

Delivery



Masaki Yamauchi

Representative Director,
President and Executive Officer of Yamato Transport Co., Ltd.

With the goal of being one of Japan's most recognized and most endeared companies, the Delivery Business pursues development aimed at making the lives of customers more convenient. As a form of social infrastructure, we are committed to living up to the trust society places in us while meeting its expectations.

The environment in which the Delivery Business operates is undergoing a major transition. In the Japanese market, volume has been increasing thanks to growth in e-commerce markets and with more frequent and smaller lots becoming the norm in B2B logistics. In addition, distribution distances have shortened due to the population becoming more concentrated in urban areas and companies building distribution facilities in the suburbs. Plus, home delivery services are beginning to be vertically integrated with outside industries such as mail-order companies, and specialized local delivery companies are beginning to enter the scene. On the other side of things, consumers have started to demand flexible services in line with their own lifestyles, coinciding with an increase in single-person, dual-income, and senior citizen households. It is also becoming increasingly difficult to secure personnel due to Japan's aging and shrinking population, so maintaining *TA-Q-BIN* networks and high-quality services is a major management issue.

Operating in this environment, in the Japanese market, we will bolster solution proposals for commercial distribution, a growth area, further enhance products and services that respond to the diverse needs of consumers, and accommodate needs associated with the revitalization of local communities, another growing area. In conjunction with this, we will also reinforce systems for maintaining high-quality services. At the same time, we intend to further expand the *TA-Q-BIN* business overseas in anticipation of economic growth in Asia and the lowering of tariff barriers and continue to build an integrated overseas and domestic delivery platform. Through these initiatives we will work to realize the "Value Networking" design.

Review of the Year Ended March 2014

The year under review was the final year of our medium-term management plan, *DAN-TOTSU Three-Year Plan HOP*, and in order to build a foundation for further growth, we opened *Haneda Chronogate*, which is based on a new concept in distribution and stands as one of Japan's largest general distribution terminals, as well as *Atsugi Gateway* while also launching full-fledged operations at the *Okinawa International Logistics Hub*. By linking domestic and overseas distribution and effecting new logistics innovations through these new facilities we steadily carried out activities to realize the "Value Networking" design and give concrete form to the foundation that had been planned.

In the Japanese market, we expanded pickup services at convenience stores to boost convenience for customers and worked to support sales growth for mail-order companies in the rapidly growing e-commerce market. For the B2B market, we proposed solutions drawing on *TA-Q-BIN* networks and Group functions. And for individual customers, we steadily increased membership in the *Kuroneko Members* online service in order to further raise convenience for people receiving deliveries, adding new online functions that allow members to request changes in pickup dates and times using the *Kuroneko Yamato Parcel Inquiry System* and enhancing pickup services to promote greater use, which included expanding the scope of convenience store pickup when deliveries would otherwise be missed. In addition, there was increased use nationwide of services created in partnership with local governments, including lifestyle support services, such as a shopping delivery service, and services provided on behalf of government agencies, such as a service for confirming the health and well-being of seniors. In this way we made further progress on establishing *lifetime lifestyle support platforms*.

In overseas markets, the ongoing integration of the Asian economic sphere is accelerating the transition to borderless goods, money, and information, and with demand for shorter lead times for international delivery and lower total distribution costs, which includes inventory control, we launched the *International Cool TA-Q-BIN* service for delivery from Japan to Hong Kong utilizing the *Okinawa International Logistics Hub* in October 2013. The service allows small parcels requiring refrigeration to be delivered frequently and with a high level of quality. In addition, with the opening of *Haneda Chronogate* and *Atsugi Gateway*, we have established the foundation for a distribution network to Asia with higher quality, faster speeds, and greater cost performance.

In terms of earnings, in the rapidly expanding e-commerce market, our strength lies in differentiation and delivery quality via our "last mile" network, and this has led to a major increase in delivery volume centering on mail-order customers. In the *TA-Q-BIN* business, we achieved record-high transaction volume. On the other hand, *Kuroneko Mail* transaction volume declined due to more stringent acceptance requirements, as more emphasis was put on compliance, and to a more intense competitive environment.

In terms of expenditures, we further developed transport and delivery systems in conjunction with the sharp increase in *TA-Q-BIN* volume, maintained and raised the quality of *Cool TA-Q-BIN*, and as a result of these and other initiatives, expenses related to system construction increased. There was also a record-setting snowfall in February, so temporary expenses were incurred as a result.

As a result, operating revenues increased 6.9% year on year to ¥1,098,693 million, in contrast to operating income which decreased 14.4% to ¥35,874 million.

Strategies for the Year Ending March 2015

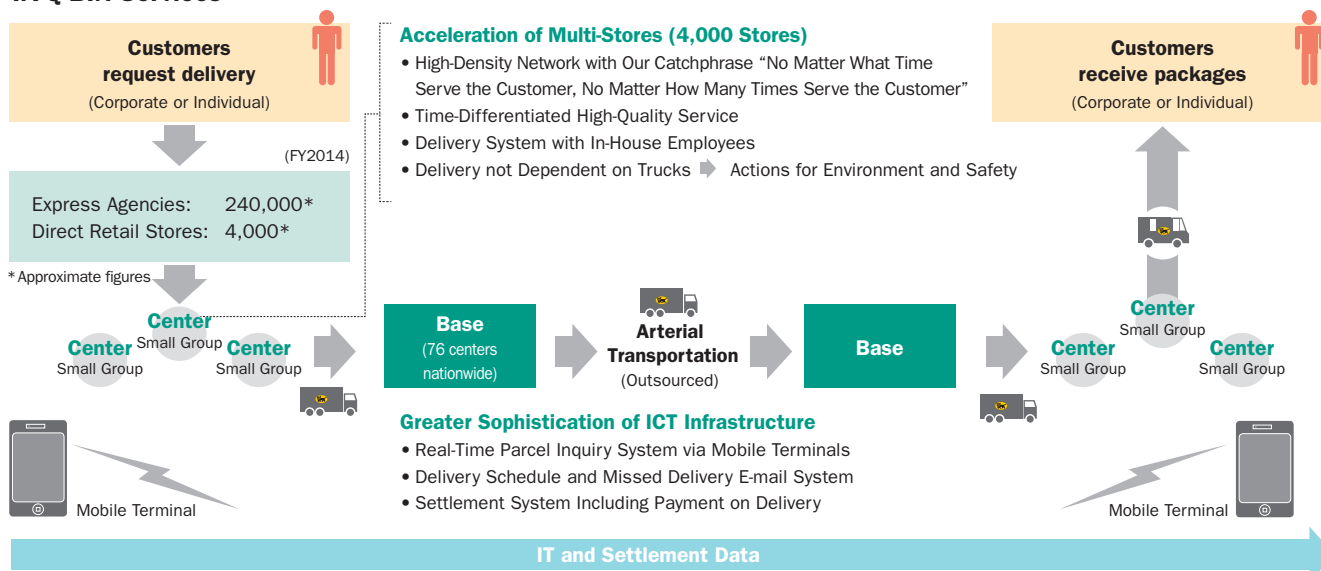
We began a new three-year plan this year, *DAN-TOTSU Three-Year Plan STEP*. Under the plan, we will promote new growth strategies that build on the foundation laid in our previous three-year plan. We have also crafted three management policies, outlined below, for continuing to build a robust management base that will be ready for further changes in the market environment. Initiatives for realizing the three management policies will be implemented in the year ending March 2015.

1. Raise the value of the Yamato brand by resuming full participation of all employees in management, with an emphasis on the frontlines

In order to create a workplace environment in which each and every employee demonstrates their abilities and finds meaning in their work, we will enhance the employee training system, reform the personnel evaluation system, and revise organizational formats. In addition, in order to maintain the *TA-Q-BIN* network and high-quality delivery services, we will reinforce systems through utilization of diverse human resources, revise workflows centering on *Cool TA-Q-BIN* and *Kuroneko Mail* and further enhance available pickup options.

2. Reform the income structure and maintain sustained growth

TA-Q-BIN Services



for the company and good quality of life for employees

We intend to more rigorously manage income by making costs of our goods and services transparent and by revising our management accounting system in order to set rates and collect at appropriate levels. At the same time, in order to reform the cost structure, we will promote full digitalization utilizing our *Kuroneko Members* and *Yamato Business Members* services, which have seen membership increases, and more actively use IT to simplify internal clerical administration to both reduce the clerical overhead and lower costs.

3. Pursue “Value Networking” design and meet increasingly sophisticated customer needs

Under the “Value Networking” design concept, we will further reinforce our network infrastructure to realize same-day delivery between major Japanese cities and next-day delivery to Asia. In addition, in order to accommodate increased volume within major metropolitan areas, we will also reorganize our urban area networks. For Asia, we plan to promote sales of *International Cool TA-Q-BIN*, which is experiencing growing demand. We will also actively develop B2B solutions in combination with advanced logistics at each distribution facility. These solutions will put emphasis not only on the sender (the supplier) but also on the needs of the recipient (the purchaser) from a “demand chain” standpoint.

In order to carry out the initiatives for the year ending March 2015, primarily those discussed above, and achieve the goals of the new three-year plan, we will institute a management system using key performance indicators (KPI). Setting clear targets and making progress transparent, we will steadily execute the plan while flexibly responding to the changing environment.

BIZ-Logistics



Hitoshi Kanamori

Representative Director,
President and Executive Officer of Yamato Logistics Co., Ltd.

Guided by our slogan of “LOGINNOVATION,” which encapsulates our goal of achieving logistics innovation, the BIZ-Logistics Business will work to pull together the Yamato Group’s management resources in creating innovative logistics solution models. Our efforts will be devoted to satisfying and inspiring the Yamato Group’s corporate customers, as well as the consumers they serve.

Review of the Year Ended March 2014

In the year ended March 2014, operating revenues of the BIZ-Logistics Business increased 4.0% from a year earlier to ¥90,255 million in contrast to operating income decreasing 16.9% to ¥3,404 million. Revenue growth was mainly attributable to an expansion in our logistics business in Japan as a result of the economy recovering. Profits, on the other hand, were weighed down by waning demand for our logistics in international trade as the global economy stagnated, and the expenses we incurred in developing new logistics bases.

The following are two initiatives we carried out in business logistics during the year ended March 2014.

Firstly, we worked on launching a new logistics service, combining the Yamato Group’s high-speed network and logistics capabilities, to coincide with the completion of our *Haneda Chronogate* and *Atsugi Gateway* distribution centers. This contributed to shorter delivery lead times and enhanced convenience for corporate customers receiving deliveries. Particularly when the service was coordinated by our proprietary *FRAPS (Free Rack Auto Pick System)* loading docks for sorting manufacturing materials and consumer goods into lots, and then cross-merging them for synchronized just-in-time delivery to stores and factories. In the meantime, we also opened the *Keihinjima Ryutsu Trinity Center* as a new logistics platform base. This new base will provide the infrastructure that will enable industrial product makers to concentrate on manufacturing, because we will now have the capacity for contracting their procurement logistics upstream and sales distribution logistics downstream. Going forward, BIZ-Logistics will contribute to revitalizing manufacturers in Japan by increasing the added value in the sophisticated business logistics we provide.

Secondly, we also worked on expanding the all-in-one support we provide with repair services in our Multi-Maintenance business. Our goal was to establish a one-stop solution that not only warehoused and supplied parts for home appliance repairs, but also came with a network for overseeing all functions involved in repairs from beginning to end. This covered the call centers for accepting repair requests, pickups, repairs, operational checks, and delivery of the repaired appliances. The all-in-one support we provided shortened repair turnaround, while enabling prompt customer support, and contributed greatly to raising the satisfaction of the Yamato Group’s corporate customers.

Strategies for the Year Ending March 2015

In the year ending March 2015, the first year of our *DAN-TOTSU Three-Year Plan STEP* medium-term plan, BIZ-Logistics will leverage the Group's "Value Networking" design to radically reshape the value chain of our corporate customers in the field of logistics.

Domestically, we will continue to work on business expansion that stems from both the creation of logistics models with high added value and growth in our baseline operations. One concrete example of this is the *Inventory-free Model* we have developed for small and medium-sized mail-order business operators. Under this model, these operators can make speedy home deliveries in as little as four hours, because our logistics capabilities enable them to disperse their inventory near major delivery markets in minimal lots. This model shortens lead times, improves work quality and reduces costs with no physical investment.

Internationally, we plan on providing services matching the market needs of each region the Yamato Group covers by globalizing our business logistics models in Japan. One area we are working on is an all-in-one procurement and delivery model for the supply of consumables in drugstore chains.

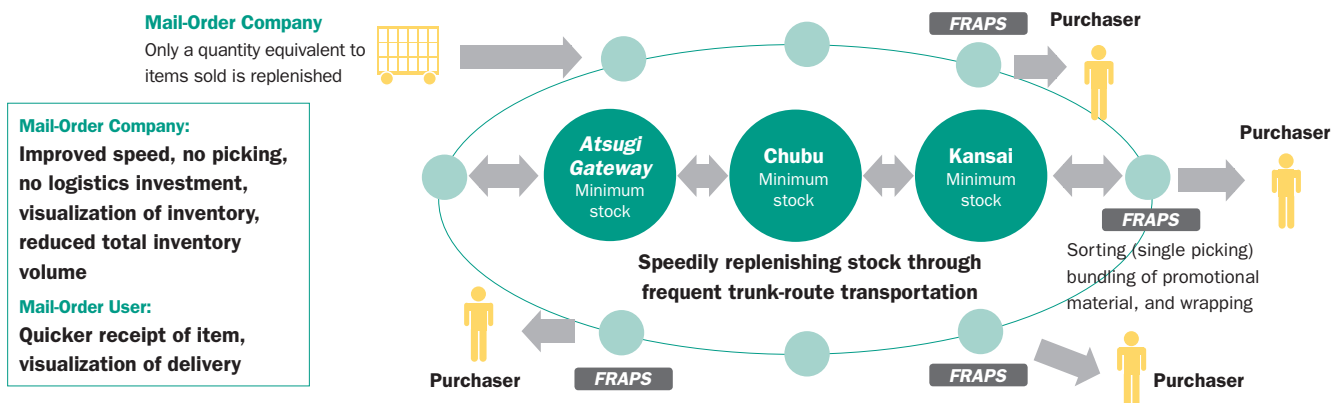


FRAPS

Our model will combine customs clearance, warehousing, and transport functions with traceability. And we will apply a flexible approach to globalizing this logistics model, including active pursuit of local business alliances.

In these and other ways, the BIZ-Logistics Business will help enrich society through borderless logistics and innovations by organically connecting the management resources of the Yamato Group.

Inventory-free Model



Home Convenience



Atsushi Ichino

Representative Director,
President and Executive Officer of Yamato Home Convenience Co., Ltd.

In the Home Convenience Business, we provide lifestyle support services that help solve inconveniences at home, along with moving services and home furniture delivery, assembly, and installation services. In addition, leveraging our networks, we provide a range of solutions to corporate customers in both the private and public sectors to support sales growth and help reduce costs.

Review of the Year Ended March 2014

In fiscal 2014, the final year of our *DAN-TOTSU Three-Year Plan HOP*, we established the business model for lifestyle support services by systematically building out the product lineup, while implementing cost structure reforms and bolstering backup support for operations to strengthen our management base.

In services for individual customers, we used sales promotion activities for the Group's moving services as a foot in the door to actively pitch our lifestyle support services. This included our *Raku Raku Okatazuke Pack* for customers seeking convenient house cleaning services and *Memorial Seiri Service*, providing people in mourning the reliable help they need in sorting out the estates of the deceased. We also reminded customers of our capabilities for contracting daily chores, the delivery and installation of furniture and household appliances in rural areas far from shopping districts, and for buying and recycling used furniture and appliances. These services we pitched were favored by individuals on tight schedules, and those in need of a helping hand.

In addition, we bolstered our weak furniture delivery, assembly, and installation service. This was done by establishing a centralized nationwide network for dispatching two-person crews, rearranging rooms, hauling away used

furniture and appliances for recycling, and performing other value-added chores upon arrival. The convenience the crews provided was popular among both retailers and buyers of mail-order furniture and household appliances, and resulted in a recovery and increase in work volume in furniture delivery, assembly, and installation.

In services for corporate clients, we marketed our comprehensive logistics support service to businesses involved with eco-home related equipment such as home power generators and storage batteries. This service offers end-to-end support covering import procedures, parts merging, advance site checks, delivery, setup, installation, inspection, and repairs. Consequently, we were able to greatly increase our handling volume. At the same time, we achieved rapid growth by expanding the scope of this service to include businesses in IT devices, office equipment, kitchen appliances, and more.

We also launched a service drawing on our capabilities cultivated for over 20 years in procuring local produce from all over Japan. This service, used by many customers, was launched mainly to help corporate clients improve customer footfall, or to enhance their employee benefit programs.

As a result, operating revenues for Home Convenience increased 9.2% year on year to ¥48,723 million. This steady growth in operating results was underscored by the solution platforms we provided corporate clients in the home and commercial furnishing installation business, in addition to the diverse array of value-added lifestyle support services we built around the Yamato Group's moving and furniture delivery service.

Moreover, the operating income we recorded was ¥217 million, an improvement of ¥744 million over the previous year. This was attributable to the strategic management of subcontracting and personnel expenses in rigorous alignment with profit margins, as well as the integration and consolidation of operational and clerical functions to curtail fixed overhead.

Strategies for the Year Ending March 2015

The year ending March 2015 is the first year of the *DAN-TOTSU Three-Year Plan STEP*, in which we will be aiming to stabilize our operating environment. Under the plan, we will balance our effort to expand operations by creating value-added business models against our initiatives to forge a robust corporate culture by strengthening the management base.

In services for individual customers, our focus in particular will be on lifestyle support services. In this modern society, it is now easy to conduct various procedures and make purchases from home owing to advancements in IT and delivery networks. Consumption in the privacy of one's home will continue to increase going forward, and it will not

only be to simply eliminate inconvenience but to establish lifestyles tailored to individual preferences. There will also likely be acceleration in demand for services performed by third parties as customers seek to make more effective use of their own time. The Yamato Group can reach customers at their homes all over Japan. We also have the capability to deliver packages whether large or heavy, as well as the capable technicians to conduct electrical installation and other work. Utilizing this network, we intend to provide services that both solve inconveniences within the home and help individuals realize their own fulfillment.

At the same time, we will begin to genuinely adapt our network to the needs of corporate clients. This will entail launching development of a *Technical Network Business* in the year ending March 2015. This new facilities contracting, maintenance, and after service network under the *Kuroneko Technical Network* brand will combine our formidable two-person delivery and installation crews with the capability of 130 collaborating utility work contractors whom satisfy the bar we set for excellence. Together, our crew and the

contractors will provide a one-stop service for corporate clients, such as home furnishing makers, who want to hire operational support and enhance end user satisfaction at the same time.

The above lifestyle support services and corporate activity support services will have the effect of increasing our average daily workload. And by smoothing out downtime, they help raise productivity and contribute to structural improvements in profitability.

Meanwhile, our management base will be strengthened in accordance with the YHC Code of Conduct we formulated as a guideline for enhancing the safety, compliance, and customer relations of Yamato Home Convenience Co., Ltd. In combination with backup support for business operations and cost structure reforms, this code will be applied to satisfy customers, society, and our employees, and build a sound management base for recording stable profits in return.

Looking ahead, we will strive to raise our corporate value by developing services favored by customers and needed by society.

E-commerce Solutions Model

Business-oriented solutions	Network strengths ⇒ Network integrating Yamato's delivery and installation services with utility work contractors throughout Japan	Customer-oriented solutions
(1) Logistics and distribution processing → Import, warehousing, and shipping management * Inventory management and resale (2) Warehouse and storage → Inventory storage (3) Return product purchase → Yamato purchases returned products for resale at its recycling shops	(1) Centralized nationwide dispatching for coordinating delivery, installation, and construction from beginning to end (2) Use of shipping cages to prevent cargo from moving (3) EDI (electronic data interchange) system (4) Various settlements (such as cash on delivery and online settlement)	(1) Renewal services → Appliance and furniture renewal and moving (2) Purchase and haulage of used appliances and furniture → For resale and recycling cost reduction (3) Home environment support services

Technical Network Business Model

High added-value baseline operations	Network strengths ⇒ Network integrating Yamato's delivery and installation services with utility work contractors throughout Japan	High added-value operations
(1) Overseas procurement (2) Domestic procurement (3) Merging, kitting, installation, localization, etc.	(1) Centralized nationwide dispatching for coordinating delivery, installation, and construction from beginning to end (2) Use of shipping cages to prevent cargo from moving (3) EDI (electronic data interchange) system (4) Various settlements (such as cash on delivery and online settlement)	(1) Inspections (2) Maintenance → Cleaning and grass cutting to prevent malfunctions and improve power generation efficiency (3) Repairs → Identification and replacement of malfunctioning panels

e-Business



Yoshihiko Hoshino

Representative Director,
President and Executive Officer of Yamato System Development Co., Ltd.

The e-Business is involved in a range of information services for corporate customers, including cloud-based (ASP/SaaS) services, and information system development and operation.

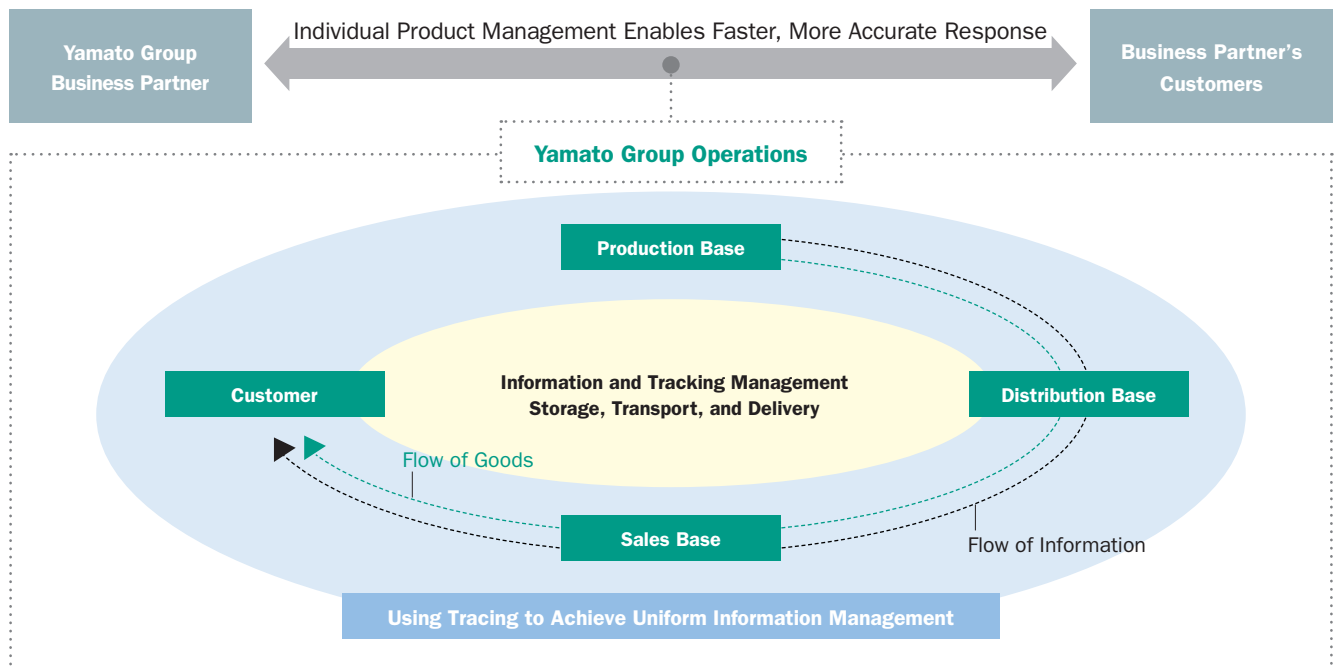
Using ICT, the e-Business works in partnership with customers to enhance business process efficiency. Based on its services, the e-Business seeks to help resolve latent business issues and proactively propose solutions that result in sales growth and cost reductions for customers.

Review of the Year Ended March 2014

In the e-Business, we spent the year under review actively proposing solutions that integrate data with distribution and settlement functions to raise business process efficiency and help resolve the hidden business issues of our customers. Furthermore, we also devoted ourselves to developing and operating ICT systems that were an integral part of business development for the Yamato Group as a whole.

In collaboration with the Financial Business in e-money services, we have been promoting installation and operation of the *Multi e-money Settlement Terminals*, which are capable of processing multiple brands of e-money for settlement on a single platform. During the year under review, we saw

e-Logistics Solution



expanded installation and use of the terminals by a wide range of corporate customers, including companies developing chain stores and those in the food and drink, retail, and amusement facilities industries.

In our e-Logistics Solution business, we offer a service that visualizes delivery flows and the whereabouts of packages by applying the tracking know-how of our *TA-Q-BIN* business for customers, including telecommunications equipment and cable television companies in need of managing and keeping track of the individual terminals they install. In the year under review, in addition to subscription growth in our existing services, we accelerated business development by mainly promoting services for managing the reservations, acceptance and delivery, and inventory of precision instrument and medical device manufacturers when renting products to hospitals and other customers.

In *e-On Demand Solutions*, business expanded in the fiscal year under review thanks to the development of services, particularly for the pharmaceutical industry, that support improved sales efficiency and inventory reductions for customers through the management, on-demand printing, and just-in-time delivery of sales promotion materials.

Our *Web-Based Mail Order Solutions* business was grown through the development of mail-order and e-commerce ICT services designed for the expanding mail-order and e-commerce market.

In *Chain Store Solutions*, we experienced business growth by developing ICT services for supporting the delivery of summer and year-end gift packages by retailers, and product returns and exchanges by mail-order businesses.

Overseas, we provide ICT backup support in the Yamato Group's steps to advance into the Asian market. We are

also actively involved in bringing the Group's proprietary services online in Taiwan and Singapore in coordination with the Group's business expansion in Asia.

As a result, operating revenues increased 12.1% year on year to ¥41,538 million, supported mainly by growth in services linking data and logistics functions. Operating income rose 13.8% to ¥7,954 million due to productivity enhancements and cost cutting measures, despite upfront investments in e-money services and other factors.

Strategies for the Year Ending March 2015

Our first strategy is to strengthen the competitiveness of our ICT products. Besides refining existing services as a matter of course, we will create more services and businesses by combining the management resources of e-Business and other business operations within the Yamato Group.

Our second strategy is to reinforce our sales capabilities. In order to cultivate customer needs as the market for our ICT services spreads throughout Japan, we will open six branches and build a sales network for proposing ICT solutions in tune with local requirements. At the same time, we will raise the sophistication of our ICT solutions capability by working in closer coordination with the Yamato Group's other business operations.

Thirdly, we will emphasize quality. We must value our ties with customers, build reliable and good relationships of trust, and enhance the level of our ICT services from their perspective, if we are to keep our customers satisfied.

Going forward, the e-Business will provide ICT and other optimal solutions, combining the Yamato Group's management resources in distribution and settlement functions, in order to contribute to the business development of our customers.

Financial



Toshizo Kurisu

Representative Director,
President and Executive Officer of Yamato Financial Co., Ltd.

The Financial Business aims to become a strong partner that provides convenience for consumers and helps business operators overhaul their distribution systems by providing settlement and other financial solutions in Japan and abroad. We are determined to offer diverse settlement methods to fulfill customer requirements, such as collecting payment on delivery for mail-order companies and handling settlements between companies. Under our *DAN-TOTSU Management Plan 2019*, we will strengthen strategies in the e-commerce market in order to command the No. 1 market share as a settlement provider for mail-order businesses in particular while enhancing the product lineup of our other financial services.

Review of the Year Ended March 2014

In addition to providing all sorts of settlement methods from credit cards to payments at convenience stores and with e-money, the Financial Business addressed continued growth of online mail-order businesses in the business-to-consumer (B2C) market by actively promoting sales of *Kuroneko Web Collect*, a service package for mail-order businesses that helps integrate their sales processing from receiving payment to settlement. This was done with the aid of new functions such as Repeat Customer Settlement and Advance Sales that we added to enhance the service. We also began leasing the Group's *Multi e-money Settlement Terminal* to vendors as we adapt to a market for settling payments with e-money that has been burgeoning in terms of penetration rate, settlement volume and application.

These terminals were used to enable vendors to accept e-money for payment at not only permanent storefronts, but also in other settings such as at events held for short periods of time throughout Japan. We offered these business customers proposals for total solutions in which we packaged the means for accepting e-money as payment with assistance in sales promotion activities.

In the business-to-business (B2B) market in Japan, we helped sellers expand sales channels and buyers perform credit transactions through the *Kuroneko Anshin Kessai Service*. This service also provided the added value of improving business efficiency, enabling the management of trade receivables, and reducing the risk of those receivables going uncollected. Efforts were geared toward improving the service by enabling buyers to submit applications online and speeding up the screening for approving their credit.

In leasing, we bolstered sales by expanding the scope of our truck leasing market from the existing customer base of shipping companies to companies who have in-house logistics operations. We also enhanced our product strength by developing new products, such as lease backs and three-year operating leases, matching customer needs in new markets, to promote sales and increase profits.

Overseas, in Shanghai, Singapore, Hong Kong, and Malaysia, where we provide settlement solutions, we worked to differentiate ourselves from local competitors by proposing solutions in line with local customs and the unmet needs of customers. This included the introduction of a settlement service accepting checks as payment in Singapore and Hong Kong where writing checks is customary. These efforts resulted in a year-on-year increase in overseas settlement transaction volume and operating revenues.

As a result of the above, operating revenues in the Financial Business rose 10.6% year on year to ¥62,728 million. This improvement was largely attributable to an increase in the number of *TA-Q-BIN Collect* and e-money settlement transactions due to more business with major mail-order companies. Operating income was ¥9,406 million, up 10.4% year on year.

Strategies for the Year Ending March 2015

In the B2C market, the e-commerce and online mail-order market is expected to grow as a result of the establishment of environments with easy Internet access from just about anywhere. In response, we will be enhancing the functions

available on *Kuroneko Web Collect*, our strategic service product in the online mail-order market, while maintaining our core business of settling payment on delivery. In parallel, we will take the initiative of enhancing the marketability of our services by means that include marketing process reforms and business alliances.

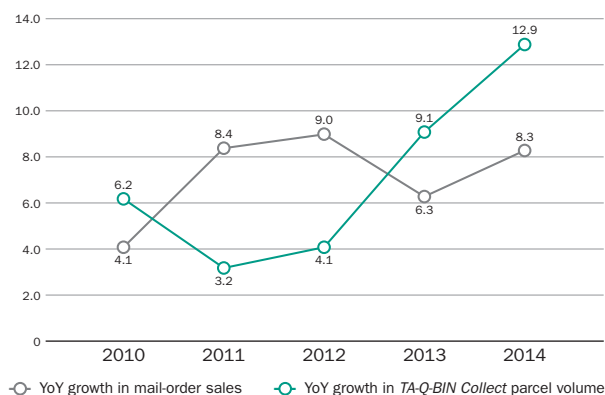
We will also strive to provide safe, reliable, and convenient settlement services while flexibly adapting to the diversifying needs of both buyers and mail-order business operators. This will be done by expanding our *Kuroneko Pay On Delivery* service, as well as our business leasing the Group's *Multi e-money Settlement Terminal*.

In the meantime, we will hone our product development and marketing capabilities in striving to deliver added value to mail-order business operators. These capabilities will be upgraded to propose total solutions that make the most of the Yamato Group's collective power in addressing their diversifying needs.

In the B2B market, we will accelerate growth by strengthening the marketing structure underpinning our *Kuroneko Anshin Kessai Service*. To achieve this, we will sort our target customers by segment, and draw on the Group's marketing acumen to propose optimal solutions for each.

In leasing, we will designate used car leasing, lease backs, and three-year operating leases as our three strategic products. At the same time, we will provide solutions to business issues having to do with safety, environmental accountability, quality assurance and customer development through our value-added services. In these ways, we will

The Growing Mail-Order Sales Market and TA-Q-BIN Collect (%)



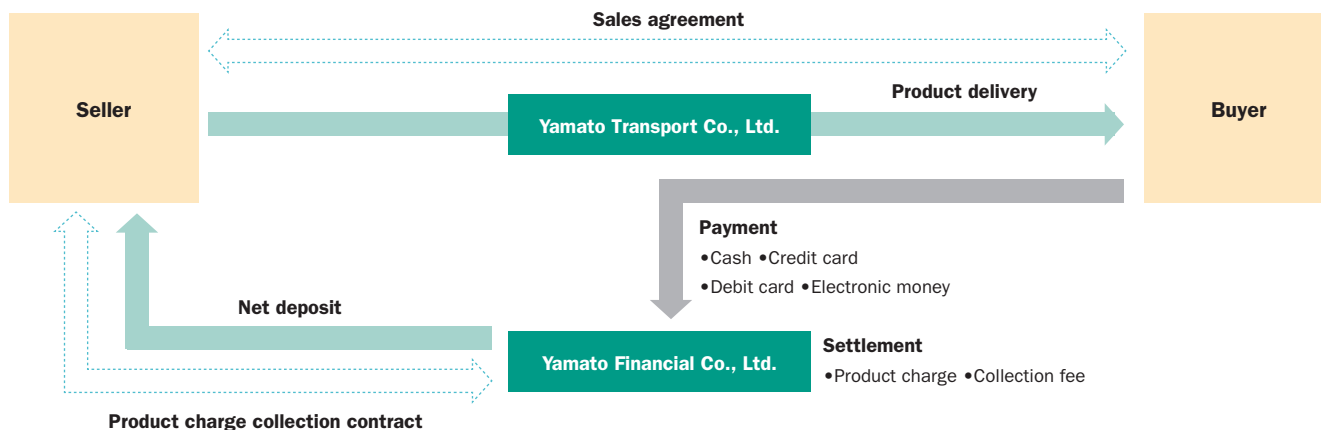
Source: The Japan Direct Marketing Association

strive to differentiate ourselves from the competition and grow our net balance of lease contracts.

In overseas markets, we will work to steadily increase our settlement volume amid rapid growth of cross-border settlements in the B2C market, mainly by helping retailers from Japan expand their sales channels overseas. Meanwhile, in the overseas B2B market, we will make our *Global Procurement Support Service* and other capabilities for settling international trade even easier to use.

With these objectives, we will propose solutions based on the Yamato Group's "Value Networking" design and aim to become the ideal partner for customers by upholding consumer convenience and realizing distribution reform for business operators.

TA-Q-BIN Collect: Flowchart of Cash-on-Delivery Service



Autoworks



Keishirou Sasaki

Representative Director,
President and Executive Officer of Yamato Autoworks Co., Ltd.

The Autoworks Business is not satisfied with being a one-of-a-kind operation in Japan. Our vision is to transform our vehicle maintenance services into the No. 1 autoworks for logistics and distribution business operators. “Transform inconvenience into convenience from the customer’s standpoint” is the corporate DNA of the Yamato Group. Based on this perspective, the Autoworks Business functions as a vehicle maintenance plant chiefly for logistics and distribution companies. We have enhanced our operations in scope with groundbreaking services in the industry that go beyond vehicle maintenance to provide around the clock service 365 days a year, vehicle maintenance without downtime, mandatory inspections around tight time schedules, and road service for vehicles. We offer our customers the value of compliance with statutory vehicle inspections, convenient vehicle maintenance, and reduced maintenance costs.

Furthermore, to better provide one-stop service solutions geared toward customer business operations, we have added services for maintaining and safeguarding logistics

facilities and equipment, along with auto and property insurance agency services where we offer plans tailored to customer needs.

Review of the Year Ended March 2014

We posted increases in both revenues and profit in the year under review. Our operating revenues were ¥25,650 million, up 10.4% year on year. Operating income increased 22.7% to ¥3,272 million.

A new *Superworks* vehicle maintenance plant was established near the Port of Nagoya, the largest port in Japan in terms of total cargo throughput. *Superworks* plants represent a new paradigm in environmentally accountable maintenance facilities and feature high operating efficiency, as well as solar power systems, LED lighting, and other energy-saving equipment. Of our 71 vehicle maintenance plants, 22 are now *Superworks* facilities. We also enhanced customer convenience by expanding our road service for basic vehicle repairs and inspections performed on location at customer business sites.

In addition, we launched the sale of a new proprietary digital tachograph that was simplified to be affordable and easy to use. This product, which encourages safe and proper driving to reduce traffic accidents and conserve fuel consumption while supporting enhancements in labor management of drivers, was part of our effort to expand services contributing to the security and safety of our customers.

As a result of leveraging our network strengths and solutions capabilities in this way, mandatory inspections performed on vehicles outside the Yamato Group, a key performance indicator, increased by 1,900 over the previous year to 78,500 vehicles.

Strategies for the Year Ending March 2015

In the year ending March 2015, we aim to grow operating revenues by 9.2% year on year to ¥28.0 billion, and operating income by 10.0% to ¥3.6 billion. To this end, we will adhere to the following strategies and basic

Superworks vehicle maintenance plants pursue operating efficiency and environmental accountability



Superworks Nagoya
Completed in April 2013

EarthDrive DTU-1 simplified digital tachograph



Launched for sale in August 2013

concept to reshape Autoworks as a solutions company able to make new logistics support proposals while providing management assistance to logistics and distribution business operators.

Basic Strategy 1: Build Closer, Far-reaching Trust to Create New Value Together

1. Build service networks closer in touch with customers

We will establish *Superworks* facilities in major Japanese cities and strengthen our road service equipped with vehicle diagnostics capabilities. This will be done to provide services closely in touch with our customers in each local market, and to help maintain delivery infrastructure from the standpoint of business continuity planning (BCP).

2. Build far-reaching services providing management support

We will utilize IT to enhance our far-reaching repair and maintenance capabilities in support of procurement, management of logistics vehicles, facilities, equipment and machinery, and risk management. This will be done to upgrade the customer orientation of our services and create an enduring value cycle by eliminating customer down time.

3. Create new value together

We will strengthen collaboration with business partner companies and expand our scope of services in vehicle, facility and equipment maintenance. This will be done to help improve the quality of deliveries by logistics and distribution business operators so that we can create new value together.

Basic Strategy 2: Forge a Robust Corporate Culture

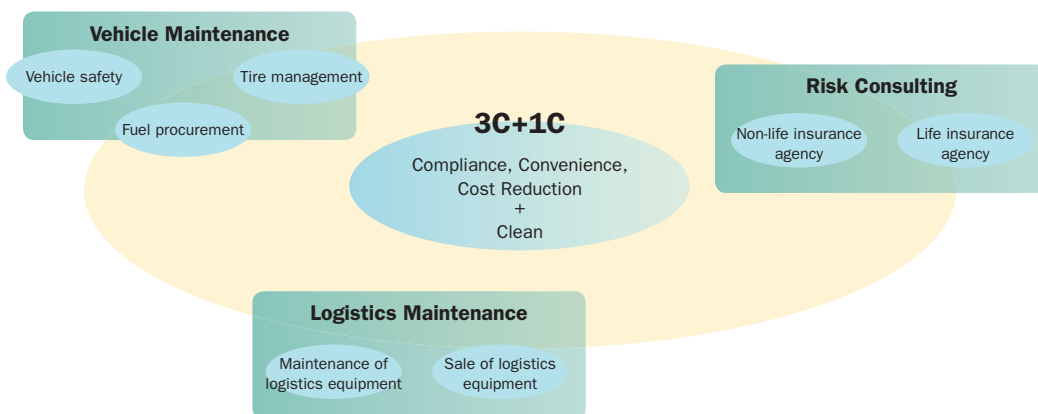
We will forge a robust corporate culture in line with the Yamato Group’s corporate philosophy for the Autoworks Business. This will be done by nurturing an environment of mutual trust that endorses a culture in which

employees encourage one another in realizing their full potential. To this end, we will also enhance corporate governance while strengthening our legal compliance and financial structure.

Basic Concept—The “Three Cs” and “One C”

The Autoworks Business provides one-stop services based on observing the three “Cs” underpinning management support for logistics and distribution business operators. The first “C” is Compliance, which is the foundation of management. In this regard, our *Repairworks* road service has contributed to improving the completion rate for statutory vehicle inspections by our customers. Next, we have Convenience, where we pursue ever higher levels of convenience for our customers. Based on this concept, we aim to establish a framework that enables around the clock operations 365 days a year in order to carry out vehicle inspections when the vehicles are not in operation. Our third “C” stands for Cost Reduction based on helping to improve utilization rates for commercial vehicles while leveraging procurement capabilities. By promoting measures to limit the need for spare vehicles and increasing the completion rate for statutory vehicle inspections, we have made it possible to implement preventive maintenance, which helps limit occurrences of unexpected costs. We will harness our nationwide network to optimally procure parts and fuel so as to provide customers with high-quality products and services at low costs.

The last “C” stands for Clean. In keeping with the times, we have addressed environmental accountability by deploying solar power systems, energy-efficient LED lighting, and other facilities at *Superworks*. Also, we have started to build a system for being able to handle new technologies in our maintenance operations, with an eye on the increasing use of electric vehicles. In addition, we are recommending the use of rebuilt and reused parts, and are actively involved in recycling discarded batteries, in our efforts to support the environmental accountability of customers and society at large.



Other



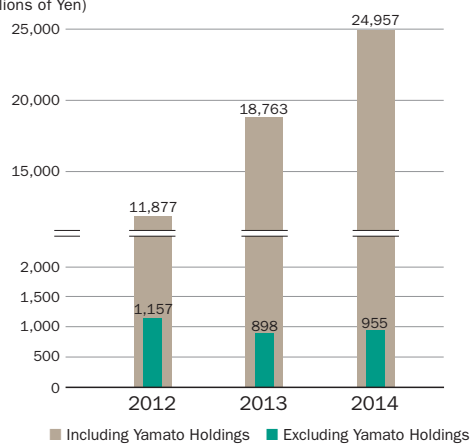
JITBOX Charter

The *JITBOX Charter* service is a service that provides transportation in shipment cages. The service takes advantage of its Group network consisting of multiple companies and provides value to customers through timely delivery and frequent, adequate volume delivery. In the fiscal year ended March 31, 2014, the Group saw an increase in usage of the service by manufacturers and other customers and transportation orders related to events, and the handling volume exceeded that of the previous fiscal year.

Operating income in Other, excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies, increased 6.3% from the previous fiscal year to ¥955 million.

Operating Income

(Millions of Yen)



Track Record of *JITBOX Charter*

(Units)

