

May 12, 2016

Mid-term Management Plan

— Value Creation 2018 —



Mid-term Management Plan

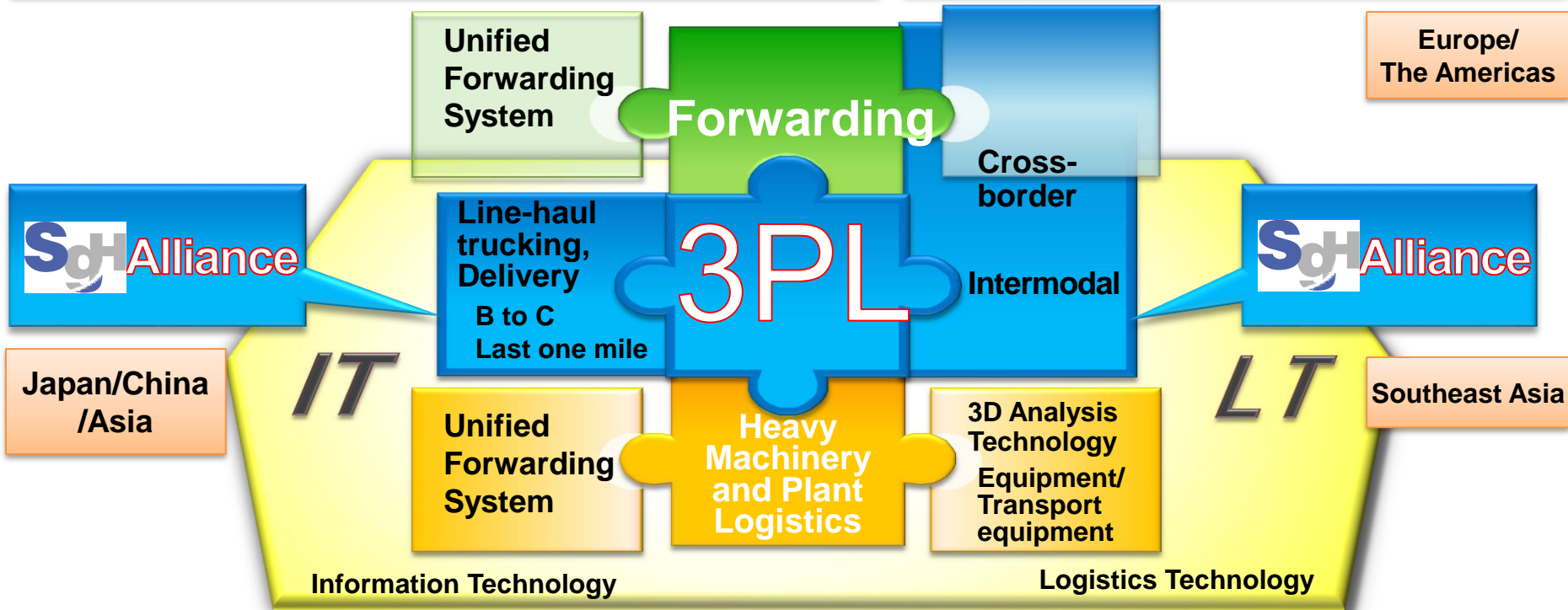
- **Future Vision**
- **Review of 2015 Vision**
- **Numerical Targets**
- **Priority Measures**
- **New Organization**
- **Organic Strategy**
 - 【Sales Strategy】【Domestic/Overseas 3PL】【Forwarding】
 - 【Heavy Machinery and Plant Logistics】【Automobile Business】
- **Promote Collaborative Innovation and Collaboration with SG Holdings Group**
- **Investment Plan**
- **Promote Smart Logistics**
- **Human Resource Strategy**
- **Promote CSR**

Future Vision: Global Supply Chain Solutions Provider

■ **Drive thorough enhancement of 3PL business and increase market share**

- Enhance line-haul trucking and delivery capability
- Enhance cross-border logistics/Intermodal logistics

- Enhance Forwarding Business
- Enhance Heavy Machinery and Plant Logistics

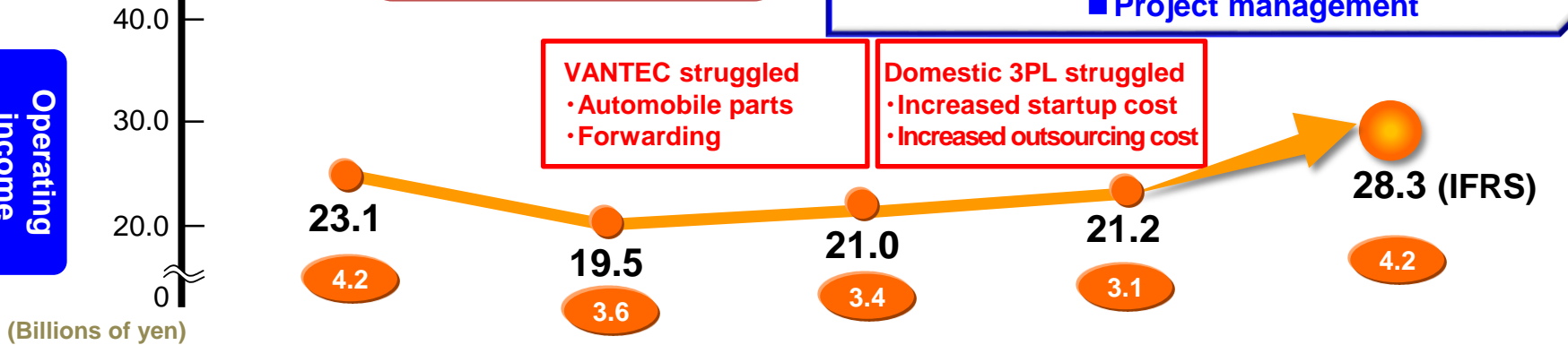


● : Operating margin(%)
 ● : Composition ratio of revenues (%)

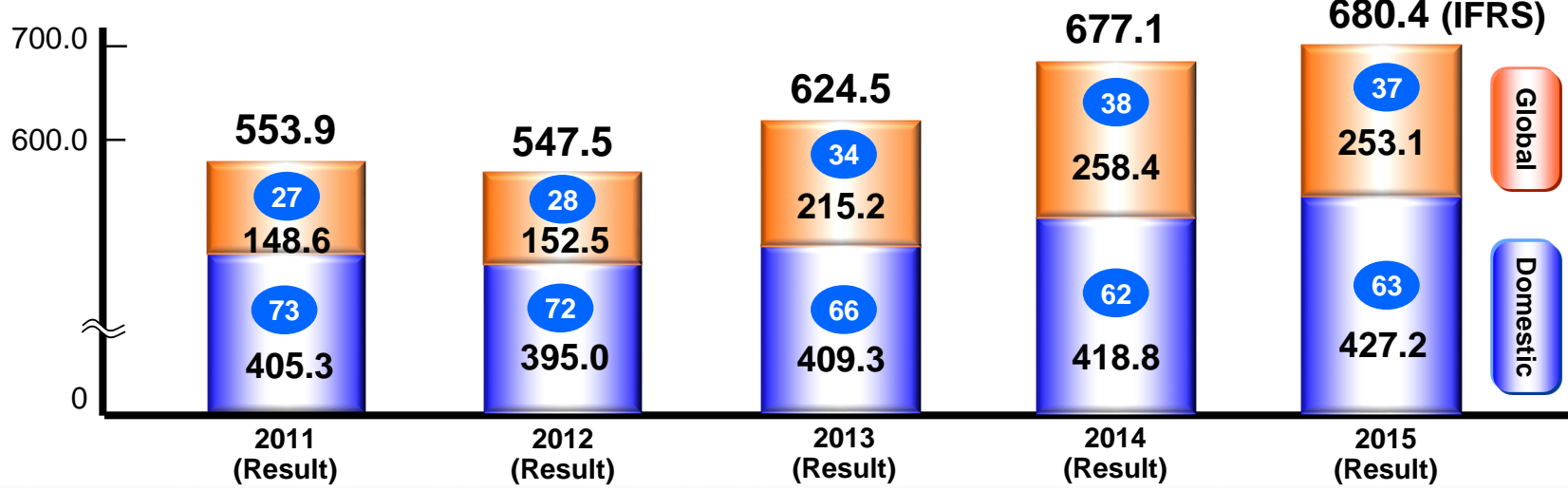
Review of 5 years

- Structural reforms (Transformation)
- Smart Logistics (Technologies)
- Project management

Operating income

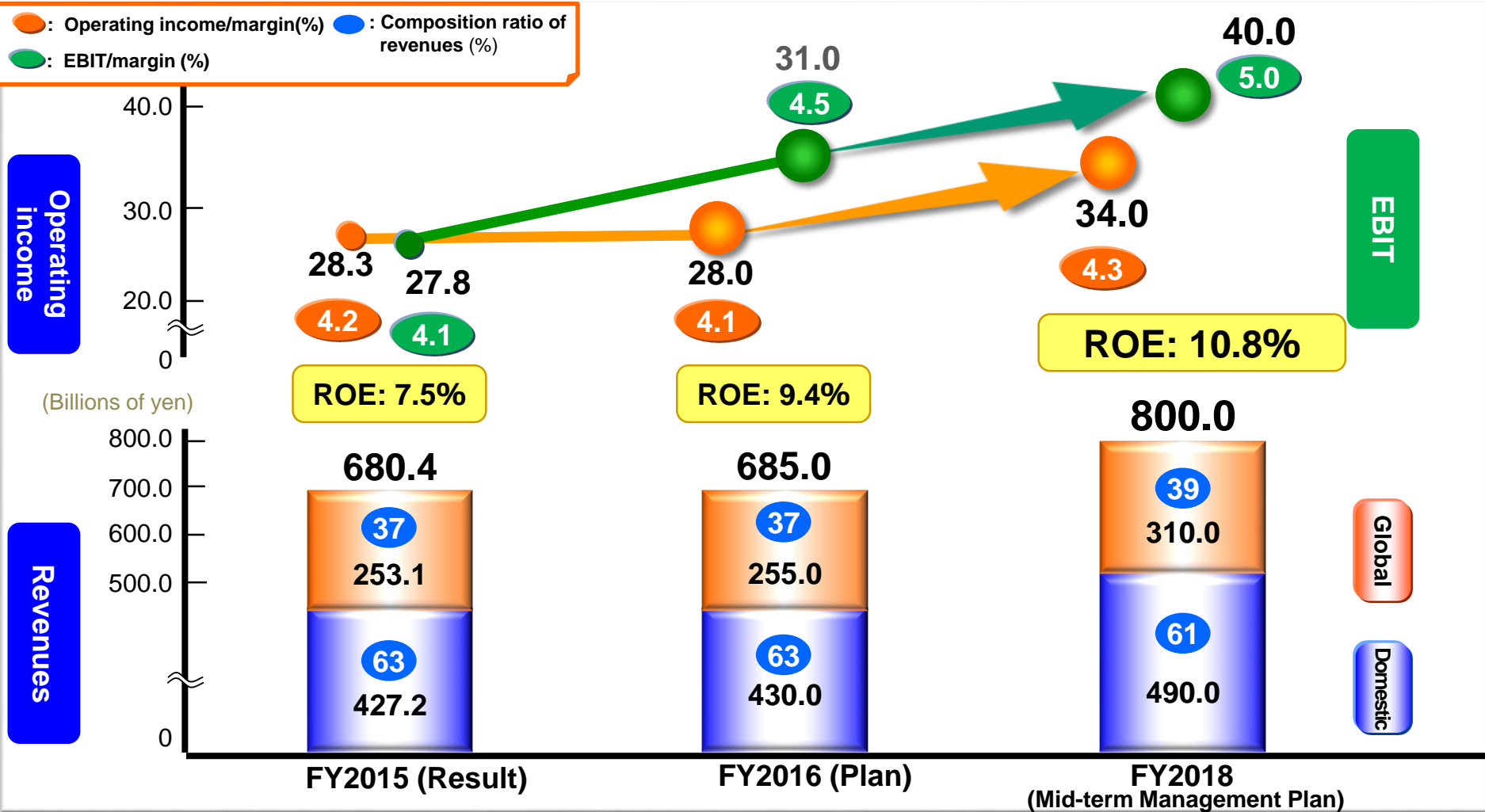


Revenues





Mid-term Management Plan (Numerical Targets)





■ **Thorough enhancement of core 3PL business**

[Domestic] Enhance delivery solutions and develop region-based business (transformation)
Implement smart logistics standard model (standard 3PL)

[Overseas] Expand truck transportation network within the region and strengthen account management

■ **Expand Forwarding Business**

Improve profitability with global unified management and enhance offshore business

■ **Expand Heavy Machinery and Plant Logistics business**

Expand business field and scale with engineering + network expansion + reinforce hard assets

■ **Enhance Automobile business**

Establish robust competitive advantage and gain new customers and projects

■ **Promote collaborative innovation and collaboration with SG Holdings Group to realize seamless comprehensive logistics service**

Organization and execution system to address management issues

Collaborative innovation PJ

Promote collaboration and structural reforms

- Promote collaboration with SG Holdings Group/Dedicated division to promote structural reforms (newly established)

Global Business Management Office

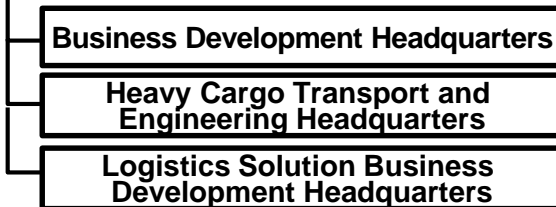
Improve global profitability/
enhance governance/enhance forwarding business



- Incorporate Strategic Forwarding Office (implement growth strategy including forwarding business)
- Set up Marketing Department within Global Business Office
- Support business of overseas companies acquired through M&A and enhance governance
- Incorporate overseas four key management areas (unify overseas business)

Business Management Headquarters

Enhance 3PL business /
expand Heavy Machinery and Plant Logistics



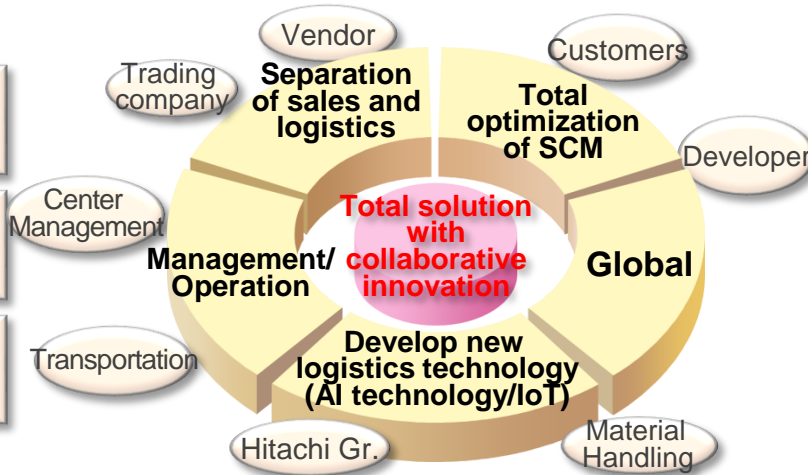
- Reorganize sales functions of Headquarters to focus on cultivating new accounts
- Business Development Headquarters (newly established)
- Heavy Cargo Transport and Engineering Headquarters (newly established)
- Set up System Integration Department

Logistics solution for next generation and total optimization of SCM

■ Propose total solutions directly related to customers' management strategy with **“collaborative innovation”** with partners

■ Concept of next generation model centers

Labor saving	Management plan to avoid shortfall of work force and steep rise in personnel cost	Volume analysis tools/ Automation
AI technology	“Demand projection” by utilizing big data	Big data& demand projection by AI
Enhance logistics	Optimization tool/utilize advanced technology	Optimizing centers/ IoT/Robot

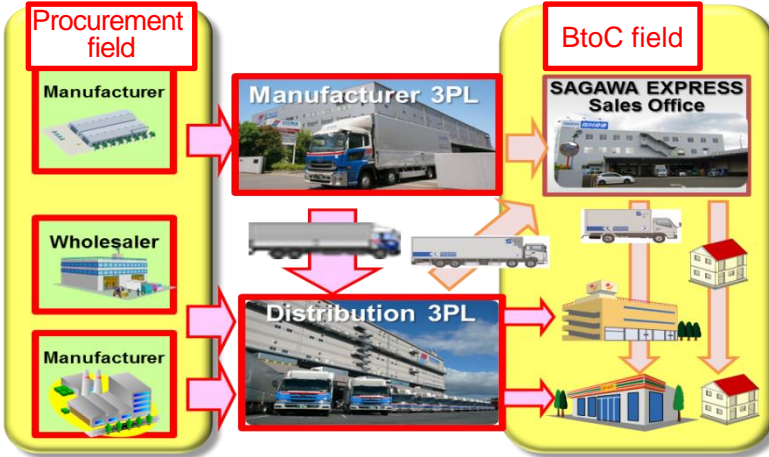


Commercialize/ package logistics models

- Global procurement logistics model
- SCM Visualization model
- Factory logistics/ 3PL efficiency model
- Optimal location simulation model

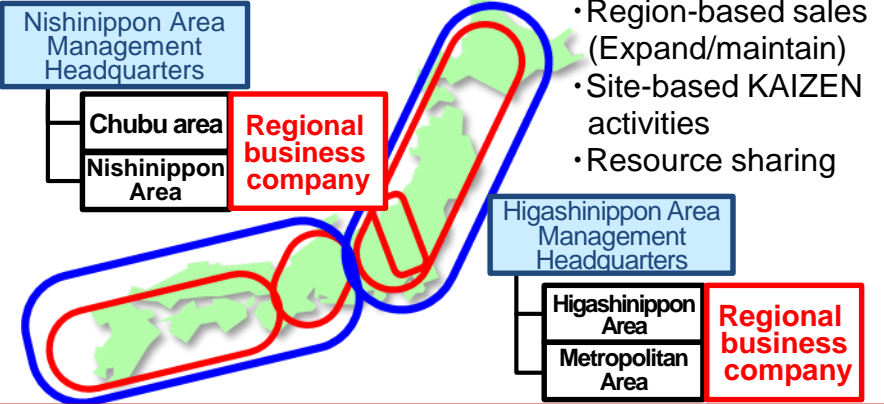
Customers' needs	Site location	Development	Design	Procurement	Manufacturing	Shipment	Sales	After service
Inventory reduction	Optimal location for “Production” “Sales” “Logistics”	Reduce parts inventory		Reduce in-process products		Reduce products inventory		
Increase value (visualization)		Milk run		Catering/JIT delivery		Reduce transportation LT		
Cost reduction		Global PSI management (real time) SCM KPI management						
		Improve factory logistics		Automation/labor saving		Consolidate centers		
		Improve export/import efficiency		Lot tracking management		Global BID		
						3PL outsourcing		
						Joint logistics		

Enhance delivery solution



Develop region-based business (Transformation)

■ Create a competitive on-site operation to survive in the regional competition



Implement smart logistics and standard model (standard 3PL)

■ Opened Kansai II Medical Distribution Center: Hi-Spec & Hi-Value

- GDP-compliant / BCP-compatible
- Implement new technology (Next generation labor saving center)

* Managed area per person: 2.2 times more than existing center

- Medical products delivery company (Night terminal function)

Expand medical business and establish standard new logistics technology

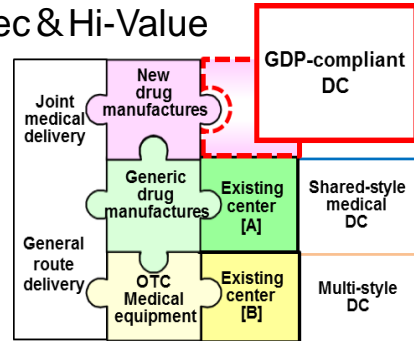
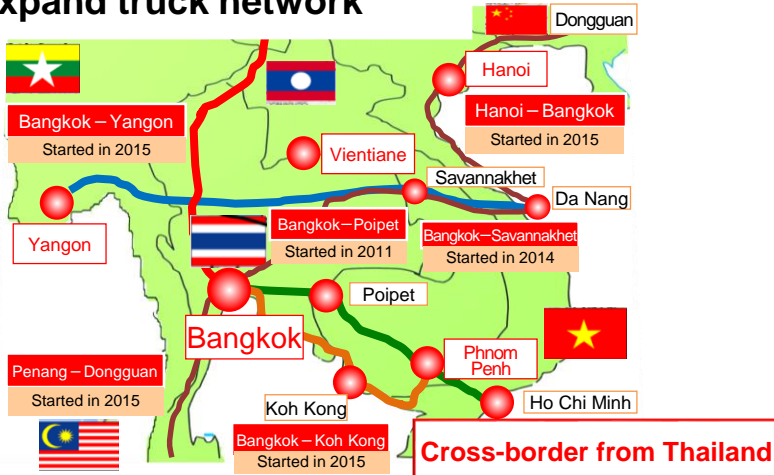


Image: Operations to be started in Jan. 2018

Asia

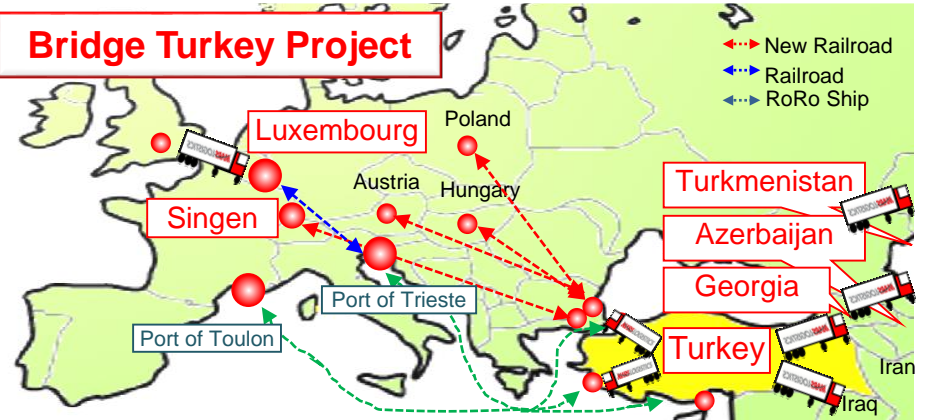
Expand truck network



Europe

- Expand business with intermodal and cross-border logistics
- Cultivate transportation business connecting between Europe and Central Asia

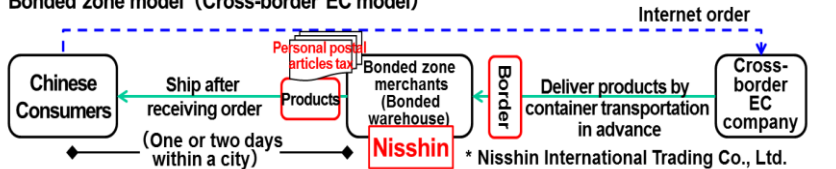
Bridge Turkey Project



China

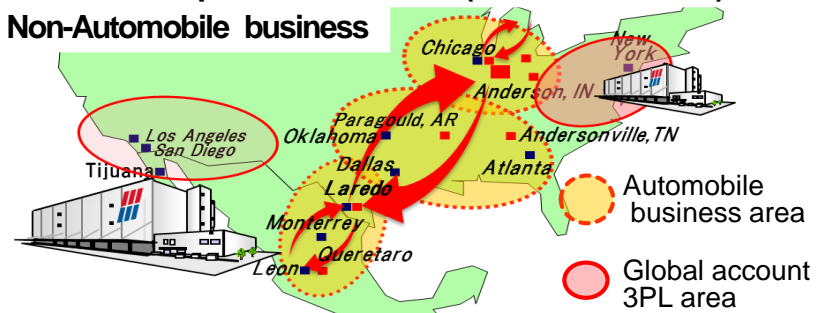
- Expand distribution business (Total entrustment with strategic partnership)
- Initiatives for e-commerce business

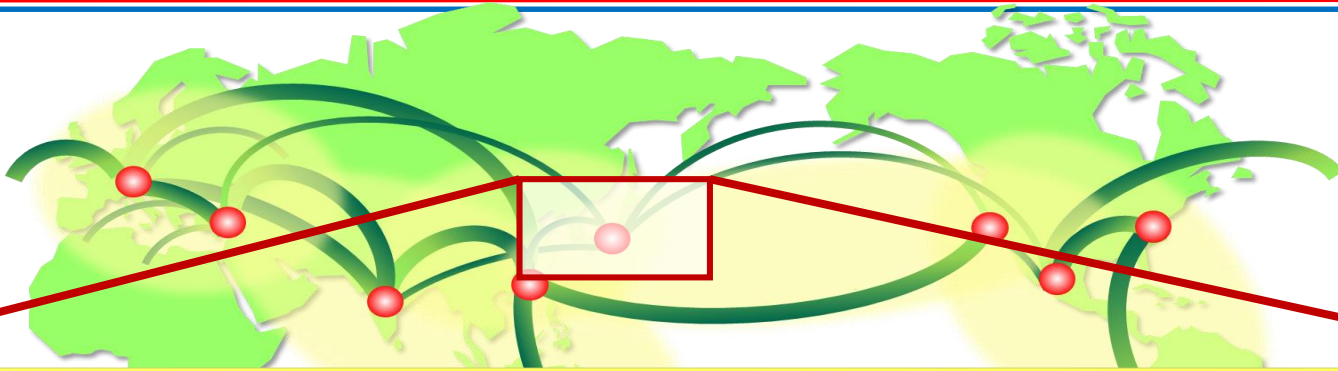
Bonded zone model (Cross-border EC model)



North America

- Expand NAFTA transportation network (Automobile- 3PL)
- Expand Non-Automobile business





Carry out global expansion strategy under the leadership of Strategic Forwarding Office

■ Implement global core system (phased introduction from FY2016)

- (1) Visualization of business/Standardizing operations (BPR)
- (2) Promote E-forwarding: Generate and effectively utilize big data

■ Sea freight business strategy

- (1) Increase global partnership contracts with shipping companies
- (2) Expand import/export volume to the Americas
- (3) Expand consolidation lanes : Plan to double in 2018 (36→72 lanes)
- (4) B/L integration (new branding strategy)

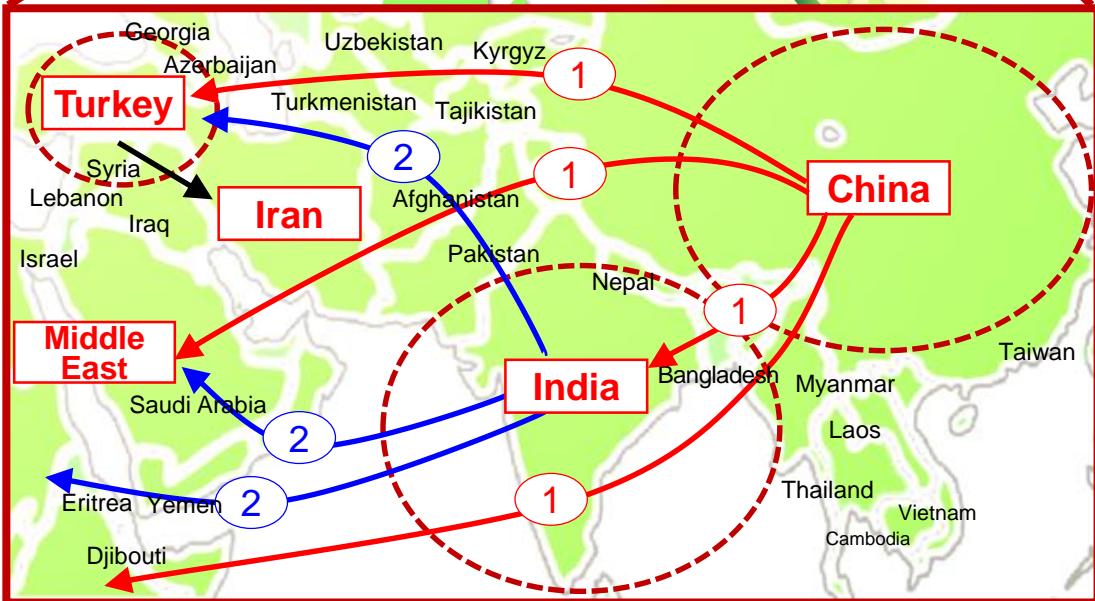
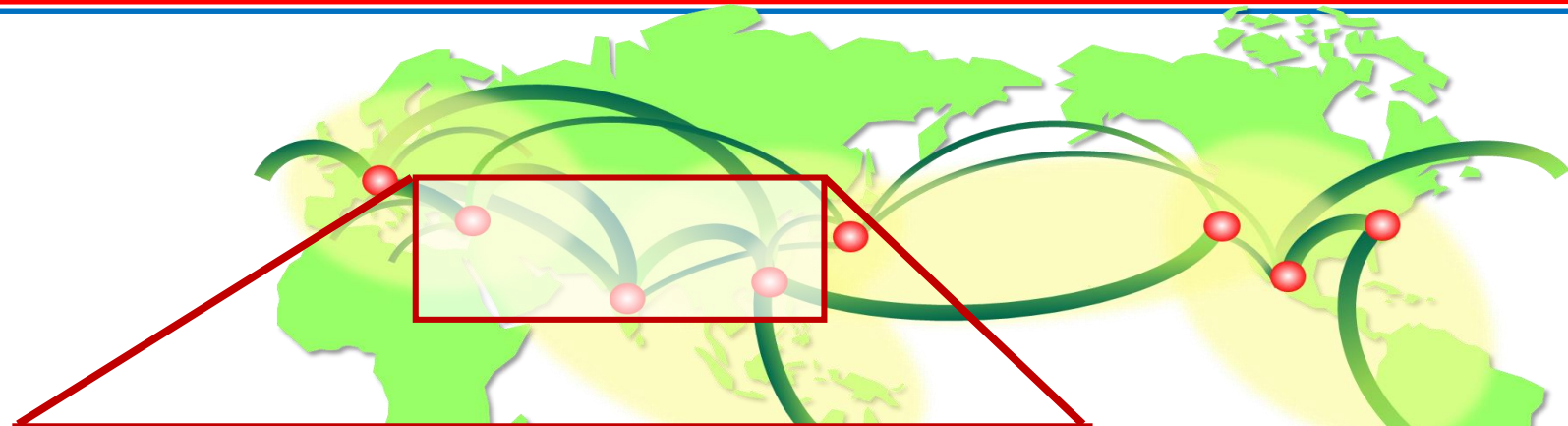
■ Forwarding business from or to Japan : Realize further rationalization

■ Air freight business strategy

- (1) Increase global procurement contracts
- (2) Increase revenues from master loader business

■ Expand business to new areas

Country/Region	Timing
UAE	2H of 2016
Sri Lanka, Bangladesh	1H of 2017
South Africa	2H of 2017
Latin America	2018



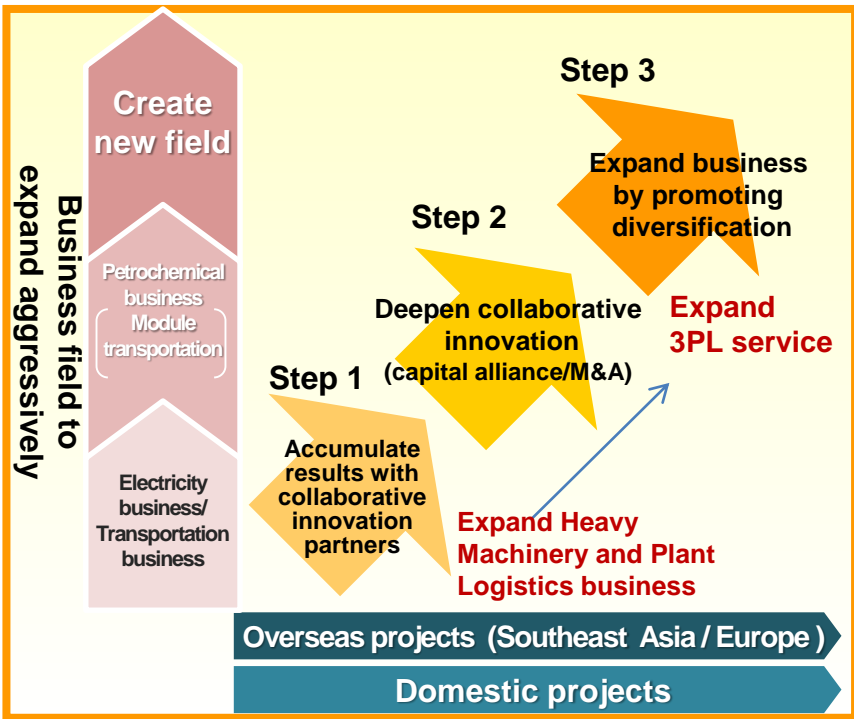
- Expand master loader business from China ① (collaboration with forwarding company)
- Expand business from India to Middle East and new areas ②

Freight volume

(Unit: tons (air), TEU (sea))

	2015	2016	2018
Air	230,000	260,000	290,000
Sea	430,000	440,000	470,000

Figures above are simple sum before elimination of intra-company transaction



Electricity Infrastructure business

Reinforcement area <3 regions>

Europe (Poland/Turkey)	Middle East (Egypt/Iran)	Southeast Asia (Indonesia/Philippines)
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Develop new sales tool (Secure hardware)

Engineering Plant project	<ul style="list-style-type: none"> • Collaboration/collaborative innovation → deepen relationship (Alliance/M&A) • Reinforce hard assets by strategic investment
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Transportation infrastructure

Reinforcement area <4 regions>

Middle East (Qatar/UAE)	India/ Southeast Asia	Italy	U.K.
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Finished car transportation + New business field

Maintenance/Service parts	Parts procurement (Procurement logistics management system)
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Expand network

Support collaborative innovation partners' diversification (3PL)

Establish robust cooperative system within the Middle East network

Expand to new areas

Myanmar	Central America (Ecuador/Cuba)
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■ Domestic

[Expand business resources in Kanto area]

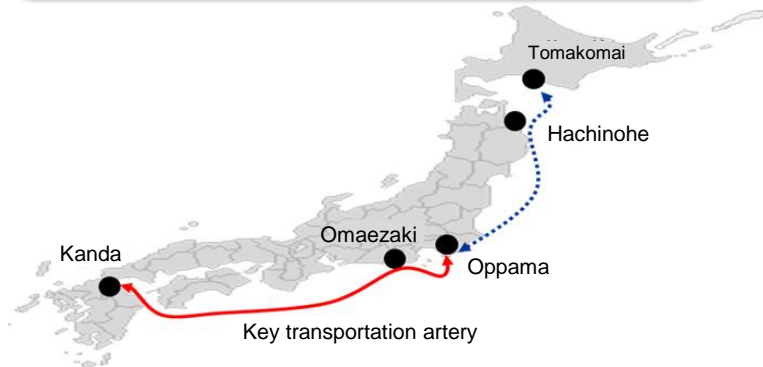
- Provide logistics service for “domestic procurement” and “overseas procurement” for automobile manufactures
- Re-mobilize human/resources (reverse logistics)

[Expand sales with modal shift utilizing main transportation artery]

Land/Sea intermodal transportation

Delivery representative service

Joint delivery service



Reduce CO₂

Deal with shortage of trucks

Reduce cost

■ Europe

- Expand U.K. business (New DCs/new customers)
- Expand from the U.K. to the continent
- Increase vendor managed inventory service for agricultural machinery manufactures



■ The Americas

- The U.S.: Expand business fields for automobile manufacturers (Operation management of overseas distribution center)
- Mexico: Deliver automobile parts from suppliers to automobile manufacturers
- Transportation between the U.S. and Mexico

■ Enter into new areas: Start business in Brazil

Strategic investment to become a core automobile logistics company

- Expand 3PL in North America (Warehouse/WMS/Material handling)
- Increase transport capacity in Mexico (Alliance/M&A)
- Start business in Brazil (Alliance/M&A)
- Strengthen domestic main artery transportation (trailers)
- Promote automation (AGV)

Promote collaborative innovation and collaboration to realize seamless comprehensive logistics service



Contribute to customers with new solutions

Contribute to society with labor saving and optimization

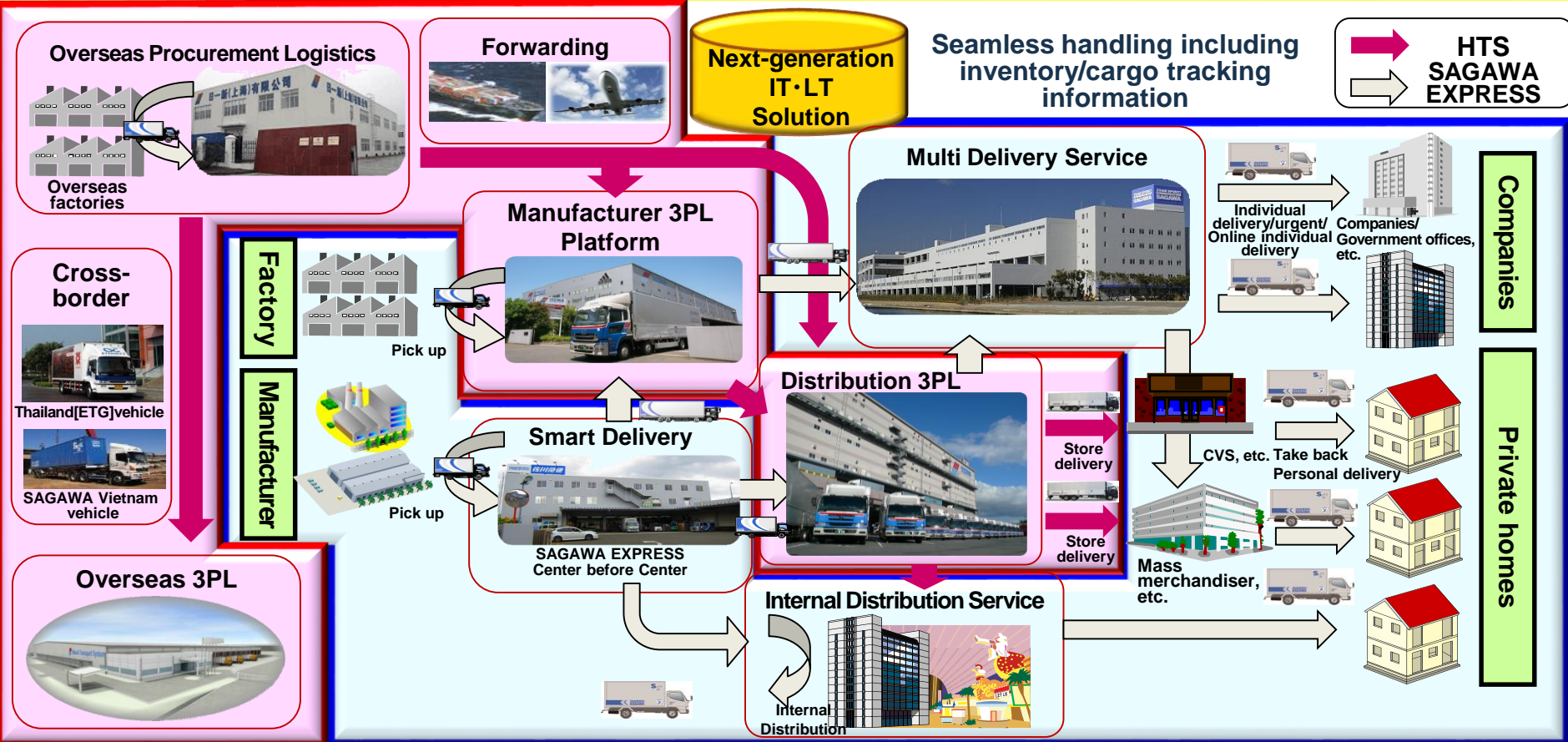


3PL

Delivery

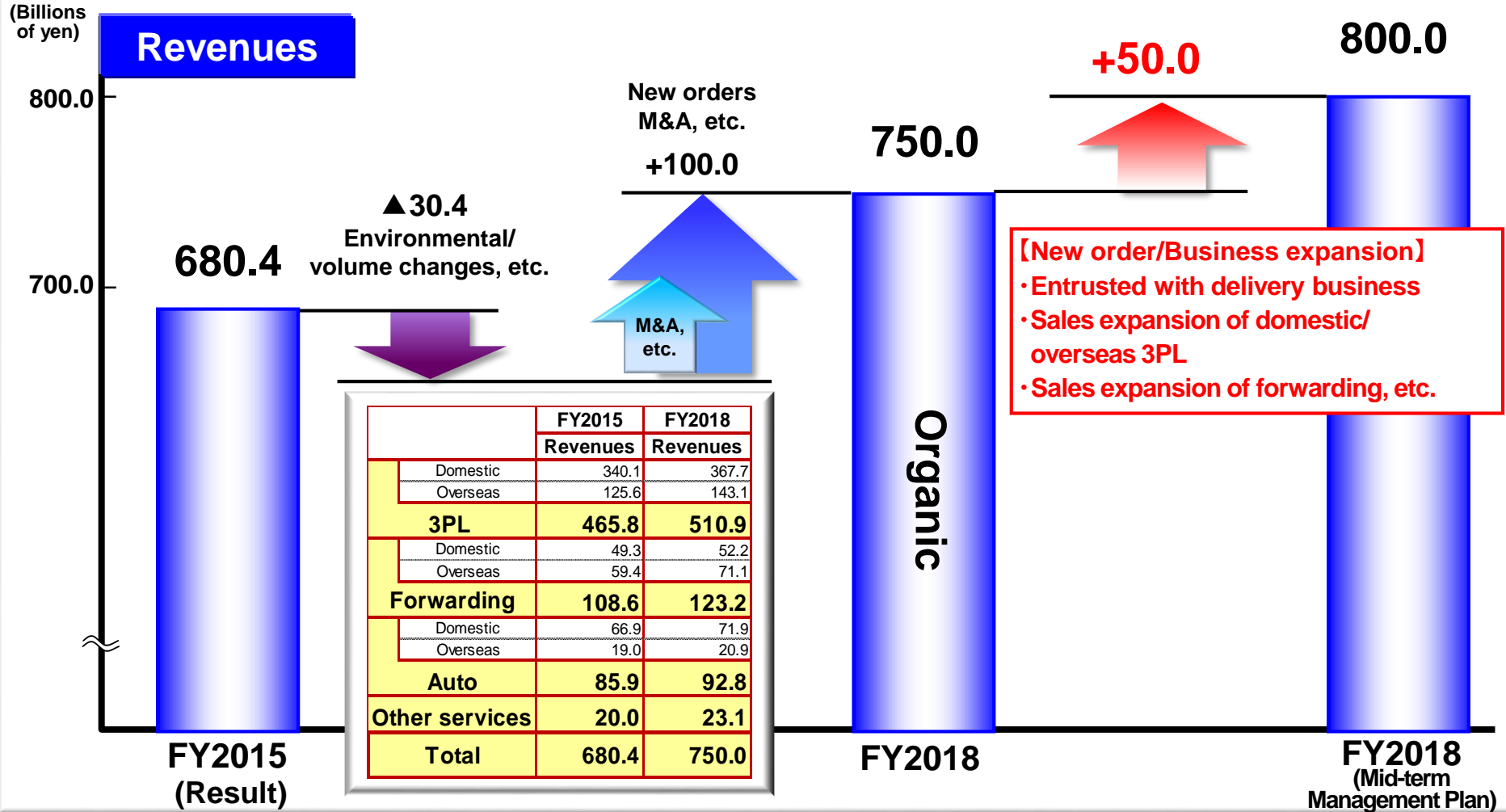
1. Strengthen proposal-making ability and expand business through a sales alliance that makes use of mutual customer bases
2. Use focused fleet management and share center usage for improved utilization rate and efficiency
3. Work on advanced logistics using both Companies' IT and LT technologies
4. Reinforce global business, with a focus on Asia (alliances of forwarding business and cross-border transport, etc.)
5. Reinforce peripheral businesses through utilization of resources (real estate business and system business, etc.) and collaboration

■ Provide integrated solution to cover all process from upstream to downstream (pick up/3PL/delivery)

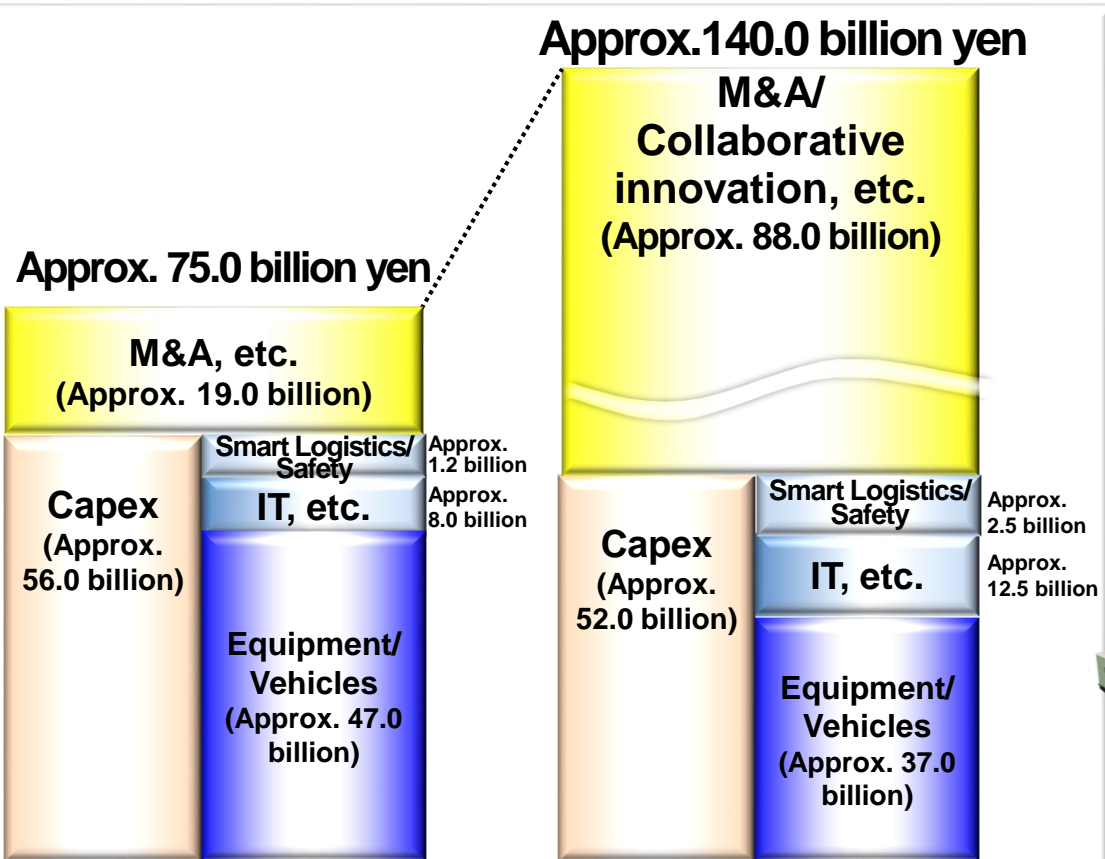


Upstream

Downstream



Strengthen resources toward growth (Capital expenditures/Alliance/M&A)



Turkey: New distribution center



Tsuchiura Phase II



Metropolitan area chemical center



Smart Logistics



Heavy Machinery and Plant Logistics



Vehicles

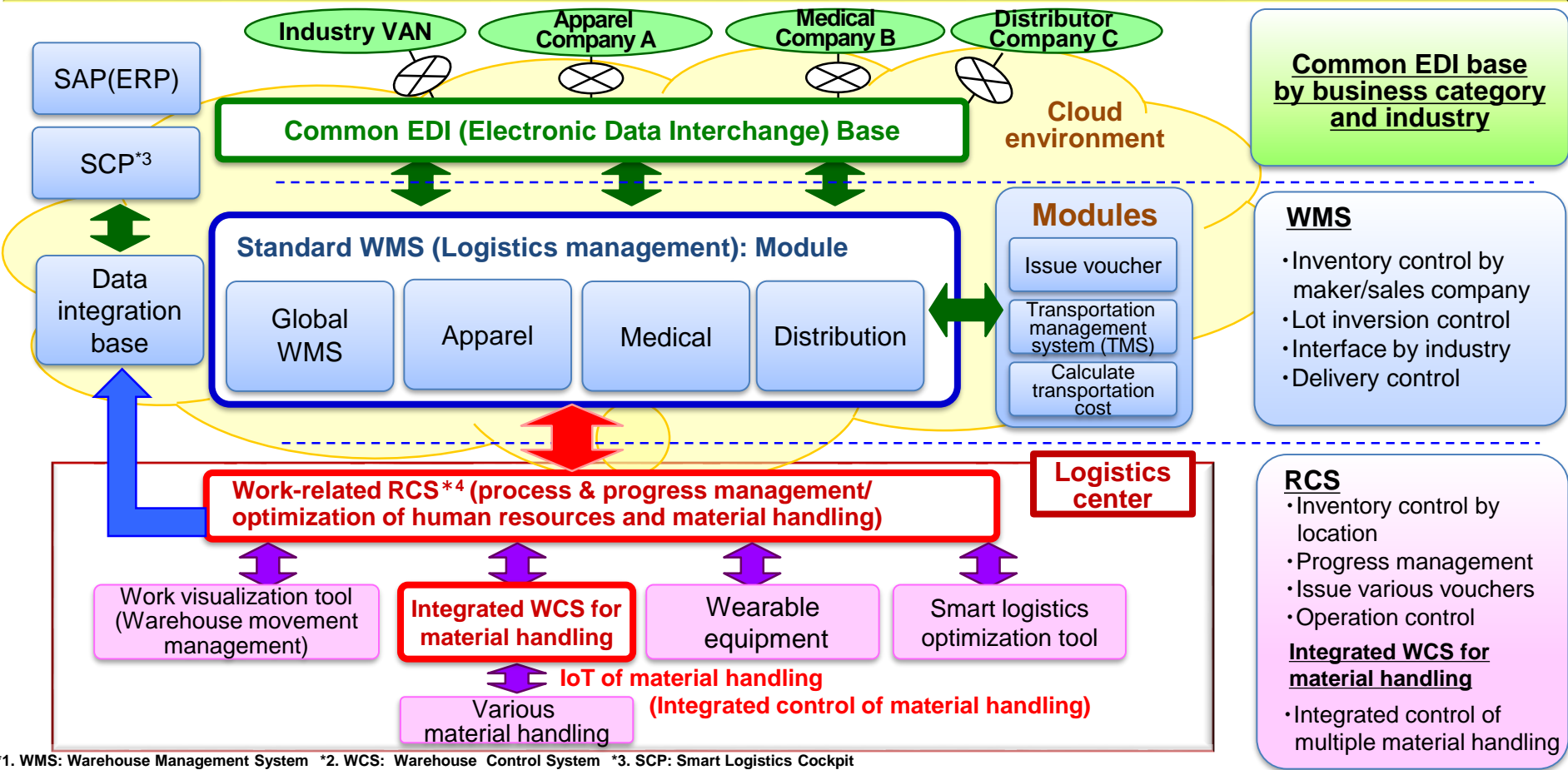


Collaborative innovation



【FY2013→FY2015 (accumulated)】 【Mid-term Management Plan (accumulated)】

Standard WMS*1 Plan / Integrated WCS*2 Plan



*1. WMS: Warehouse Management System *2. WCS: Warehouse Control System *3. SCP: Smart Logistics Cockpit
 *4. RCS: Resource Control System

Next generation center/accelerating development of new technology: Open R&D center (plan)

Overview of R&D center

[Reduce set-up/operational risk]

- Verify assumed operation under a similar environment to real operation

[Realize unmanned/labor saving DCs]

- Develop and implement next generation/new element technology

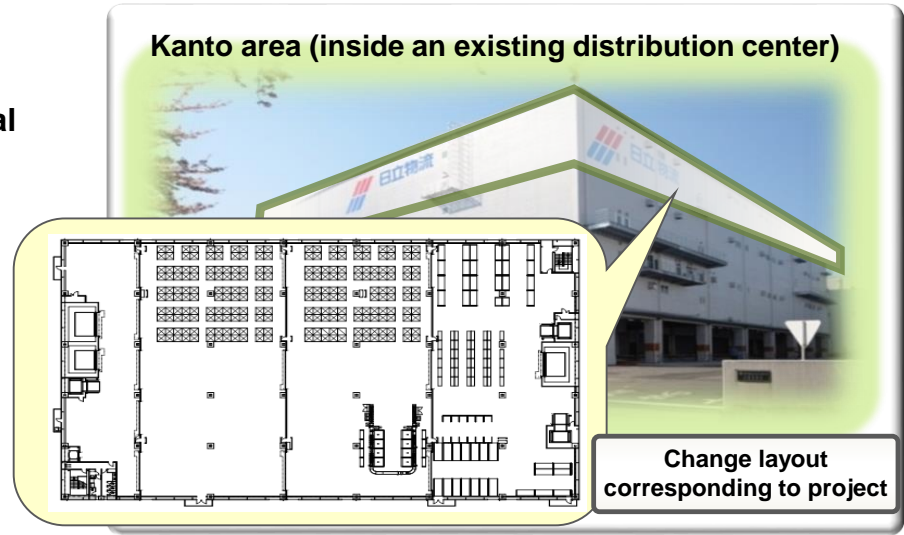
[Experiencing/feeling center]

- Feel/experience the actual technologies

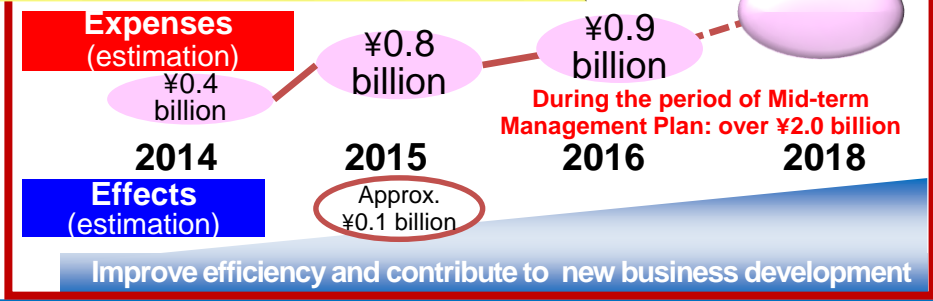
Equipment to be implemented (plan)

Equipment	Description of verification/experiment
Racrew®	High density test to improve storage efficiency
Forklift/Cart	Automating cargo handling/delivery and 24-hour automatic operation
Inspection-less related equipment	Technology development/verification to eliminate inspection process
Robot	Technology verification for unmanned picking operation
Integrated WCS	Information sharing among facilities/development of new control technology

Opening schedule: by the end of FY2016



R&D expenses and effects



Three strategies for all-hands operation by all Group employees

■ Improve employee relations/engagement

- (1) Active participation by diversified human resources
- (2) Working method transformation
- (3) Invigorate work place communication

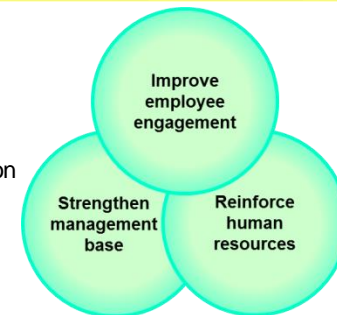
■ Strengthen management base/ collaborative innovation

- (1) Create optimal organization and structure to achieve business targets
- (2) Further improve efficiency of the Group management

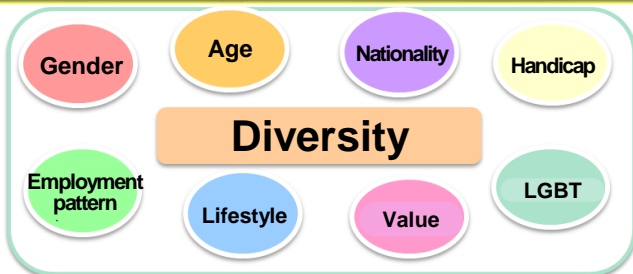
■ Reinforce human resources

- (1) Classify and define HR types (visualization of ideal human resource)
- (2) Visualize human resource (capability)
- (3) Recruit and develop HR based on the type and definition

"New" human resource development system to realize management vision ("Training for all employees" "Training for selected employees" "Elective training")
 -Standardize the training curriculum within the Group, etc.

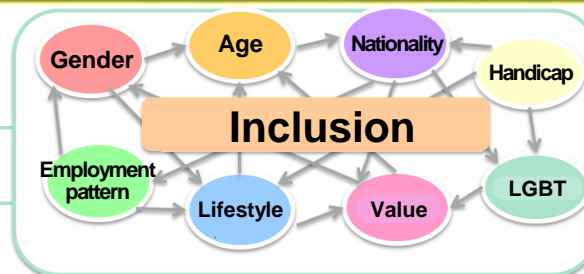


Active participation by diversified human resources: Diversity & Inclusion



Promote recruitment of diversified human resources

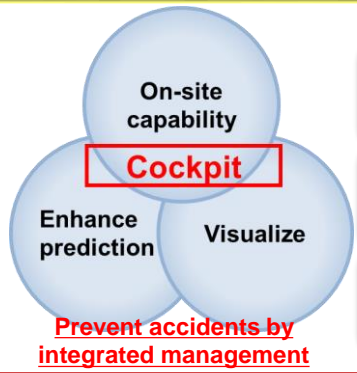
- Utilize female workers, foreigners, the disabled, fixed-term workers, experienced and older people
- <Active participation by female worker: Percentage of managers 10% (FY2020 target)>



Create working environment where diversified human resources can demonstrate their ability

- Change employees' awareness/develop corporate culture
- Create a pleasant working environment (working method transformation)
- Support childcare and nursing care

Ensure safety: "Safety first" "Establish safe working environment"



- Identify and improve potential risks on our own (Preventive maintenance)
- Control/eliminate potential risks utilizing the latest technology
- Visualize on-site situation timely utilizing cockpit

Item	Introduced Number
Collision prevention assist system	Approx. 500
New digital tachograph	Approx. 180
Powered exoskeleton	Trial at 15 sites

Examples of safety technology

Corporate Governance

- Improve management transparency and efficiency**
 - : Enhance consolidated management base (engage the same audit companies, etc.)
 - : Management visualization project
- Compliance management and business development based on corporate ethics**
 - : Thorough "Basics and Ethics"

BCP

- Select key operation sites (9 sites)**
 - : "Medical" "Food" "Public/Social infrastructure" fields
- Select alternative site for headquarters functions**
- Develop BCP of securing fuel during disasters**



Symbol Sport (Track & Field Club)

- Interaction with local communities and enhance the Group unity through sports**



Target: Make top 8 in New year's marathon relay race