

**Financial Results Meeting  
for Fiscal Year Ended March 31, 2014**



**May 1, 2014**

**YAMATO HOLDINGS CO., LTD.**

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I am Makoto Kigawa, Representative Director and President of Yamato Holdings Co., Ltd.

I will now provide an explanation in line with the presentation materials.

# 1. Highlight

## FY2014 Results Main Points

- In FY2014, operating revenue was up significantly by ¥92.2 billion YoY. But operating income decreased by ¥3.1 billion YoY due to one-time costs associated with quality improvements beginning with thorough oversight of Cool TA-Q-BIN temperature levels and heavy snow in February.
- FY2015 will bring a steady income growth from a drastic pricing strategy overhaul and redoubled efforts to revamp cost structures.

## Trends of Delivery Business

- Looking at TA-Q-BIN delivery volume for FY2014, mail-order-related freight has continued to perform well. Volume was also strong in the retail market.
- Although negotiations to ensure receipt of adequate fees got underway, unit pricing fell amid a changing product mix.
- Kuroneko Mail delivery volume for FY2014 declined due to an increasingly competitive environment. Unit prices remained steady.

## Trends of Non-Delivery Business

- **BIZ-Logistics Business** Firm performance with trading logistics helped increase operating revenue by ¥3.4 billion YoY, yet operating income ultimately fell by ¥0.6 billion.
- **Home Convenience Business** Operating revenue increased by ¥4.1 billion YoY, backed by strong results from services for general consumers such as moving and household effects deliveries. This brought the business into positive territory to secure operating income of ¥0.2 billion.
- **e-Business** Mail order services performed well, and steadily delivered YoY gains in revenue and income.
- **Financial Business** TA-Q-BIN Collect's results were solid, with YoY increases in both operating revenues and operating income of ¥6.0 billion and ¥0.8 billion, respectively.
- **Autoworks Business** Vehicle maintenance volume increased steadily, and operating revenue and income increased YoY.

I will now give a summary for the fiscal year ended March 31, 2014.

Please refer to slide 2 for additional details.

- (1) In the fiscal year ended March 31, 2014, operating revenue rose in all segments.

Moreover, operating revenue overall was ¥92.2 billion higher than the previous year, a significant gain and our highest YoY increase ever. These results were particularly due to strong growth in TA-Q-BIN delivery volume primarily with mail-order-related freight in the Delivery business.

- (2) With respect to profits, however, results fell far short of our forecast projecting operating income of ¥70.0 billion due to record levels of heavy snowfall and numerous other developments unanticipated at the start of the fiscal year.

On March 20, we partially revised our fiscal year earnings forecast, released previously with the 3Q results, and projected operating income of ¥62.0 billion. However, operating income ultimately came in higher than that forecast, at ¥63.0 billion (a decrease of ¥3.1 billion YoY), due to a degree of upside momentum fueled by a last-minute rush of consumer spending ahead of the consumption tax hike.

## 2. Overview of Operating Results



(Billions of Yen)

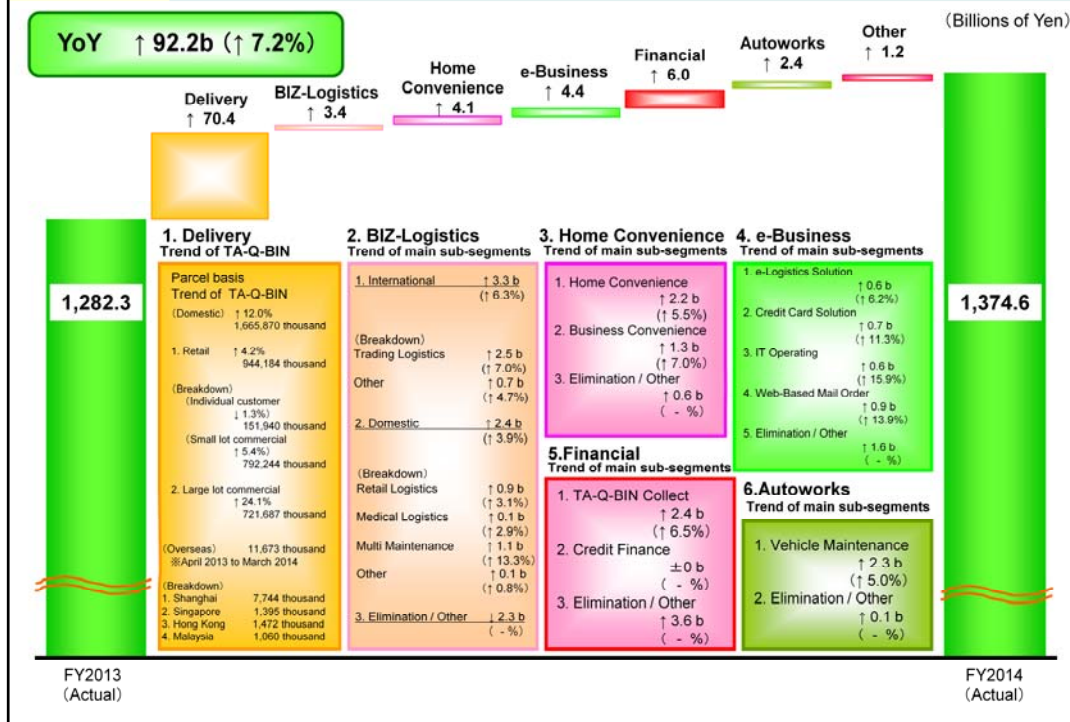
	FY2014 (Actual)	FY2013 (Actual)	FY2014 (March 20, 2014 Forecast)	YoY Change		Forecast Change	
				Amount	[%]	Amount	[%]
<b>Operating revenues</b>							
Delivery	1,098.6	1,028.2	-	70.4	6.9	-	-
Non-Delivery	275.9	254.1	-	21.7	8.6	-	-
Total	1,374.6	1,282.3	1,360.0	92.2	7.2	14.6	1.1
<b>Operating income</b>	63.0	66.2	62.0	(3.1)	(4.7)	1.0	1.8
[Profit margin]	4.6%	5.2%	4.6%	-	-	-	-
<b>Ordinary income</b>	64.6	67.9	63.0	(3.3)	(4.9)	1.6	2.6
[Profit margin]	4.7%	5.3%	4.6%	-	-	-	-
<b>Net income</b>	34.7	35.1	33.5	(3.0)	(1.0)	1.2	3.8
[Profit margin]	2.5%	2.7%	2.5%	-	-	-	-

Next, let's move on to the operating results.

Operating revenue and operating income are as just explained.

- (1) Net income for the fiscal year decreased ¥0.3 billion YoY.
- (2) While nothing noteworthy has emerged in terms of extraordinary losses, extraordinary income contains an amount of roughly ¥1.8 billion which offset gains and losses on sales of non-current assets, as noted in the financial results report.

### 3. YoY Analysis of Consolidated Operating Revenues



Next is the YoY analysis of changes in consolidated operating revenue.

Given that there are no significant changes from trends of Q3, I will briefly touch on some key points regarding current trends in non-delivery businesses.

(1) BIZ-Logistics

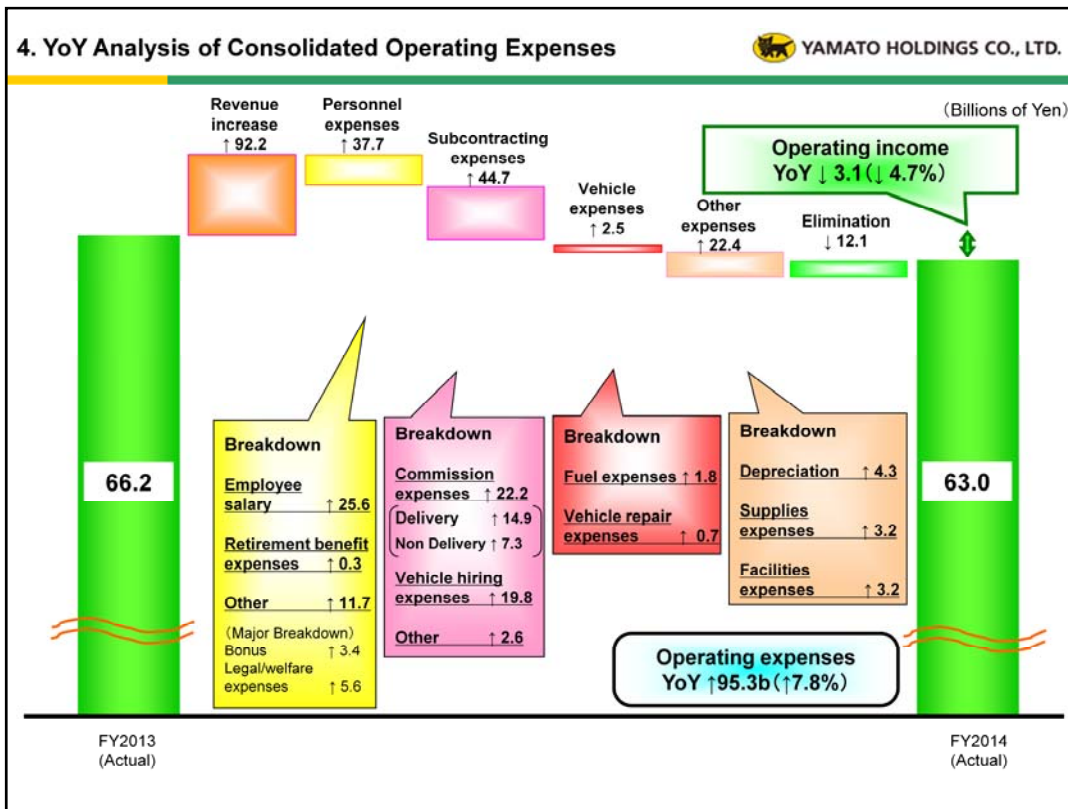
Looking at international logistics and domestic logistics separately, we find somewhat larger operating revenue increases from international logistics, particularly in the area of trading logistics. However, results in real terms remain largely unchanged from the previous year, due to the impact of foreign exchange.

(2) Home Convenience

The Home Convenience Business shifted into positive territory amid healthy performance of services geared toward general consumers involving moving, household effects delivery business, and delivery and installation of eco-related household equipment.

(3) e-Business, Financial and Autoworks

As indicated, operating revenue and income achieved stable growth in these segments, thereby ending within expectations.



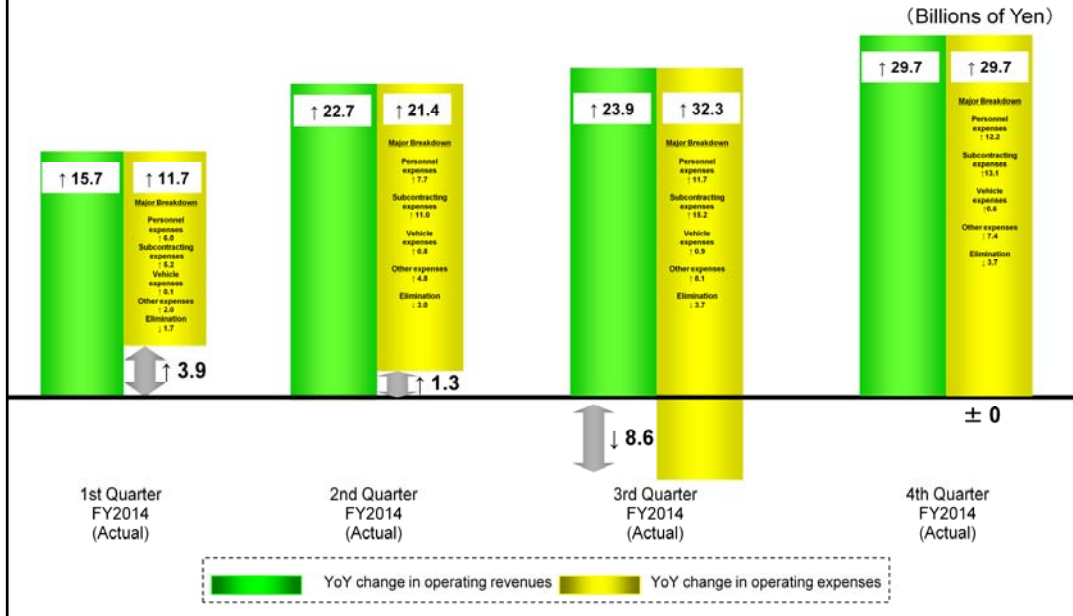
Now for the analysis of changes in consolidated operating expenses.

- (1) During the fiscal year ended March 31, 2014, consolidated operating expenses increased 7.8% YoY, against a 7.2% YoY increase in consolidated operating revenue.
- (2) Details regarding changes in operating expenses are as indicated on this slide.
- (3) While trends prevalent in Q3 remain largely unchanged, we incurred increased costs associated with pickups and deliveries primarily in the form of personnel and subcontracting expenses. This was a result of initiatives beginning in the previous year where we prioritized systemic improvement through efforts to develop our workforce and upgrade transportation equipment with the aim of sustaining and improving our quality.
- (4) Managing Executive Officer Shibasaki will cover specifics in slides 12 and 13 regarding changes in respective consolidated operating expenses and changes in individual expenses incurred by the Delivery business.

## 5. Quarterly YoY Trends of Consolidated Operating Income



FY2014 4Q (Jan. to Mar.) incurred a rise in one-time costs associated with quality improvements including those for thorough oversight of cool TA-Q-BIN temperature levels, along with an adverse impact from record level snowfall. Even so, revenue delivered high from rise in delivery volume, due in part to surge of mail order demand ahead of the consumption tax hike. As a result, income was flat YoY.



Now we come to quarterly YoY trends for consolidated operating income.

- (1) We focused on initiatives to ensure our receipt of adequate fees and cost control measures during Q4, in an effort to regain profits lost in Q3.
- (2) Although revenues increased substantially in Q4 due to last-minute demand ahead of the consumption tax hike, operating income remained on par with prior year levels due to a combination of factors that included thorough efforts to oversee temperature levels of Cool TA-Q-BIN services and heavy snowfall.

## 6. Quarterly YoY Trends of TA-Q-BIN Delivery and unit price

TA-Q-BIN delivery volumes remain firm, centered on mail-order-related freight.  
Volume was also healthy in the retail market.  
Although negotiations to ensure receipt of adequate fees got underway,  
unit pricing fell amid a changing product mix.

(Unit : %)



**4Q FY2014 unit price fall rate by market (YoY)**  
Retail : ↓ 0.6%  
Large lot commercial : ↓ 2.8%  
(excluding major large lot customers ↓ 0.7%)

Next, we will move on to quarterly YoY trends involving TA-Q-BIN delivery volume and unit price.

- (1) The competitive environment in the TA-Q-BIN market remained consistent.
- (2) In Q4, TA-Q-BIN delivery volumes experienced healthy growth, with gains exceeding 15.0% YoY, mainly in the commercial market as a result of an expanding mail-order market.
- (3) Although negotiations to ensure receipt of adequate fees are still underway, the TA-Q-BIN unit price level fell by 2.7% compared to the previous year.

This was a result of an overall downturn in unit pricing stemming from significantly higher volume of shipments in the large lot commercial market where we provide volume discounts amid the rush in demand ahead of the tax hike.

7. Quarterly YoY Trends of Kuroneko Mail Delivery Volume and unit price  YAMATO HOLDINGS CO., LTD.

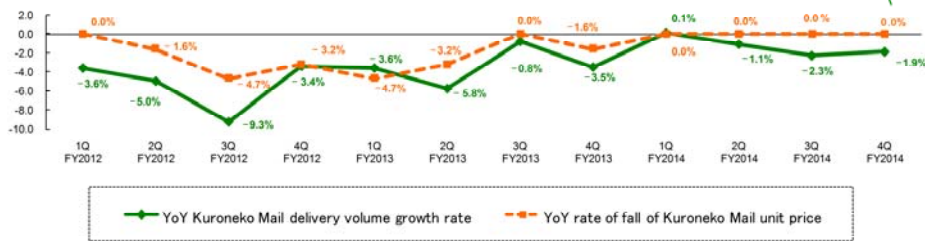
Kuroneko Mail delivery volume for FY2014 declined due to an increasingly competitive environment. Unit prices remained steady.

**4Q FY2014 shipment volume by market (YoY)**

From TA-Q-BIN Centers : ↓ 4.9%

From large lot commercial : ↓ 0.5%

(Unit : %)

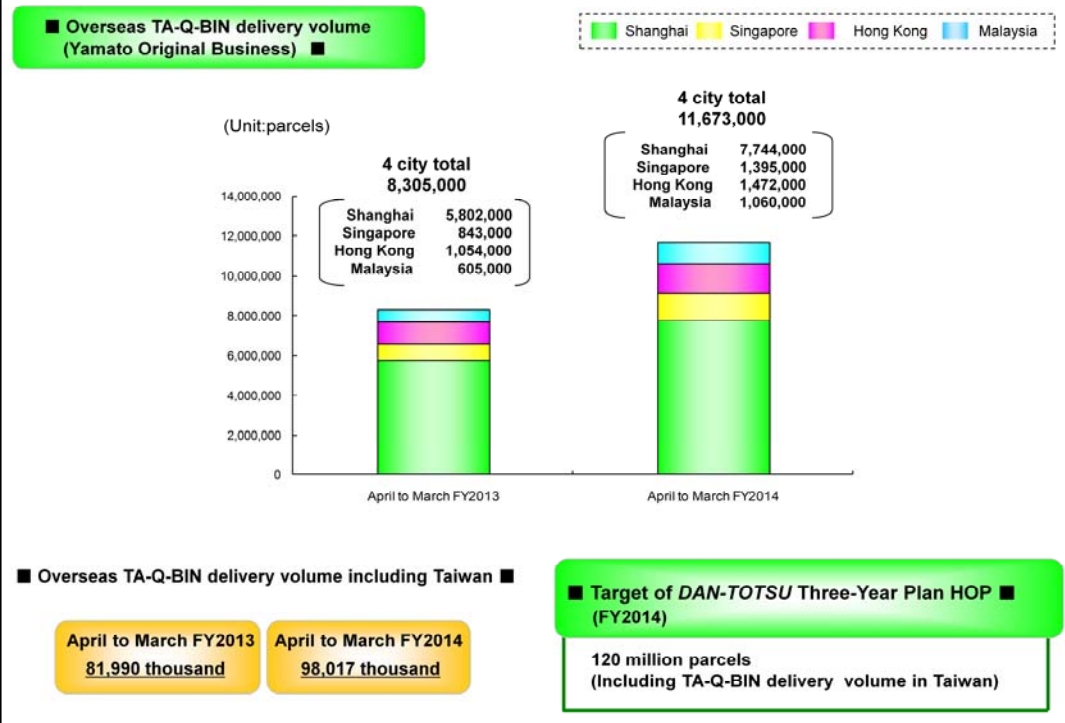


Next we move on to quarterly YoY trends of Kuroneko Mail delivery volume and unit price.

- (1) Overall, Kuroneko Mail delivery volume did not change significantly, decreasing by 1.3% YoY over the entire fiscal year.
- (2) As noted here, in Q4 delivery volume declined by 1.9%. Of that decrease, deliveries involving large-lot commercial primarily of direct mail decreased by 0.5%, and those involving the small-lot commercial market, for which deliveries are dispatched from TA-Q-BIN centers at above-average unit prices, decreased by 4.9%.
- (3) The unit price has remained steady and unchanged YoY at ¥61.



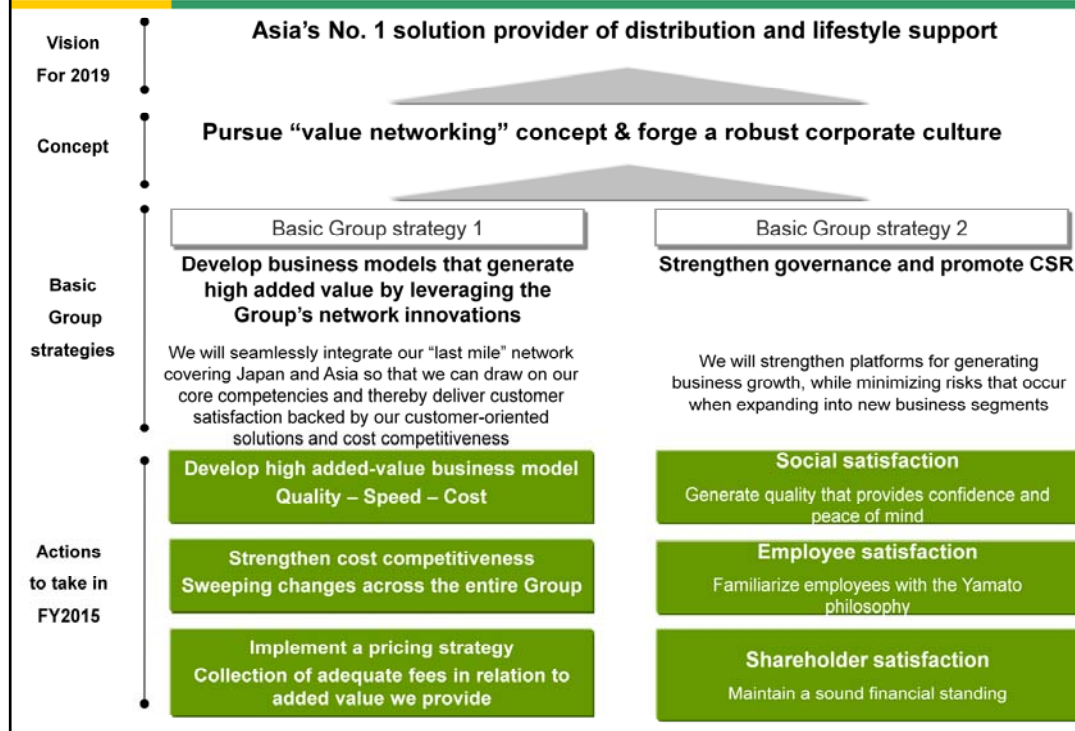
## 8. Progress of TA-Q-BIN Business Overseas



Next is a progress report of the TA-Q-BIN business overseas.

- (1) As shown here, delivery volume has been growing steadily.
- (2) Operating income results appear to have bottomed out overall.

## 9. Standpoint of FY2015



At our Q3 financial results meeting, we detailed our medium-term management plan which has kicked off this fiscal year. Next, I would like to go over our approach this fiscal year as we embark on the inaugural fiscal year of "DAN-TOTSU Management Plan STEP," the second phase of our long-term management plan.

- (1) The first pillar of the plan this fiscal year involves moving ahead with our "value networking" concept.

Last year we initiated operations of Atsugi Gateway and Haneda Chronogate according to plan, and we are now moving ahead and picking up the pace in creating a business model that will deliver substantial added value drawing on those facilities.

Next, we will work to make the company more cost competitive.

It will become ever more crucial that we secure the workforce we require, amid a conceivable scenario of an increasingly tight labor market. With that in mind, in some of our job categories we have begun to conceive of ways to achieve a balance between quality improvement and cost control, such as through initiatives already underway that will make it possible for us to shift away from variable and more toward fixed costs.

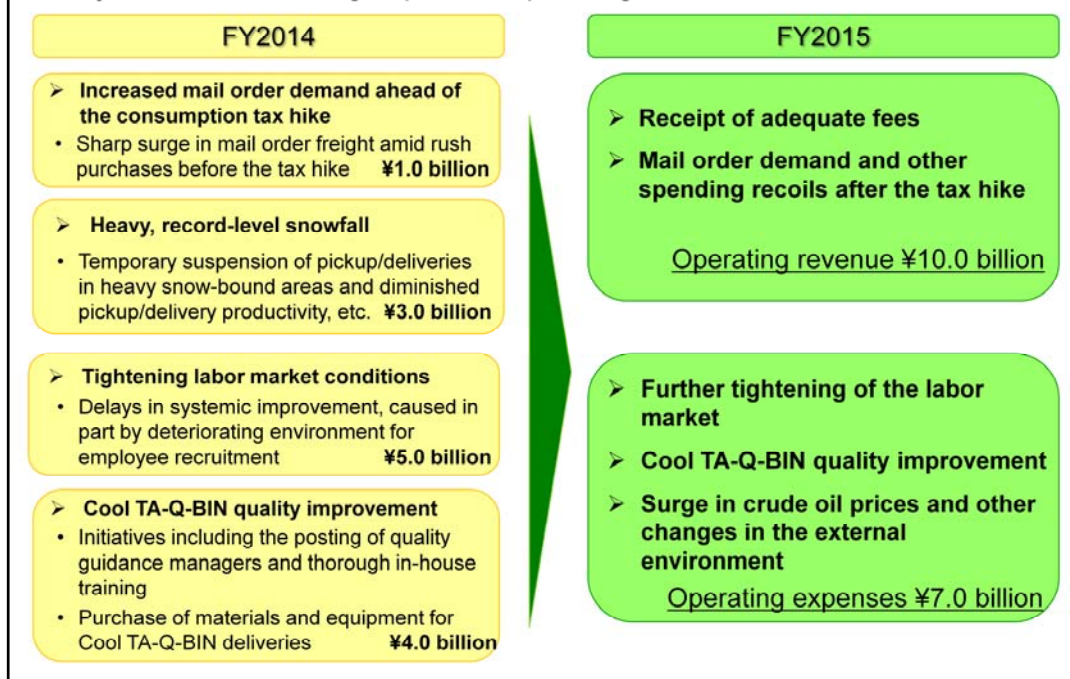
Our pricing strategy will undergo a drastic overhaul with initiatives that include ensuring that we are able to collect adequate fees.

- (2) The second pillar of the plan this fiscal year involves redoubling our efforts to forge a robust corporate culture.

We will deliver quality that instills peace of mind and confidence, as we work to bring satisfaction to society, our employees, and our shareholders.

## 10. Assumptions for formulating FY2015 forecast

### ■ Major factors with a big impact on operating income ■



Fluctuations in our operating income emerging from the previous fiscal year to the current one are attributable to numerous factors, as mentioned earlier on. As such, we have sorted out the assumptions used in formulating our forecasts for this fiscal year, on the basis performance in the prior fiscal year.

(1) As detailed in the meeting materials, the major factors which held down operating income in the prior fiscal year included:

1. Record levels of heavy snowfall,
2. A tight labor market with challenges that include a deteriorating environment for employee recruitment, and
3. Measures we pursued to improve Cool TA-Q-BIN quality.

Although our operating income result was ultimately ¥1 billion higher than forecast due to last-minute demand in March ahead of the tax hike, overall our analysis shows that our costs were around ¥12 billion higher than planned.

(2) That amount comprises both one-time costs incurred in the previous fiscal year and other costs that are likely to continue into this fiscal year. Accordingly, our earnings forecast for this fiscal year factors in an increase of around ¥7.0 billion in increased operating expenses, while excluding one-time costs such as those attributed to the snowstorm.

(3) We are also factoring in a somewhat conservative impact on operating income of ¥10.0 billion or thereabouts, anticipating that a pull-back emerging in the wake of the previous spate of last-minute demand prior to the tax hike will offset our efforts to collect adequate fees, which we began pushing for in the second half of the previous fiscal year.

## 11. Forecasts of FY 2015 Operating Results (1)

(Billions of Yen)

	FY2015 Forecast	FY2014 Actual	YoY Change	
			Amount	【%】
Operating revenues	<b>1,437.0</b>	<b>1,374.6</b>	<b>62.3</b>	<b>4.5</b>
Operating income	<b>70.0</b>	<b>63.0</b>	<b>6.9</b>	<b>10.9</b>
[Profit margin]	<b>4.9%</b>	<b>4.6%</b>	-	-
Ordinary income	<b>71.0</b>	<b>64.6</b>	<b>6.3</b>	<b>9.8</b>
[Profit margin]	<b>4.9%</b>	<b>4.7%</b>	-	-
Net income	<b>41.0</b>	<b>34.7</b>	<b>6.2</b>	<b>17.9</b>
[Profit margin]	<b>2.9%</b>	<b>2.5%</b>	-	-

Here are our full-year operating forecasts for FY2015.

- (1) For this fiscal year, which marks the inaugural year of the new medium-term management plan, we forecast operating revenue of ¥1,437.0 billion and operating income of ¥70.0 billion, in view of our analysis from slide 10.
- (2) Managing Executive Officer Shibasaki will provide details on our earnings forecast and expense assumptions for individual business segments in slides 13 and 14.
- (3) With the medium-term management plan kicking off this fiscal year, we will track implementation progress with respect to key performance indicators, flexibly address changes in the business environment, and initiate rolling plan as necessary.

## **Expense Analysis**

### **Assumption of Forecasts**

I am Kenichi Shibasaki, and I am in charge of Finance and Accounting and Investor Relations.  
Thank you for participating in today's Financial Results Meeting.

I will now provide an explanation on the Financial Results, in line with the presentation materials.

## 12. YoY Analysis of Consolidated Operating Expenses

 YAMATO HOLDINGS CO., LTD.

(Millions of yen)

	FY2014 (Actual) A	FY2013 (Actual)	FY2014 (Jan.2014 Forecast) B	YoY Change		Forecast Change (A-B)	
				Amount	[%]	Amount	[%]
Operating revenues	1,374,610	1,282,373	1,360,000	92,236	7.2	14,610	1.1
Operating expenses	1,311,513	1,216,170	1,293,000	95,342	7.8	18,513	1.4
Personnel expenses	704,338	666,637	699,500	37,700	5.7	4,838	0.7
Employee salary	484,094	458,451	480,000	25,643	5.6	4,094	0.9
Retirement benefit expenses	14,834	14,501	15,000	332	2.3	(165)	(1.1)
Other personnel expenses	205,408	193,684	204,500	11,724	6.1	908	0.4
Subcontracting expenses	528,105	483,326	519,000	44,779	9.3	9,105	1.8
Commission expenses	211,837	189,555	207,500	22,281	11.8	4,337	2.1
Vehicle hiring expenses	168,104	148,213	163,500	19,890	13.4	4,604	2.8
Other subcontracting expenses	148,163	145,556	148,000	2,607	1.8	163	0.1
Vehicle expenses	46,288	43,741	46,000	2,547	5.8	288	0.6
Fuel expenses	27,622	25,779	28,500	1,843	7.2	(877)	(3.1)
Other operating expenses	277,920	255,436	274,000	22,484	8.8	3,920	1.4
Depreciation	42,265	37,935	42,000	4,330	11.4	265	0.6
Elimination	(245,140)	(232,970)	(245,500)	(12,169)	5.2	359	(0.1)

This slide shows the statement of consolidated operating expenses for the fiscal year ended March 31, 2014.

- (1) Operating income declined by ¥3.1 billion YoY, as gains in operating revenue were outstripped by increases in personnel expenses and subcontracting expenses, which include commission expenses and vehicle hiring expenses.
- (2) Personnel expenses rose ¥37.7 billion YoY. Employee salaries and the retirement benefit expenses are as stated. Other personnel expenses increased ¥11.7 billion YoY.  
The breakdown of this is as follows:
  1. Legal/welfare-related expenses increased due to hikes in rates of health insurance, employee pensions, and long-term care insurance ↑ ¥5.6 billion
  2. Bonus-related expenses increased due to strong results in the first half ↑ ¥3.4 billion
  3. Day-labor expenses gained amid a need for more workers to handle higher volumes and ensure quality ↑ ¥2.5 billion

We have been steadily shifting from use of day laborers to part-time employees for base terminal operations, and have employed roughly 3,800 such employees last fiscal year. We will continue our efforts to shift over to part-time employees this fiscal year.
- (3) Subcontracting expenses rose ¥44.7 billion YoY.  
That amount includes a ¥22.2 billion increase in commission expenses, ¥14.9 billion of which corresponds to an increase from the Delivery business, and the remaining roughly ¥7.0 billion increase is mainly attributable to increases against higher revenues in non-delivery businesses such as the BIZ-Logistics business and Financial business.  
There was a ¥19.8 billion YoY increase in vehicle hiring expenses, ¥18.4 billion of which corresponded to an increase in the Delivery business stemming from higher delivery volumes.  
“Other subcontracting expenses” rose ¥2.6 billion YoY. That increase centered on higher costs of purchases and sales in line with increased revenues in the non-delivery businesses such as the leasing business of the Financial business.
- (4) Vehicle expenses are as stated. Fuel expenses increased ¥1.8 billion YoY due to rise in diesel prices.
- (5) “Other operating expenses” increased ¥22.4 billion YoY.  
Of that amount, depreciation increased by ¥4.3 billion, while increases in “other operating expenses” besides depreciation included purchases of items needed to improve Cool TA-Q-BIN quality levels, and greater overhead costs attributed to higher delivery volumes.

### 13. YoY Analysis of Delivery Business Expenses

(Millions of yen)

	FY2014 (Actual)	FY2013 (Actual)	YoY Change	
			Amount	[%]
Operating revenues	1,098,692	1,028,219	70,473	6.9
Operating expenses	1,062,819	986,310	76,508	7.8
Personnel expenses	597,395	564,359	33,036	5.9
Employee salary	406,244	383,738	22,506	5.9
Retirement benefit expenses	12,053	11,620	433	3.7
Other personnel expenses	179,097	169,000	10,096	6.0
Subcontracting expenses	317,430	287,634	29,796	10.4
Commission expenses	117,800	102,832	14,967	14.6
Vehicle hiring expenses	160,562	142,109	18,452	13.0
Other subcontracting expenses	39,068	42,691	(3,623)	(8.5)
Vehicle expenses	39,457	37,165	2,291	6.2
Fuel expenses	22,287	20,773	1,514	7.3
Other operating expenses	202,870	185,204	17,666	9.5
Depreciation	31,153	27,928	3,224	11.5
Elimination	(94,335)	(88,052)	(6,282)	7.1

(Note) The figures above include operating expenses related to overseas TA-Q-BIN services.

This slide shows the statement of operating expenses for the Delivery business.

These details were covered in slide 12, so I will move on to the next slide.

## 14. Forecast of FY2015 Operating Results (2)

(Millions of yen)

	FY2015 (Forecast)	FY2014 (Actual)	YoY Change	
			Amount	[%]
<b>Operating revenues</b>				
Delivery	1,140,000	1,098,692	41,307	3.8
BIZ-Logistics	97,000	90,254	6,745	7.5
Home Convenience	50,000	48,723	1,276	2.6
e-Business	46,000	41,537	4,462	10.7
Financial	68,500	62,727	5,772	9.2
Autoworks	28,000	25,650	2,349	9.2
Other	7,500	7,022	477	6.8
<b>Total</b>	<b>1,437,000</b>	<b>1,374,610</b>	<b>62,389</b>	<b>4.5</b>
<b>Operating income</b>				
Delivery	41,000	35,873	5,126	14.3
BIZ-Logistics	4,700	3,403	1,296	38.1
Home Convenience	500	217	282	129.9
e-Business	8,400	7,954	445	5.6
Financial	9,600	9,405	194	2.1
Autoworks	3,600	3,272	327	10.0
Other	21,700	24,956	(3,256)	(13.1)
Subtotal	89,500	85,083	4,416	5.2
Elimination	(19,500)	(21,987)	2,487	-
<b>Total</b>	<b>70,000</b>	<b>63,096</b>	<b>6,903</b>	<b>10.9</b>
[Profit margin]	4.9%	4.6%	-	-
<b>Ordinary income</b>	<b>71,000</b>	<b>64,664</b>	<b>6,335</b>	<b>9.8</b>
[Profit margin]	4.9%	4.7%	-	-
<b>Net income</b>	<b>41,000</b>	<b>34,776</b>	<b>6,223</b>	<b>17.9</b>
[Profit margin]	2.9%	2.5%	-	-

The full-year forecasts for operating revenue and operating income by business segment are as follows.

Our overall earnings forecast estimates operating revenues of ¥1,437.0 billion, an increase of ¥62.3 billion YoY, after factoring in an a roughly ¥10.0 billion extra impact that includes the matter of adequate fee collection and a pull-back in demand after the tax hike.

- (1) Our operating expense forecast factors in around +¥7.0 billion given the prospect of:
  1. Further tightening of the labor market along with an increase in employee numbers and higher unit labor costs,
  2. Costs for improving Cool TA-Q-BIN quality during the busy summer season, and
  3. Increased costs due to surging oil prices and other changes in the external environment.

- (2) We forecast operating income of ¥70.0 billion.

As noted in our financial results report, we envisage operating income of ¥21.0 billion in the first half and ¥49.0 billion in the second half.

I realize that some in the investment community may have an issue with the imbalance between the first and second half projections. However, operating revenue in the first half of the previous fiscal year was strong, and the forecast for the first half assumes factors such as a pull-back in demand after the tax hike prevailing over the first half of this fiscal year. So, even though results were firm for the first half of the prior fiscal year, we took a cautious view with respect to the notion of basing our forecast on the prior fiscal year.

With our forecast for the latter half of the fiscal year, we were able to strip away the one-time costs incurred in the second half of the prior fiscal year, such as costs for improving Cool TA-Q-BIN quality and the impact of the snowstorm. As such, our operating income forecast is skewed toward the latter half.

- (3) Please look at this slide in conjunction with slide 15 and the supplementary materials you have been given, as I provide you with a brief explanation of our forecast assumptions.

With respect to TA-Q-BIN services, the mainstream product in our Delivery business, we anticipate delivery volume of 1,724 million parcels for a 3.5% increase YoY, and unit pricing of ¥579, which is 0.9% higher than in the previous year. This projection accounts for factors such as potential for a pull-back in demand following the tax hike and the possibility of some business loss to competitors stemming from our initiatives to ensure that we take in adequate fees.

With respect to Kuroneko Mail, in consideration of the prevailing competitive environment we envisage volume of 1,970 million units, 5.5% lower YoY, and unit pricing of ¥62, which is 1.6% higher than the previous year.



## 15. Forecasts of FY 2014 Operating Results (3)

	(Millions of yen)			
	FY2015 (Forecast)	FY2014 (Actual)	YoY Change	
			Amount	[%]
Operating revenues	1,437,000	1,374,610	62,389	4.5
Operating expenses	1,367,000	1,311,513	55,486	4.2
Personnel expenses	744,000	704,338	39,661	5.6
Employee salary	512,500	484,094	28,405	5.9
Retirement salary	14,500	14,834	(334)	(2.3)
Other personnel expenses	217,000	205,408	11,591	5.6
Subcontracting expenses	544,000	528,105	15,894	3.0
Commission expenses	212,000	211,837	162	0.1
Vehicle hiring expenses	174,000	168,104	5,895	3.5
Other subcontracting expenses	158,000	148,163	9,836	6.6
Vehicle expenses	47,500	46,288	1,211	2.6
Fuel expenses	29,500	27,622	1,877	6.8
Other operating expenses	295,500	277,920	17,579	6.3
Depreciation	48,000	42,265	5,734	13.6
Elimination	(264,000)	(245,140)	(18,859)	-

**Assumptions of forecasts**

**Operating revenues**

**Delivery Business**

- TA-Q-BIN parcels (thousand ; forecast)  
1,724,000 (YoY↑ 3.5%)
- TA-Q-BIN unit price (forecast)  
¥579 (YoY↑ 0.9%)
- Kuroneko Mail units (thousand ; forecast)  
1,970,000 (YoY↑ 5.5%)
- Kuroneko Mail unit price (forecast)  
¥62 (YoY↑ 1.6%)

**Personnel expenses**

- Employee salary, Employees (Consolidated ; forecast)
- Total 211,300 (YoY ↑ 18,154/↑ 9.4%)
- Full-time 90,500 (YoY ↑ 3,221/↑ 3.7%)
- Part-time 120,800 (YoY ↑ 14,933/↑ 14.1%)
- Other personnel expenses increase due to revision of social insurance rate.

**Capital Expenditure**

Capital Expenditure (millions ; forecast) 80,000

This slide shows our forecasts for consolidated operating expenses.

I will briefly go over a few key points with this slide since fiscal year projections for each of the expense items are as listed on this slide.

(1) Personnel expenses

We expect the employee salary expense to come to ¥512.5 billion, an increase of ¥28.4 billion from the previous year, factoring in a greater number of employees and higher unit labor costs.

We expect day laborer wages, which is one component of other personnel expenses, to remain on par with last year given that our shift to increasing use of part-time employees is proceeding smoothly.

(2) Subcontracting expenses

We anticipate slightly higher commission expenses this year compared to last, based on the likelihood of higher productivity among employees hired prior fiscal year when we drew on an outsourcing strategy for pickup and delivery given a surge in delivery volumes amid a growing mail-order market combined with the impact of the snowstorm and other factors.

The increase in vehicle hiring expenses corresponds with an increase in delivery volumes.

(3) Vehicle expenses

We anticipate an increase in vehicle expenses of ¥1.8 billion YoY, in view of factors such as a likely increase in unit fuel costs.

(4) We expect a ¥5.7 billion YoY increase with other operating expenses – depreciation this year, given that whereas the depreciation expense attributable to Haneda Chronogate and Atsugi Gateway were posted in only one half of last fiscal year, this fiscal year it will be posted for the entire year.

(5) The capital expenditure for the prior year resulted at ¥88.5 billion, which was ¥3.0 billion higher than our forecast of ¥85.0 billion in the prior fiscal year (as of Q3).

The ¥3.0 billion increase is attributable to more vehicle purchases backed by strong results in the business of Yamato Lease.

Our plans call for total capital expenditures of ¥80.0 billion this fiscal year.

Major capital expenditures include ¥42.0 billion for vehicles, ¥17.5 billion for buildings, and ¥16.0 billion for cargo handling equipment. Please refer to page 16 of the supplementary materials for an itemized listing of capital expenditure estimates.

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