used by part-time employees on fixed-term contracts who have met certain requirements under Yamato Transport’s internal “step up” system.*

* A system that evaluates employees’ individual skills and approach to work and promotes them to higher positions in accordance with their level of growth.

May 2018– | Yamato Transport

Expediting the Process for Sales Drivers to Become Permanent Employees

Yamato Transport has revised its process for promoting full-time sales drivers to permanent employees with the aim of establishing a working environment that offers employees peace of mind and securing human resources on a continuous basis. Up until now, employees were hired as contract workers and promoted to permanent positions after going through an in-house “challenge” system, a process that took approximately two years. Yamato Transport has revised this process and is now hiring new talent immediately as permanent employees.

September 2018– | Yamato Transport

Introducing a System Allowing Employees to Choose Number of Work Days and Work Hours

To establish an environment in which employees can continue to work with peace of mind, Yamato Transport has introduced a system that targets employees who wish to limit their number of work days and work hours because of personal circumstances such as raising children, providing nursing care, or managing the loss of physical

strength due to aging. Under this system, employees can choose the number of hours they work in a day, anywhere from four to eight. In addition, these employees can select the number of days they work in a week, which includes the option of working only three or four days a week.

Improving Working Environments and Enhancing Support for License Acquisition

June 2018– | Yamato Transport



Carrying Out Construction to Improve Office Working Environments

With the aim of realizing office environments that allow employees to work in a safe, secure, and comfortable manner, Yamato Transport has established office restoration criteria, starting with the establishment of breakrooms

and changing rooms. Based on these criteria, and upon on-site inspections performed by contractors, the company has been promoting restoration efforts to improve its office environments.

October 2018– | Yamato Transport

Enhancing the Support System for Semi-Medium-Sized Vehicle License Acquisition

In regard to licenses required for working as a sales driver, a new semi-medium-sized vehicle license category was established on March 12, 2017, and this license is now required for operating two-ton trucks and other similar-sized delivery vehicles. In light of this, Yamato Transport has introduced a system that provides support to its sales drivers for acquiring the semi-medium-sized vehicle license. The system also covers the expenses involved in changing from an ordinary driver’s license to a semi-medium-sized vehicle license.

Furthermore, to boost the competitiveness of its recruiting activities and secure human resources on a continuous basis, and to continue to provide high-quality services to its customers, Yamato Transport has enhanced its system to provide support for sales drivers who are new graduates, or who have graduated recently and have prior work experience, upon entering the company.

Revising Services and Fees

April 2017– | Yamato Transport

Changing the Framework for Designated Delivery Times

As part of its efforts to maintain and improve the working environment for its employees, Yamato Transport moved up the cut-off time for accepting requests for redeliveries from 8 p.m. to 7 p.m. Additionally, in June 2017, the company changed its designated delivery time slots for the *TA-Q-BIN* service. Through these changes, the company changed its 8 p.m. to 9 p.m. time slot to 7 p.m. to 9 p.m. and eliminated the 12 p.m. to 2 p.m. time slot, thereby reducing the total number of delivery time slots from six to five.

October 2017– | Yamato Transport

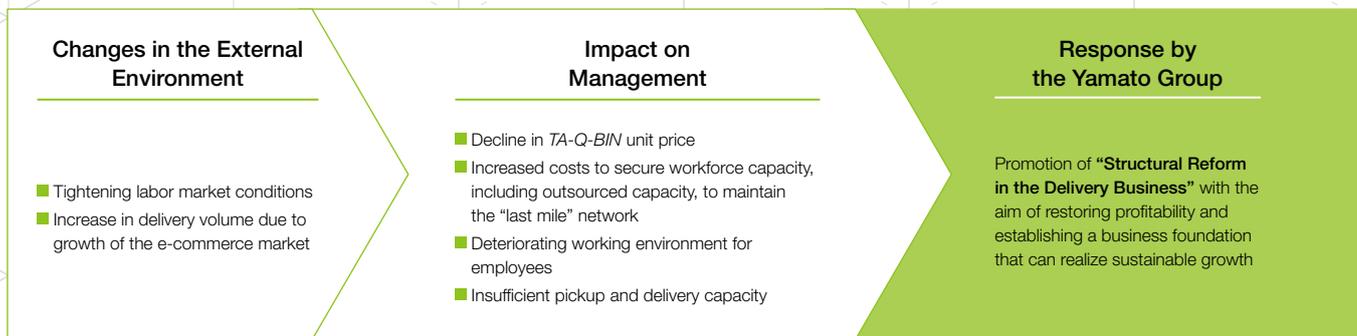
Revising *TA-Q-BIN* Basic Fees

As part of the Group’s efforts to achieve “Structural Reform in the Delivery Business,” Yamato Transport revised the basic fees for its *TA-Q-BIN* service for the first time in 27 years. This revision was carried out in order to secure labor capacity, improve employee treatment, and strengthen the “last mile” network.

2 Structural Reform in the Delivery Business



In response to rapid changes in the business environment, including the shrinking workforce and the growth of the e-commerce market, we are promoting “Structural Reform in the Delivery Business” to ensure that we continue to provide high-quality services to our customers well into the future. By reinforcing the Delivery Business, which serves as the foundation for the Yamato Group, and restoring its profitability, we will realize further growth across the entire Group.

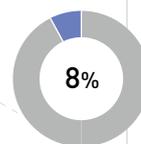


Main Initiatives of “Structural Reform in the Delivery Business”

Implementing a Pricing Strategy for Restoring Profitability

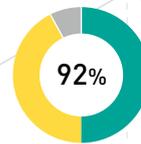
With a view to implementing adequate pricing initiatives, in the fiscal year ended March 31, 2018, we negotiated the revision of contract fees with our corporate clients. Also, for our individual customers, we revised the basic fees in our *TA-Q-BIN* service.

In the fiscal year ending March 31, 2019, we are continuing negotiations with our corporate clients on adopting a “corporate client pricing system” that incorporates not only shipping volumes but also costs related to rate of absence during delivery and cost fluctuations caused by changes in the external environment, among other factors. By doing so, we are continuously working to implement adequate pricing initiatives.



Individual Customers

Revision of basic *TA-Q-BIN* fees
 ➤ First fee revision in 27 years



Corporate Clients

Request to large-lot and low-price clients to control shipping volume
 Negotiations with large-lot and small-lot clients to revise fees determined under contracts
 ➤ Continuous revisions by utilizing “corporate client pricing system”



TA-Q-BIN Delivery Volume			
2017/3		2018/3	
1,867.56	➡ -30.88 million parcels (-1.7%)	1,836.68	
million parcels		million parcels	
TA-Q-BIN Unit Price			
2017/3		2018/3	
¥559	➡ +¥38 (+6.8%)	¥597	

Establishing a New Diversified “Last Mile” Network

To establish an even more efficient “last mile” network, we have introduced a network centered on “Anchor Cast” (drivers who handle TA-Q-BIN delivery during the early evening and nighttime hours). In addition to reducing the long working hours of our employees and establishing a more “employee-friendly” working environment, the aim of establishing a diversified “last mile” network is to increase the amount of time our sales drivers interact with our customers and to respond to the growing need for nighttime deliveries.

Before

- Full-day work by sales drivers
- Increase in working hours
- Insufficient time interacting with customers

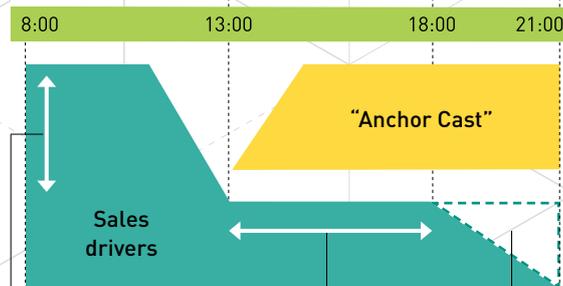
After

- Creation of employee-friendly working environment
- Response to increasing need for nighttime deliveries
- More time interacting with customers

Before



After



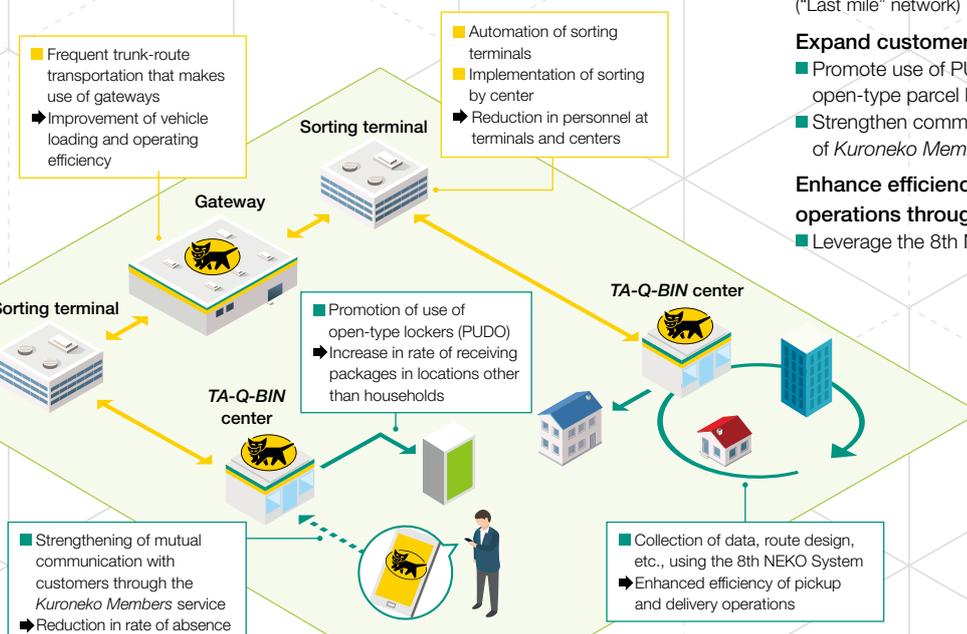
Create pickup and delivery capacity

Increase time interacting with customers

Transfer control to “Anchor Cast”

Efforts to Improve Productivity

We are moving forward with efforts to increase the productivity of our business processes in order to expand our pickup and delivery capacity while at the same time establishing a more employee-friendly working environment. These efforts include the utilization of our “gateways” and the new Super-Full Trailer 25, automation of business processes through the use of technology, and the expansion of customer contact points. In these ways, we are working to increase the efficiency of both our trunk-route and “last mile” networks.



Improve Transportation Efficiency

(Trunk-route transportation / within sorting terminals)

Optimize entire Group network

- Frequent trunk-route transportation that makes use of gateways
- Utilize Super-Full Trailer 25

Enhance efficiency by leveraging optimal technologies

- Automate sorting terminals

Improve Delivery Efficiency

(“Last mile” network)

Expand customer contact points

- Promote use of PUDO stations, which offer open-type parcel lockers
- Strengthen communication with members of Kuroneko Members service

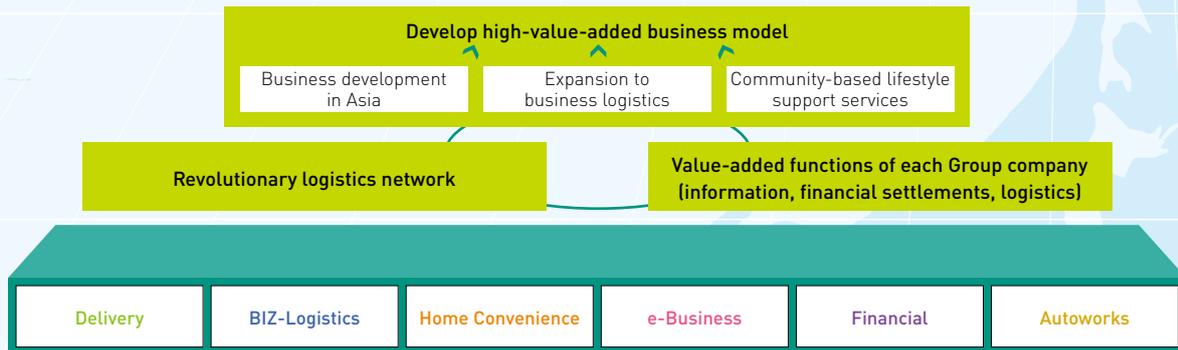
Enhance efficiency of pickup and delivery operations through utilizing technologies

- Leverage the 8th NEKO System

3. Continuously Evolving Our “Value Networking” Design

The “Value Networking” design, which we commenced in 2013, revolutionizes logistics operations by combining our “last mile” network in Japan and Asia—the core competence of the Yamato Group—and our non-delivery businesses to evolve logistics from simply moving things to a means of creating value, thereby giving birth to high-value-added business models. This design continues to gradually evolve over the years through such means as establishing main core terminals, centered on *Haneda Chronogate*, and logistics networks both in Japan and overseas, as well as through the creation of services that offer added value.

Overview of “Value Networking” Design



Speedy Transportation Essential for Added Value Creation

Through our gateways established in Kanto, Chubu, and Kansai, and our frequent trunk-route transportation, we are able to offer our customers logistics solutions for the management issues they face. These solutions include the integration of inventory storage locations and the adjustment of product inventories.

Commencement of Operations of Kansai Gateway

In November 2017, we commenced full-scale operations of *Kansai Gateway* in the Kansai region, which represents the economic and industrial center and largest consumer market of western Japan. By combining the Yamato Group’s highly regarded “last mile” network and high-quality logistics processing functions through the use of cutting-edge material handling equipment,* *Kansai Gateway* revolutionizes logistics operations in terms of enhancing speed and shortening process times.



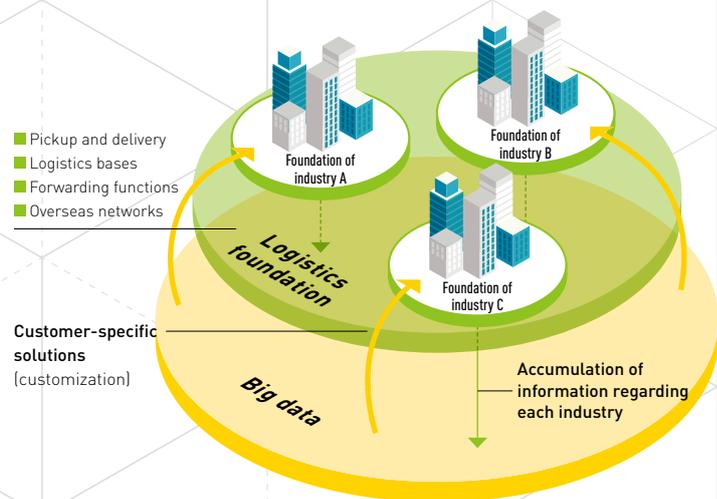
* Manufacturing equipment that automates sorting and transportation processes

Speedy Transportation Network



Industry-Wide Platforms – The Key to Evolving Our “Value Networking” Design

With the aim of further evolving our “Value Networking” design, we are working to establish industry-wide platforms in the corporate and global domain. By leveraging the broad range of data we receive in each industry via our daily contact with clients and organically combining our long-cultivated, innovative network foundation with functions for creating added value, we are offering solutions that address the needs and issues shared across various industries. By doing so, we are expanding the areas in which we can contribute to the business growth of our customers.



Platform for Healthcare Industry That Leverages Our Abundant Track Record and Advanced Know-How

Logistics operations for medical devices and pharmaceuticals require a safe, secure, and high-quality logistics structure. Such operations also require logistics facilities that fulfill the standards laid out in the Pharmaceuticals and Medical Devices Law and the submission of requests to various institutions, starting with the Ministry of Health, Labour and Welfare. Yamato Logistics is leveraging its over 10 years of experience and solid track record related to medical logistics to not only carry out the transport of medical devices and pharmaceuticals on behalf of companies in the healthcare industry but also provide “loaner support services,” which offer comprehensive support that covers everything from lending surgical equipment used at hospitals to cleaning, maintaining, and relending such equipment. By conducting the cleaning and



“Loaner support services” in operation

maintenance of this equipment at locations within the Yamato Group’s speedy transportation network, Yamato Logistics is reducing the lead times for each loan and drastically improving inventory turnover.

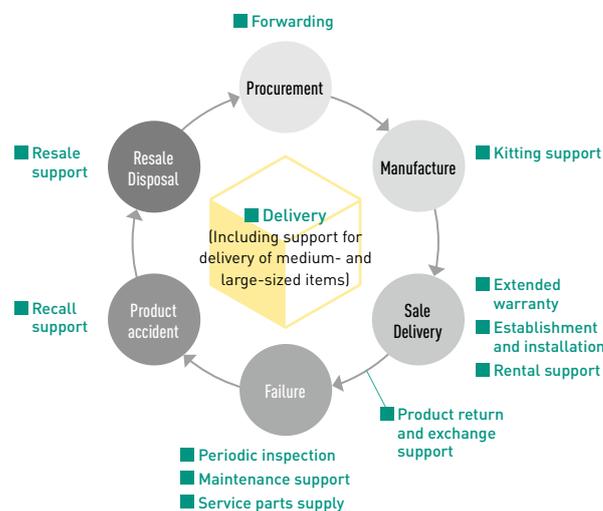
Support for Manufacturers’ Products throughout Their Entire Lifecycle

In April 2018, the Group was restructured, transferring the Multi-Maintenance Business and Risk Management Business of Yamato Multi-Maintenance Solutions Co., Ltd. (YMM), the Technical Network Business of Yamato Home Convenience Co., Ltd. (YHC), and the Setup and Logistics Solution Business of Yamato System Development Co., Ltd. (YSD) to Yamato Logistics Co., Ltd. (YLC). Through this reorganization, we put in place a

structure for providing support for the products of manufacturers throughout their entire lifecycle.

Until now, YMM developed its business centered on so-called “reverse logistics,” which entails after-sales services such as maintenance services for products after they have reached the end user and recall support. However, by integrating YMM into YLC, we will now be able to conduct forward logistics operations, which handle products before they reach the end user. We will also be able to offer comprehensive support to manufacturers throughout the entire lifecycle of their products, from procurement and manufacturing to sale, maintenance, recall, refurbishing, resale, and disposal. In these ways, we will provide new value going forward.

Functions for Support throughout Product Lifecycle



Accelerating Expansion with a Global Five-Zone System

Events such as the addition of Hong Kong and ASEAN to the Free Trade Agreement (FTA) denote an accelerating movement toward a “mega FTA,” which sees economic zones in terms of entire regions and not single countries. As the flow of people, goods, and money is becoming more borderless, production systems are becoming dispersed across countries and regions, with distribution processing needs in the supply chain steadily increasing in kind.

To respond quickly to these changes in the global economic environment and support the business of Japanese manufacturers and producers, the Yamato Group is promoting global expansion via a five-zone system targeting Japan, East Asia, Southeast Asia, Europe, and the Americas.



Moving to a Cross-Border Networking Platform

Currently, we are working to create added value by establishing our five-zone system and making connections at each of these zones. As part of these efforts, in addition to our “last-mile” speedy transportation network, we are building a platform that offers functional solutions for our forwarding and trunk-route transport services as well as for distribution processing, and other operations at our logistics bases.

What is important to this process is expanding our network in a swift manner while leveraging the strengths of the Yamato Group, namely our understanding of the demand chain from a customer point of view and the expertise that we have developed over the years. Instead of relying on self-sufficient policies, we are building a global platform while utilizing M&A and our partnerships with other companies, which include our acquisition of the Malaysia-based Overland Total Logistic (OTL) Group and investment in the Guangzhou Wisepower Transportation & Distribution Group based in Guangzhou, China.

Globally Expanding the Cold Chain

Cross-border transport is not limited to industrial and consumer goods, and is expanding to include foodstuffs such as agricultural and marine goods. Leveraging the certification of international standards related to small-lot, chilled and frozen delivery services, the Yamato Group is taking active steps to build a cross-border network with high added value.

Acquisition of PAS1018, International Standard for Small-Lot, Chilled and Frozen Delivery, and Its Expansion Worldwide

PAS1018 was adopted as an international standard in order to establish an environment for the safe and secure use of small-lot, chilled and frozen delivery services across the globe, particularly in Asia. PAS1018 was also adopted to improve convenience in day-to-day life, stimulate regional economies, and contribute to the growth of markets related to chilled and frozen parcel delivery services.

Headed by the Yamato Group, this standard was formulated in collaboration with 21 institutions from four countries, including Japanese logistics companies, overseas organizations and shipping companies, and various experts, via a fair and neutral process. The standard was launched by the British Standards Institution* in February 2017.

As of December 31, 2018, eight companies within the Yamato Group have obtained certification, and we are working with our partners—including JD.com, one of China’s largest retailers—to create a cross-border network with high added value.

* The British Standards Institution is a professional standards formulation organization that was established in 1901, and is the world’s first national standards institution and a founding member of ISO.



4. Responding to Digital Innovation

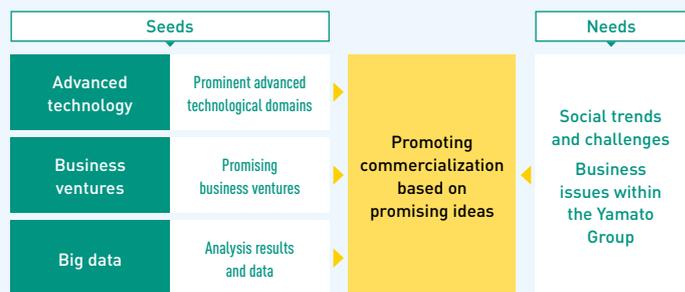


The environment surrounding the Yamato Group is going through a period of major change, including a shrinking workforce, diversifying lifestyles, and changes to industry structure caused by technological innovation. As part of “KAIKAKU 2019 for NEXT100,” we will strengthen the functionality of our “R&D + D,”* allowing us to incorporate digital technology into the Group, and to create new businesses and strengthen and revolutionize existing businesses. At the same time, we will prepare for the emergence of new business models that could potentially “disrupt” our existing businesses. In these ways, we will aim for further growth.

* Research and Development + “Disruption.” Disruption refers to the disruption of previous modes of thought.

Establishing the Digital Innovation Center

To promote digital transformation, create digital business, and evolve our logistics platform, we established the in-house Yamato Digital Innovation Center (YDIC) in April 2017. Using this facility, we are working to create businesses that meet needs and resolve issues within the Group and society as a whole based on advanced technology, business ventures, and big data analysis.



Conducting R&D for Next-Generation Logistics Services

Creating a New Air-Transport Mode

In order to provide even higher quality delivery services to our customers, we have begun a partnership with Bell Helicopter, a subsidiary of U.S.-based Textron. By fully leveraging next-generation solutions and combining our collective expertise, we will work to create a new mode of air transport. Both companies aim to realize the practical application of this mode by the mid-2020s.

Roles of Each Company

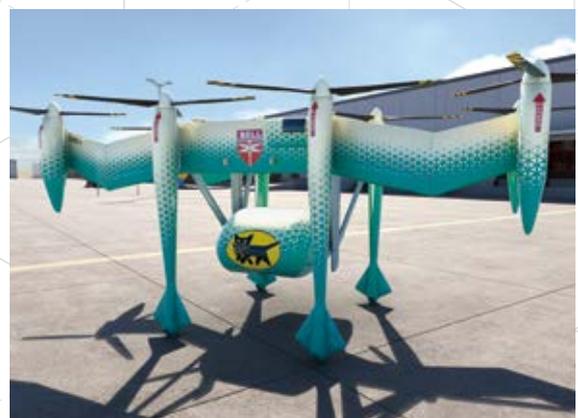
Bell Helicopter

Planning, development, and manufacturing of Autonomous Pod Transport (APT)



Yamato Holdings

Development of external shipping containers (pods) by leveraging logistics expertise



Rendering of Bell Helicopter electric vertical takeoff and landing vehicle APT70
 Flight speed: Over 160 km/h
 Load capacity: 35 kg (demo experiments show a potential increase to 450 kg in the future)