

# Special Feature: EC Platform Center

## EC Platform (Evolution of Smart Warehouse)

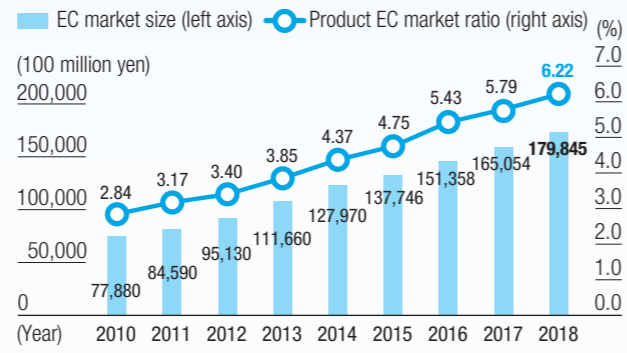
### Background

The expansion of EC in the market has increased small-lot logistics in supply chain. However, handling both large-lot distribution for stores and small-lot distribution for EC in the same warehouses or logistics centers complicates operations and may cause lower work efficiency, resulting in a rise in logistics cost or lower logistics quality. It may be useful to have facilities or equipment dedicated to EC and secure workers in order to avoid it, but such investment would put too much of a burden especially on small to medium business operators.

### Our initiatives

We provide EC platform using automation/labor-saving technology for small to medium business operators. Our EC platform allows to reduce initial investments by sharing facilities and equipment dedicated to EC as well as systems and workers with multiple business operators. In addition, the operation design using our expertise on EC logistics accumulated over the years through our businesses has achieved the improvement in work efficiency and logistics quality. We built the EC platform in FY2019, and it has been used by many business operators in various industries.

### Domestic EC market size and Product EC market ratio



Source: Ministry of Economy, Trade and Industry of Japan

### Logistics issues faced by EC business operators

Shipping cannot keep up with the rapid increase in orders.

The warehouse capacity is hampering the business growth.

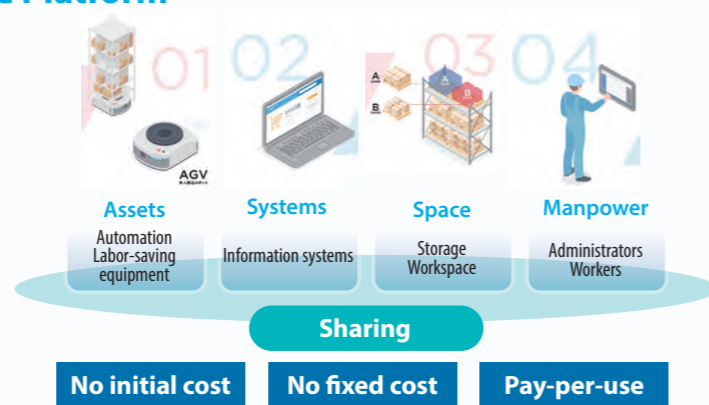
A combination of rising labor cost and labor shortage is causing an increase in operational errors.

Fixed cost weigh on profitability due to a large difference between the busy and off seasons.

## Outline and Characteristics of EC Platform

### Outline

Our EC platform provides a packaged service comprising four logistics operations (inventory storage, packing, shipping, and data linkage) required for the growth of EC business. Sharing enables the offer with no initial cost, no fixed cost and pay-per-use model, and the service has been used by many companies in various industries, from those with employees of less than 10 to large-scale EC malls. Our service is also evaluated as a BCP measure because automation achieves the minimization of the manual handling of cargoes and the long-hour operation.



### Characteristics of Smart Warehouse

- Flexibility:** Sharing allows to flexibly expand capacity as business grows or during the busy season. Enables to expand product lines and increase sales of seasonal items
- Quality:** Automated and standardized operation reduces operational errors, contributing to a decrease in complaints and an improvement of customer satisfaction.
- Automatic (cutting-edge automation):** Automation with the labor-saving rate of 72% enables shipping of 18,000 packages per day. As automation reduces contact between people and packages and also allows to extend hours for accepting orders, users may use it as a BCP measure.
- Variable Cost (turning logistics cost into variable cost):** The pay-per-use model, which incurs cost based on the logistic volume, allows users to save cost during the off season, contributing to the improvement of cost structure and operating income.

## Outline, Positioning and Characteristics of Kasukabe EC Platform Center

### Outline and positioning

In September 2019, Kasukabe EC Platform Center has started operation in Kasukabe, Saitama Prefecture as the first EC platform site.

- Kasukabe EC Platform Center operates 24/7 and meets diversifying consumer needs as a flexible and multi-functional automated warehouse.
- The good location near major roads facilitates nationwide distribution, and also its location in the Tokyo Metropolitan area allows to shorten the transport distance.
- Its usable space of approximately 2,000 tsubo (6,600 m<sup>2</sup>) can meet a volume increase in case of business expansion in the future.



### Facilities/systems to realize high-efficiency and high-quality operation



#### Automatic case former

It forms container boxes automatically based on the customers' orders. Formed boxes are automatically transferred to the picking station just in time.



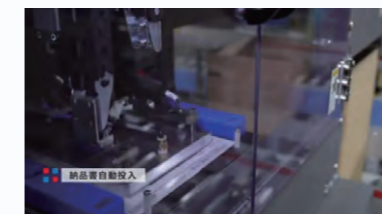
#### AGV picking

Storage shelves are automatically transferred to the picking station by the delivery robot system, saving significant man-hours compared with the conventional "manual picking by foot" method.



#### Frontage sorting system

Movable shutter doors prevent wrong products from being packed in the picking process. Adding the inspection function to the picking process achieves high-quality work.



#### Automatic insertion of delivery slip

Delivery slips are automatically inserted into shipping boxes. Full automation from printing delivery slips to inserting them into boxes minimizes a risk of erroneous insertion.



#### Automatic packing

Sensors measure the height of the shipping boxes. It automatically packs the boxes with the optimum size. It aims to save freight cost by selecting the minimum and right size of shipping boxes for the products.



#### Operations monitoring system

Operations are recorded to prevent erroneous product shipping. Recorded videos are provided to customers if necessary.

## Business Case

### CASE 1 Product: Accessories

- Consultation from an accessories start-up company
- Speedy launch while holding down initial cost
- Support based on logistics insights that the company does not have

### — Realized speedy launch and cost saving —

- Support based on our abundant experience ⇒ **Speedy business launch**
- Proposed to achieve zero initial cost through sharing and pay-per-use model ⇒ **Realized cost down of 8%**

### CASE 2 Product: Supplements

- Consultation from a company based in Western Japan
- Cure for insufficient warehouse capacity
- Location diversification in view of BCP
- Reduction of logistics cost by reviewing SCM

### — Established a BCP measure and reduced cost —

- Proposed to diversify location by using EC platform
- Established a BCP measure through labor-saving ⇒ **Solved the capacity shortage and established a BCP measure through warehouse diversification and labor saving**
- Reduced home delivery cost in Kanto and northward
- Reviewed SCM ⇒ **Reduced delivery cost by 10% and overall logistics cost by 5%**