

(Summary) Session 2

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Strategy to Enhance Domestic Businesses in Japan

[Measures for the Strategy to Enhance Domestic Businesses in Japan P.1](#)

- Since we established the Japan Business Headquarters in April 2019, we have undertaken a number of initiatives to enhance our businesses in Japan. The major initiatives are listed on page 1.

[Further Personnel Reassignments \(Reduce Back Office Personnel\) P.2](#)

- Page 2 (1) describes our initiatives to reduce back office personnel through further personnel reassignments.
- In October 2019, as our first major initiative to enhance our businesses in Japan, we increased the scale of our branch organizations, reorganizing what had been 188 domestic branches into 114.
- As we increased the scale of our branches, we also reassigned personnel. By the end of FY2019, we gradually reassigned 116 back office (operations support) employees, ensuring the smooth transition of operations during the process.
- We are reassigning employees from back office departments to production (operating departments) or sales, and we plan to continue with reassignments through FY2020 as well.
- Specifically, we plan and are currently moving forward in reassigning another approximately 100 employees in FY2020. We expect to reassign more than 200 employees in total, including the 116 reassigned in the previous year.
- Besides these reassignments, we plan to reassign approximately 100 employees in the head office during the current fiscal year.
- As a result of these measures, we expect to reduce the total number of back office personnel by more than 300 people.

[Automate and Streamline Administrative Tasks P.3](#)

- Page 3 (2) addresses how we will automate and streamline administrative tasks. As we move forward in reviewing unnecessary and non-urgent tasks and using telework during the With-COVID-19 era, the most important initiative is the adoption of RPA.
- In our RPA efforts, we are pursuing methods to introduce RPA at the large-scale company-wide level and in a simplified version at the workplace level.
- As every branch has common operations that take significant time across our company, the impact of leveraging RPA to simplify administrative tasks will be quite large. Due to the time required for

large-scale development, the Information Technology Promotion Division at our head office is developing RPA to implement across our company, which currently has 608 robots in operation.

- In the meantime, in FY2020, we began adopting a simplified RPA to develop for worksites to allow development of independent RPA at the branch level to address administrative time-consuming tasks unique to each branch that are not common throughout the company.
- We have completed the education and training for branch-level RPA development. Throughout all blocks in Japan, we have assigned a total of 50 promotion managers and 10 model branches to engage in concrete development projects.

Introduce Labor-Saving Measures and Automation P.4

- Page 4 (3) addresses labor-saving measures and automation and the various initiatives in advanced technologies we are pursuing.
- We are engaged in logistics across all fields. In warehouse operations, for example, we must create systems that respond to the operations of various customers. This is the reason we pursue advanced technologies for labor-savings and automation that offer more versatility and cost-effectiveness.
- It is important to conduct development tailored to the situation at each worksite. We have assigned 60 people to be responsible for operational advancements and efficiencies in branches across Japan.
- Since last fiscal year, we have been educating and training these personnel, and we are currently developing about 20 projects nationwide.
- We have emphasized cost performance in this development, looking toward semi-automation (mix of humans and machines), rather than some flashy type of full automation.

Strengthen Integration of Land, Sea, and Air P.5

- Page 5 (4) discusses how we will strengthen integration of land, sea, and air. We are seeing the benefits of increasing the scale of our branches, making steady progress in other areas, and moving forward in the following three pillars to strengthen integration further.
- The first pillar is to form teams for joint sales or to implement sales promotion committees. We have made considerable progress in this area across all blocks.
- The second pillar is pursuing a cooperative structure for operations. Here, we are striving for efficiencies through the use of our workforce and vehicle-cargo matching tool.
- The third pillar is the effective use of locations and facilities. While land and air/ocean transportation branches share locations and facilities, we are currently working to consolidate into 13 locations specifically.

Strengthen Sub-Agent Operations P.6

- Page 6 (5) addresses how we strengthen sub-agent operations. Here, our 104 domestic operating companies under branches (13,000 workers total) serve as a major work force for our Japan Business Unit.
- As a force that complies strictly with quality and compliance, and to reduce outsourcing costs in the With-COVID-19 era, we are currently restructuring each company in a way to maximize sub-agent operations, which is a significant strength within the group. Our efforts include, for example, the elimination and integration of overlapping operations, which leads to greater strength and efficiency.

Expand Sales of New Products P.7

- Page 7 (6) discusses the expanded sales of new products. Here, we have worked to develop and sell the Sea&Rail network products that combine our traditional ocean and railway transportation. One of these products is our new Protect BOX, which we launched nationwide in Japan in July of this year.
- The Protect BOX is a pallet-sized transport container using a honeycomb core material made of strong, lightweight resin. The box can carry up to 350 kg. This product makes it possible to transport in “BOX” units, priced in fixed BOX unit zones.
- As stated in the name, the Protect BOX protects cargo from dirt damage, while at the same time eliminating the need for film wrapping or other packaging that normally required to prevent cargo from sliding during pallet transportation. These features the advantage of significantly lower packaging materials costs for customers and can be locked for security.
- While the Protect BOX is mainly used in truck transportation, it is also compatible with all modes of transportation, including air, ocean, and railway. This means that the product allows us to leverage our comprehensive strengths (land, sea, and air network) to provide services tailored to the needs of our customers.
- The Protect BOX breaks down for recovery and repeated use. We are focusing on growing sales of this product as a multi-mode unit product compatible with all modes of transportation, and the product has been well received by the customers who use it.

Structural Reform of the Moving & Relocation Business P.8

- Page 8 (7) discusses structural reform of the Moving & Relocation Business, which involves leveraging our superiority in developing related systems.
- Due to the nature of the moving business, market needs usually fall on weekends (Fridays, Saturdays, Sundays, and public holidays). At the same time, the most active sales period is in March and April, mainly the two weeks around April 1 in which corporate personnel assignments,

school graduations, and new school admissions takes place. While it is important to have a system in place that captures maximum orders during this period, the common wisdom of the moving industry is that the volume of work varies greatly during busy season, making it difficult to efficiently allocate staff.

- To solve this issue, we increased the number of planners and workers to 441 and 786 since last fiscal year. Normally, this staff is assigned to other work during the week, while engaging in moving operations during each weekend of the month, as well as during the March-April peak. This stance has increased our staff available for moving work by a significant margin.
- As a result, staff work in non-moving operations during weekdays when moving jobs are few, allowing us to average out the overall level of work volume.
- At the same time, staff working mainly in moving engage in other operations during weekdays. On weekdays, price competition with other companies is severe and profitability is low. Rather than giving large discounts and providing service at low profits, we have our staff engage in other operations to increase profitability.
- The operations take advantage of our advantages as a comprehensive logistics company, which cannot be provided through regular moving companies, and we plan to leverage these advantages further in the future.
- As a result of these efforts, sales in the Moving & Relocation business recorded a year-on-year increase in the previous fiscal year. However, demand for moving cooled rapidly since the end of the previous fiscal year due to the postponement of personnel changes, self-restraint in long-distance travel, and a sharp decline in overseas transfers, all stemming from the COVID-19 pandemic.
- We expect that it will take a certain amount of time for recovery in demand among corporations, which are our main customers. We will continue to take measures in the direction described above.
- In addition, we introduced the *Remomi* remote estimate system in July of this year. This system allows for remote estimates according to customer convenience. This is a new service that responds to the needs of customers who want to receive cost estimates immediately at the most convenient time to the customers. Sales have been strong since launch, reflecting how the product meets the need for non-contact services in the With-COVID-19 era. We plan to expand and develop services related to *Remomi* estimates.

Improve Efficiencies in Route Motor Transportation Business P.9

- Page 9 (8) addresses how we improve efficiencies in route motor transportation business. Here, we have introduced a variety of measures to improve operational efficiencies.
- In October 2019, we conducted a review of contracts for so-called long/unusual cargo sizes. This

type of cargo is cargo that cannot be carried safely by a single person and involves poor loading efficiency in vehicles. Revising our operations here is contributing to better loading efficiencies.

- We have also revised our weekend/holiday delivery system, mainly due to the fact that corporate route motor transportation business does not involve a considerable volume of weekend/holiday cargo and productivity is low
- We also continue to expand our sales and revise service prices.
- Through these measures, we have improved the efficiency of route motor transportation steadily. However, the current economic contraction due to COVID-19 has caused an extremely severe business environment.
- For the time being, we will engage in detailed cost reductions, as well as continue to work to improve operational efficiencies and secure sales.

Immediate Initiatives in the With-COVID-19 Era P.10

- Page 10 (9) describes two immediate initiatives related to the With-COVID-19 era.
- Our first initiative is to conduct fee revisions. The fee revisions we have introduced to date have provided a certain level of impact. However, the sharp business downturn due to the COVID-19 pandemic has suddenly caused an environment in which so-called simple fee revisions have become challenging.
- Even in the With-COVID-19 era, work-style reform remains an important goal. Further, there will be no changes in medium- to long-term labor shortages stemming from declining birthrates. Therefore, we are pursuing initiatives that provide benefits to both customer and our company, introducing new products, changing services, introducing operational efficiencies, and other measures.
- Another initiative in the With-COVID-19 era is to maximize cost reductions and company strengths. In the first quarter of fiscal 2020, we instructed all branches in Japan to drastically reduce costs in response to the drop in volume caused by COVID-19. In particular, we have focused on reducing outsourcing costs and leveraging our strengths to the fullest, generating a ¥13.3 billion reduction in outsourcing costs for the parent company and reducing outsourcing cost ratio by 1.2 points.
- We will engage in more initiatives in the future, understanding that cargo movement will continue to slow.
- In the With-COVID-19 era and severe economic conditions in Japan, we will revise and implement updated business process plans in every branch. In particular, we will look at every area to ensure we achieve satisfactory results for the measures implemented during the second half of the fiscal year.

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