

---

## A Message from the President



**Makoto Kigawa**  
Representative Director,  
President and Executive Officer

### **The Yamato Group Believes That Helping Enrich Society Through Business Activities Will Maximize Corporate Value**

For me, the Great East Japan Earthquake of March 2011 reaffirmed the importance of the Yamato Group's management philosophy, which is to help enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system.

Responding to the unprecedented damage caused by the earthquake, the Yamato Group helped deliver supplies to the region to assist in its recovery and fulfill the Company's social mission, while Group employees donated their time as volunteers. The Group also made the decision to

donate ¥10 per *TA-Q-BIN* parcel to help in the revitalization of local people's living conditions and industrial infrastructure, and continued the initiative for a full year.

Based on *TA-Q-BIN* handling volume in the fiscal year ended March 2012, donations totaling ¥14.2 billion were made tax-free to the Yamato Welfare Foundation, having been approved by the Minister of Finance as "designated donations." The foundation pooled this money with donations collected from other companies, organizations and individuals and provided grants exclusively for the restoration and revitalization of the local infrastructure and for rebuilding of the fishing and agriculture industries in the region. An independent committee of experts selected projects for grants under a basic policy of

## Numerical Targets for DAN-TOTSU Management Plan 2019 and DAN-TOTSU Three-Year Plan HOP

	Fiscal 2014	Fiscal 2020
<b>Consolidated operating revenues</b>	¥1,440.0 billion	<ul style="list-style-type: none"> <li>• 100 businesses</li> <li>• Domestic parcel delivery market share: Over 50%</li> <li>• Non-delivery share of operating income: Over 50%</li> <li>• Overseas sales ratio: Over 20%</li> <li>• ROE: Over 11%</li> </ul>
<b>Consolidated operating income</b>	¥88.0 billion	
<b>Operating margin</b>	6.1%	
<b>ROE</b>	8.5%	
<b>TA-Q-BIN handling volume</b>	1,680 million parcels Domestic: 1,560 million Overseas: 120 million	

visible, quick and effective assistance. Priority was placed on types of projects that do not normally receive government support.

As of April 26, 2012, 31 projects have received funding, including construction of a temporary fish market in Minamisanriku, Miyagi Prefecture, and a daycare center in Noda, Iwate Prefecture. The grants have totaled ¥14,266 million.

I would like to sincerely thank everyone who used *TA-Q-BIN* as well as shareholders, investors and government officials for their understanding and support for the Yamato Group's activities.

This fundraising initiative came to an end on March 31, 2012, but we intend to continue helping in reconstruction efforts and assisting in the recovery of the entire region as quickly as possible through our business activities.

### Rising to the Challenge of Becoming Asia's No. 1 Solution Provider in Distribution and Lifestyle Support

My medium-to-long-term vision, with its target of fiscal 2020, when we will celebrate our 100th anniversary, is for the Yamato Group to become the leading provider of distribution and lifestyle support solution services in Asia. We want to establish DAN-TOTSU (unassailable) positions in solution capability, delivery quality, and customer satisfaction in this capacity in Asia.

It will be a major challenge, but we believe that achieving it will enable us to substantially increase corporate value.

In order to realize this vision, our long-term DAN-TOTSU Management Plan 2019 lays out a basic policy of executing innovations that will revive the growth of *TA-Q-BIN*. The plan's two major pillars



are creating and expanding markets through development of the overseas *TA-Q-BIN* business and reviving *TA-Q-BIN*'s growth in Japan.

The *TA-Q-BIN* business, which started as a consumer-to-consumer (C2C) delivery service, has been operating for 36 years since its launch in 1976. This length of time, together with structural factors such as the prolonged domestic economic slump and population decline, has seen *TA-Q-BIN* viewed as a maturing business in recent years, and consequently, the Yamato Group's growth has also been viewed as possibly slowing as growth potential declines for this major pillar of our earnings. I strongly believe, however, that the market can still grow.

### **Driving Sustained Growth Pivoting on Revival of *TA-Q-BIN*'s Growth by Managing a Portfolio of Six Main Businesses**

The Yamato Group converted to a pure holding company system in 2005.

The main reason I think it will be possible to revive the growth of the *TA-Q-BIN* business is basically because I believe we can spur additional growth in physical distribution by fully utilizing management

resources in our six main businesses—Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial, and Truck Maintenance—to generate innovations in commercial distribution.

I believe that this is possible precisely because the Yamato Group has a nationwide network that extends the “last mile” to end users.

For example, we have traditionally provided transport and delivery services for the general public, but going forward we plan to add an additional level of convenience to these services and meet the ever-advancing needs of customers by promoting new services and businesses.

When it was first made available, *TA-Q-BIN* was often used for special occasions like sending New Year's and midyear gifts or to send equipment ahead or home when going golfing or skiing, but in recent years the Internet's widespread use at home has fueled growth in mail-order shopping, increasing the opportunities to use *TA-Q-BIN* for everyday events like shopping. The service is now essential “infrastructure” for day-to-day life.

Going forward, we will redefine the general public as “residents” and form partnerships between the Yamato Group and the government, local public bodies and other companies to enter new business domains through establishment of *lifetime lifestyle support platforms* closely tied to local communities and lifestyles, while also utilizing the *Kuroneko Members* service and other resources.

At the same time, for corporate customers we have provided value in the form of accuracy and reliability in delivery services; specifically, sales support for the retail industry and timely logistics for the manufacturing industry. Moving forward, we will provide solutions that help customers make supply

chain innovations, including warehouse operations, inventory management, sales promotions and after-sales follow-up, as we steadily shift to value provided by the Yamato Group.

We will offer comprehensive support for both efficiency and dispersal of inventory management, and timely, frequent deliveries in corporate activities, which is normally a difficult combination to achieve.

### Changes in the Social Structure Play to the Yamato Group's Strengths

Our strength as a logistics company is a nationwide network that extends the “last mile” to end users. It is my belief that our ability to leverage this strength to become a partner for corporate logistics suppliers and provide a range of solutions expressly for end users, the general public, is a characteristic possessed only by the Yamato Group.

The Great East Japan Earthquake of March 11, 2011 indirectly brought into relief not only socio-economic changes that have long been recognized, like the declining birthrate and aging population, regional depopulation, widespread Internet use by regular households, and the increase in women pursuing careers outside the home, but also many major changes taking place in the values and lifestyles of the general public. It also reinforced the urgency with which companies must address these broad societal changes.

At the same time, it is also a fact that the Yamato Group's network, which extends the “last mile” to end users, has been reaffirmed as constituting essential lifestyle infrastructure on par with electricity and water utilities. The changes taking place I think dovetail perfectly with our long-term plan of providing *lifetime lifestyle support platforms*



*Haneda Chronogate*

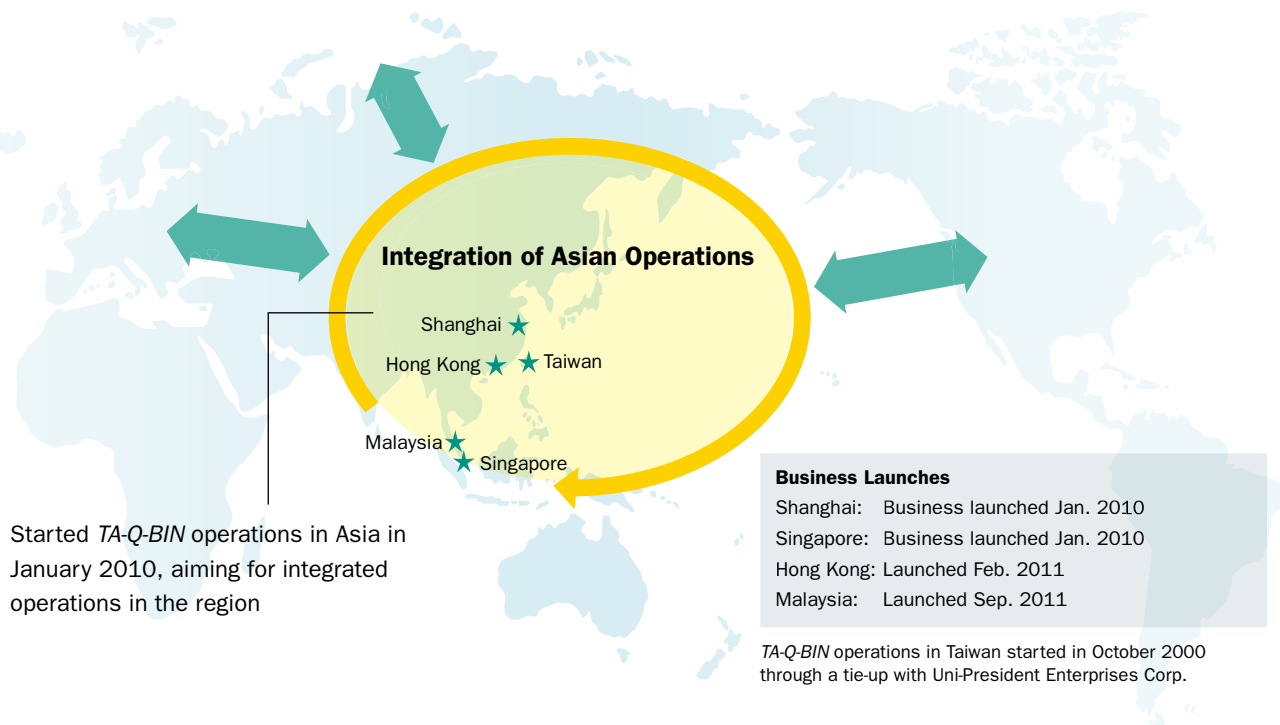
closely tied to local communities and lifestyles, while also utilizing the *Kuroneko Members* service and other resources, by forming partnerships between the Yamato Group and the government, local public bodies and other companies.

The Yamato Group intends to help enrich society by providing corporate and residential customers solutions to restrictions and inconveniences involving location, time and cost.

One example is *Haneda Chronogate*, which is currently under construction and will serve as a strategic base for designing entirely new logistics practices and partially solving various restrictions and inconveniences across time and space.

The Yamato Group has traditionally viewed Asia and Japan as a single economic zone and has seen the need for nodes within the zone through which goods, money and information travel seamlessly. *Haneda Chronogate* is located next to Haneda Airport, where international flights have resumed. It also has distribution facilities such as the Tokyo and Yokohama ports and container terminals nearby and enjoys good access to the Metropolitan Expressway. It will truly be a node in the Asian economic zone.

## Development Status of Overseas *TA-Q-BIN* Business



*Haneda Chronogate* will have all Yamato Group companies located there, with four main functions: the Direct Transport function, which will handle products received from overseas and deliver them to their destinations without delay like *TA-Q-BIN*, resulting in overwhelming reductions in lead times; the Global Cross-Docking function, which will sort products received from overseas, improving inventory turnover rates and minimizing inventory volume; the Product/Distribution Processing function, which will support customer operations such as product processing, kitting and maintenance, etc.; and the Multi-Transport function, which will provide the optimal mode of transport from among diverse methods of transportation.

We anticipate that *Haneda Chronogate* will stimulate further growth in physical distribution. That is,

we expect it to serve as a major trigger for our strategy to revive the growth of *TA-Q-BIN* by adding new value to the Delivery Business while generating growth in our highly profitable e-Business, Financial Business and other non-delivery businesses, in their respective domains.

I also think it has an important role to play in the context of us establishing DAN-TOTSU (unassailable) positions in solution capability, delivery quality, and customer satisfaction in this capacity in Asia, as the leading provider of distribution and lifestyle support solution services in Asia.

### Allocation of Cash Generated in the Domestic Delivery Business to Strategic Investment for Further Future Growth

In terms of the overseas *TA-Q-BIN* business, we have



expanded business by providing know-how to Taiwan's Uni-President Enterprises Corp. for 12 years since 2000. We will also accelerate our own Yamato Group *TA-Q-BIN* business in Asia, where even more economic growth is expected in the future.

We started *TA-Q-BIN* operations in Shanghai and Singapore in January 2010, and Hong Kong in February 2011. In September 2011, we extended our reach by starting a business in Malaysia.

We plan to continue steadily expanding the *TA-Q-BIN* business to other regions and, in the future, we will build a global supply chain in the Asian zone. We hope to enrich societies across Asia by transplanting the business model we have refined in Japan.

At the same time, to stimulate further growth in physical distribution in Japan, we will make investments to further upgrade *TA-Q-BIN* and other services and expand our business domain.

Doing so will make it possible to expand our same-day delivery area and provide innovative solutions to corporate customers, which should spur further earnings growth.

Capital investment in fiscal 2013 is projected to be ¥92.0 billion, higher than a normal year, but the Yamato Group continues to conduct management with

sufficient awareness of capital cost levels that reflect the expectations shareholders and investors hold for the earnings of the Yamato Group.

Led by Yamato Holdings, the Group's pure holding company, we will rigorously apply an investment recovery approach at the business segment level and achieve further growth.

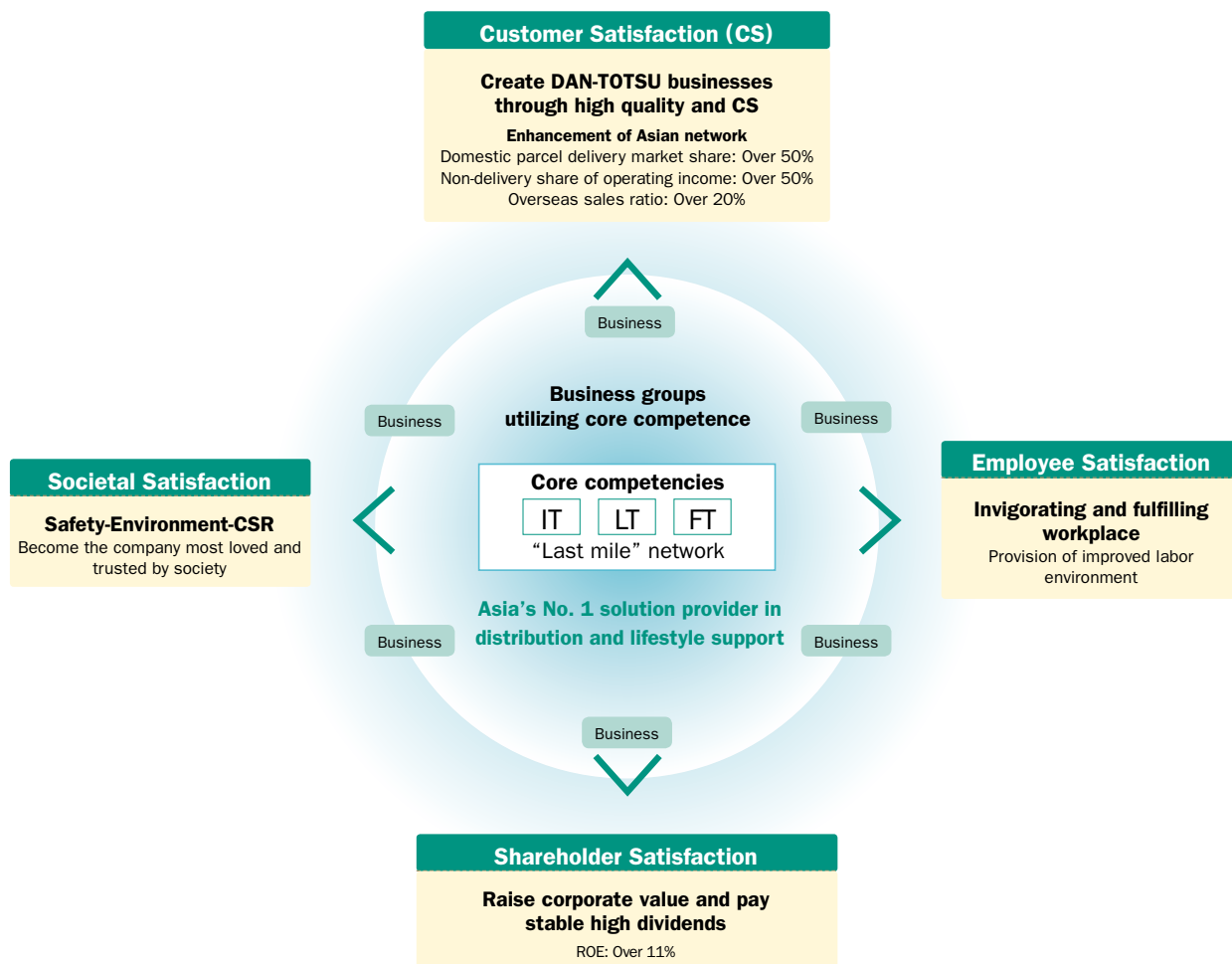
### **Raising Satisfaction of Shareholders, Customers, Communities, Employees and All Other Stakeholders**

The medium-to-long-term vision of our long-term management plan, DAN-TOTSU Management Plan 2019, which covers through fiscal 2020, the Company's 100th anniversary, and our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, which ends fiscal 2014, puts forth the aforementioned goal of establishing DAN-TOTSU (unassailable) positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia. A major theme of the medium- and long-term plans is further raising satisfaction levels for shareholders, customers, communities, employees and all other stakeholders.

To raise shareholder value, we have declared ROE to be an important benchmark to keep in mind in order to achieve both strengthened capital accumulation and utilization of business assets. We plan to raise ROE to 8.5% in the year ending March 2014, the final year of the medium-term management plan, and to over 11.0% in the year ending March 2020, the final year of the long-term management plan.

The Yamato Group consistently and continually generates between ¥70.0 billion and ¥80.0 billion in cash annually to maintain the agility and flexibility of

## Yamato Group Concept Map Ahead of 100th Anniversary



financial activities while sufficiently covering ordinary expenditures.

We will continue working to increase our profitability by steadily executing our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, and also raising capital efficiency by implementing flexible capital policies, as and when needed, by taking advantage of our solid financial base. Our overall goal is to further increase our corporate value.

For the fiscal year ended March 31, 2012 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

We ask our shareholders for your ongoing encouragement and support.

September 2012

**Makoto Kigawa**  
 Representative Director,  
 President and Executive Officer