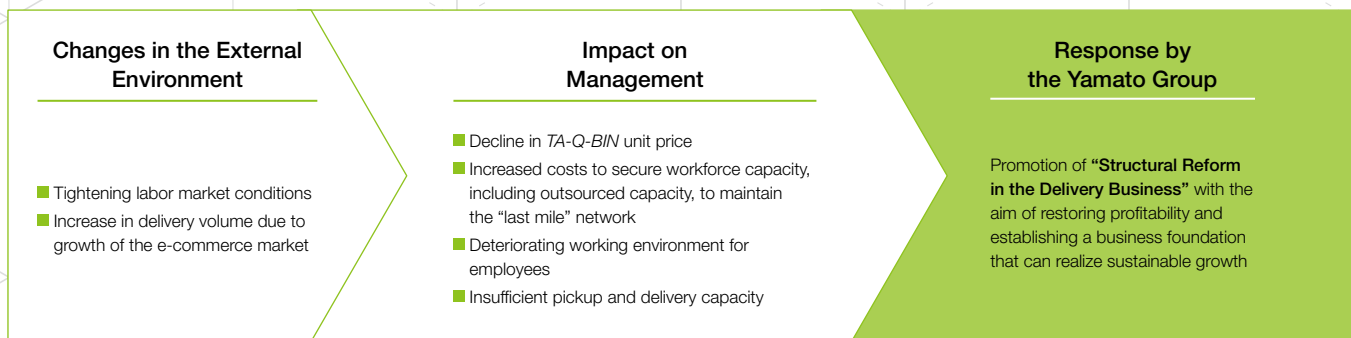


# 2 Structural Reform in the Delivery Business



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.

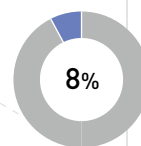


## Main Initiatives of “Structural Reform in the Delivery Business”

### Implementing a Pricing Strategy for Restoring Profitability

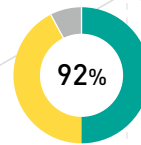
With a view to implementing adequate pricing initiatives, in the fiscal year ended March 31, 2018, we negotiated the revision of contract fees with our corporate clients. Also, for our individual customers, we revised the basic fees in our *TA-Q-BIN* service.

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.



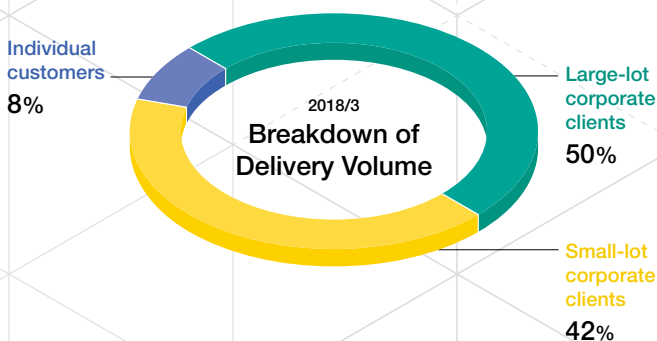
#### Individual Customers

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

## 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.

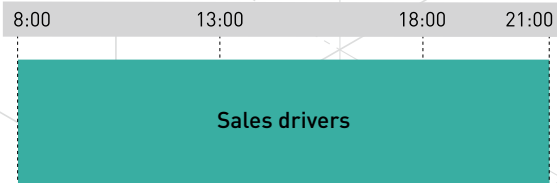
### Before

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

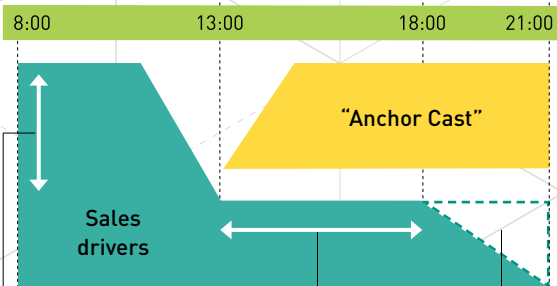
### After

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

### Before



### After



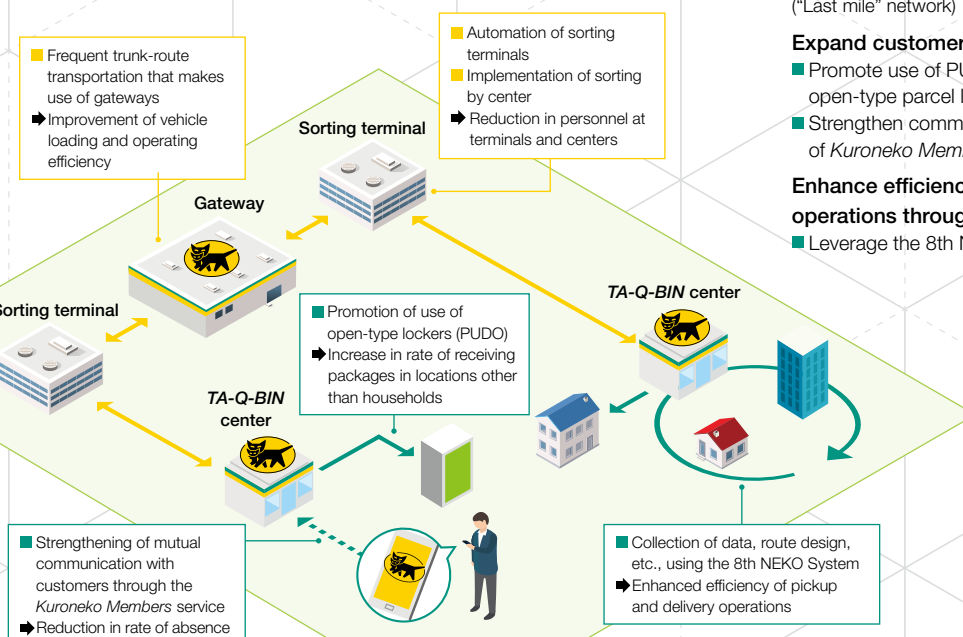
Create pickup and delivery capacity

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.



- Frequent trunk-route transportation that makes use of gateways
- ▶ Improvement of vehicle loading and operating efficiency

- Automation of sorting terminals
- Implementation of sorting by center
- ▶ Reduction in personnel at terminals and centers

- Promotion of use of open-type lockers (PUDO)
- ▶ Increase in rate of receiving packages in locations other than households

- Strengthening of mutual communication with customers through the Kuroneko Members service
- ▶ Reduction in rate of absence

- Collection of data, route design, etc., using the 8th NEKO System
- ▶ Enhanced efficiency of pickup and delivery operations

### 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