

A Message from the President



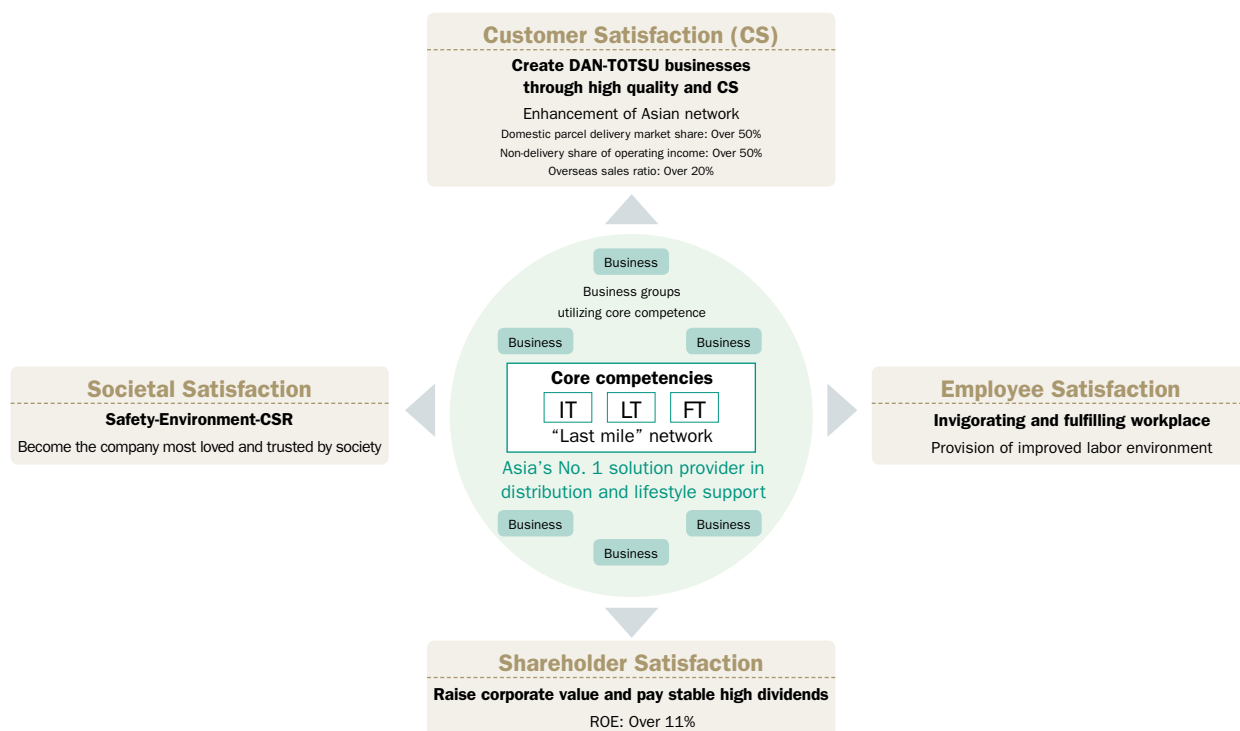
Makoto Kigawa
Representative Director,
President and Executive Officer

My name is Makoto Kigawa, and I became the new President of Yamato Holdings Co., Ltd. on April 1, 2011.

In January 2011, we formulated and announced a long-term management plan, DAN-TOTSU* Management

Plan 2019, whose final year is fiscal 2020, the 100th anniversary of our founding, and a medium-term management plan for the first three years of this period, DAN-TOTSU Three-Year Plan HOP.

Yamato Group Concept Map ahead of 100th Anniversary



* The phrase *dan-totsu* in Japanese means "by far" or "unassailable," and the overriding aim of the DAN-TOTSU Management Plan 2019 is to "make each stakeholder's satisfaction by far the best," stakeholders of the Group being customers, shareholders, society and the Group's employees.

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

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

My mission in taking up the post of leading Yamato Holdings in this pivotal year is to create new value by organically combining our management resources of information technology (IT), logistics technology (LT) and financial technology (FT) while expanding the Delivery Business, mainly parcel delivery service, through portfolio management of our six main businesses of Delivery, BIZ-logistics, Home Convenience, e-Business, Financial and Truck Maintenance.

By our 100th anniversary, we aim to establish 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.

We will further solidify and develop the earnings bases and financial profile left by former President Seto, enhance corporate value by creating earnings pillars for a new era, and increase satisfaction and meet the expectations of customers, society, employees, shareholders and all other stakeholders.

Here, I would like to explain the convictions contained in DAN-TOTSU Management Plan 2019 and DAN-TOTSU Three-Year Plan HOP as well as our direction for the future.

Revival of *Takkyubin's* growth potential and securing of resources for non-delivery business growth

The domestic parcel delivery market, the Yamato Group's main battleground, has achieved rapid growth, as shown in

the market data on page 2, thanks to growth of *Takkyubin*, which began with C2C cargo handling in 1976.

It has been 35 years since *Takkyubin* was launched, and together with structural factors such as the prolonged domestic economic slump and population decline, *Takkyubin* is being viewed as maturing in recent years, and consequently, the Yamato Group's growth is also being viewed as possibly slowing as growth potential declines for *Takkyubin*, a major pillar of earnings.

The basic strategy of DAN-TOTSU Management Plan 2019 is execution of innovations that will revive the growth potential of *Takkyubin*, and the plan focuses on reviving the growth potential of *Takkyubin* seen in the past by entering new business domains through establishment of lifetime lifestyle support platforms closely tied to local communities and lifestyles, and the creation and expansion of new markets through acceleration of overseas *Takkyubin* business.

In order to revive *Takkyubin's* growth potential, we intend to heighten the product characteristics of *Takkyubin*, our main product, by strengthening our network and creating new added value by organically combining our management resources of information technology (IT), logistics technology (LT) and financial technology (FT), aiming for further enhancement of profit margins in the Delivery Business and the securing of funds for Group growth.

In other words, we will allocate the cash generated from our Delivery Business, which is a stable earnings base, to

Reviving *Takkyubin* Growth Potential and Securing Resources for Non-Delivery Business Growth



non-delivery businesses as strategic investments in addition to the above, and we believe that we can revive *Takkyubin*'s growth potential by simultaneously accelerating growth of non-delivery business groups as individual businesses and creating new added value by organically combining our management resources of information technology (IT), logistics technology (LT) and financial technology (FT).

The Delivery Business, centered on *Takkyubin*, and non-delivery businesses that will add new value to our Delivery Business, are mutually connected, and it is precisely this business portfolio that is the Yamato Group's strength.

Now, we will introduce three important measures for reviving *Takkyubin*'s growth potential.

1. Bolstering responsiveness to business trends

The Yamato Group will combine information technology (IT) and financial technology (FT) to heighten the product characteristics of *Takkyubin* by adding "+α" value to transportation, bolstering its responsiveness to business trends.

We will actively generate solution models for our corporate clients that will enable shortening of lead times and reductions in inventory, and ultimately the lowering of total distribution costs, building a foundation as a solution provider.

2. Establishment of lifetime lifestyle support platforms

The Yamato Group will enter a new business domain more closely tied to local communities and individual lives based on its detailed nationwide network of 3,900 *Takkyubin*

centers and 32,000 sales drivers working on weekdays. In addition to creating a same-day delivery network within regions, we will build lifetime lifestyle support platforms by utilizing the *Kuroneko Members* service, etc. and revitalize local communities by working with local governments, etc.

3. Acceleration of *Takkyubin* business in Asia

The Yamato Group has been expanding its *Takkyubin* business in Taiwan from about 10 years ago by providing know-how to the Uni-president Enterprise Corp., and we will also accelerate our own Yamato Group *Takkyubin* business in Asia, where even more economic growth is expected in the future.

Takkyubin business was started in Shanghai and Singapore in January 2010, and in Hong Kong in February 2011, and will start in Malaysia this September. In the future, we will build a global supply chain in Asia, transplanting the business model we have developed in Japan overseas, especially in Asia, to penetrate the market.

Acceleration of non-delivery business growth and *Haneda Chronogate* concept

As noted above, the Delivery Business, centered on *Takkyubin*, and non-delivery businesses are mutually connected.

Therefore, non-delivery business growth is crucial for the Delivery Business to continue growing, and the Delivery Business also supports non-delivery business growth.

Consequently, we will allocate the cash generated from our Delivery Business, which is the Group's stable earnings base, to non-delivery businesses as strategic investments, further accelerating the growth of non-delivery businesses as individual businesses.

We would like to stress here that we are not bolstering the new business domain of non-delivery business in order to solve the problem of a maturing parcel delivery market where growth seen in the past cannot be expected.

The Yamato Group believes that completely new distribution never seen before can be designed through portfolio management of the Delivery Business and five main non-delivery businesses.

This is precisely why we would like to accelerate further growth of non-delivery businesses and create unique services that cannot be duplicated by other companies by organically combining information technology (IT), logistics technology (LT) and financial technology (FT); in other words, trigger distribution innovation in Japan, revive the growth potential of *Takkyubin*, and contribute to our management philosophy of helping to enrich society.

The impetus for this strategy will be *Haneda Chronogate*, currently under construction. The Yamato Group has always viewed Asia and Japan as one economic zone, and believed that a "connecting point" was needed for products, money and information to move seamlessly within the zone. The *Haneda Chronogate* is just such a "connecting point."

Haneda Chronogate is located next to Haneda Airport, where international flights were restarted, has distribution facilities such as the Tokyo and Yokohama ports and container terminals nearby, enjoys good access to the Metropolitan Expressway, and will be a base for presenting our corporate customers with the Yamato Group's best solutions.

To that end, *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 without turning them into inventory in domestic warehouses, 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;



Haneda Chronogate

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.

By creating an integrated distribution platform consisting of these functions and opening it up to customers, we will design completely new distribution never seen before, and provide time-sensitive and spatially optimized logistics suited to this era.

In this way, the Yamato Group will promote a thorough differentiation strategy through seamless global supply chain management from customers' procurement to distribution, and fully support customers' supply chain management.

I invite you to look forward to the completion of what will be one of Japan's largest super terminals.

Changes in environment for Yamato Group since the Great East Japan Earthquake

Up to now, we have explained our DAN-TOTSU Management Plan 2019, but we predict that the environment surrounding the Yamato Group will most likely change significantly in the next few years. This trend has particularly accelerated since the Great East Japan Earthquake that occurred on March 11, 2011, bringing about major changes for not only Japan's social and economic structure but also people's values and lifestyles.



These changes include, for example, reviews of supply chain structures and changes in consumption behavior. As a result of this disaster, companies not only in affected areas but also in other regions had their supply chains disrupted, forcing stoppages in corporate activities such as production and sales. Many Japanese companies are now moving to revise supply chains by taking into account business continuity plans (BCPs), led by the auto industry, whose assembly of finished cars was hindered for a long period because parts makers suffered damage, and the retail distribution industry, which avoided damage to stores but could not restart operations because products could not be procured.

In addition, as companies in various industries start rotating holidays, and 24-hour retailers and restaurants move to possibly shorten operating hours as a result of nationwide electricity shortages caused by the accident at the Fukushima Daiichi Nuclear Power Station, consumption activity will inevitably be affected.

We believe such moves will further accelerate the Yamato Group's distribution innovation.

The Yamato Group will bring the energy of about 170,000 Group employees together, aim to become a leading provider of distribution and lifestyle support solution services in Asia, and contribute to realization of its management philosophy of "enriching society."

Towards enhancement of shareholder value

The Yamato Group views the return of profit to shareholders as one of its most important management policies. Under these conditions, we conduct business fully recognizing that levels of capital cost should reflect the expectations investors hold for the revenue of the Yamato Group.

To that end, 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.

In fiscal 2011, in addition to falling short of our operating income target, the financial markets remained uncertain and we held back on investments needed for future growth, including the *Haneda Chronogate* logistics terminal. Consequently, we took steps to secure cash in order to increase liquidity at hand. As a result, the shareholders' equity ratio was 57.3% and ROE was 6.5%.

The goal in our long-term management plan announced in January 2011, DAN-TOTSU Management Plan 2019, the final year of which is the 100th anniversary of our founding in fiscal 2020, is to establish DAN-TOTSU positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia. However, the environment surrounding the Yamato Group is now facing a major turning point. This is because in executing growth strategies

toward the position we are shooting for, we will have to win out in competition not only with domestic companies but also with companies backed by national governments in emerging markets, led by China, and if we are unable to corral such growth, the Yamato Group cannot hope for medium- to long-term growth.

Looking ahead, we will continue to enact medium- and long-term strategies that look five and ten years down the road, respectively. Based on these strategies we will conduct necessary investments that will be increasingly vital going forward, including well-timed M&As, being sure not to overlook the crucial openings for future growth.

Therefore, a certain level of funds on hand will be needed, so there could be cases where measures are taken to raise funds flexibly.

On the other hand, we are also flexibly considering share buybacks in order to maintain funds on hand at appropriate levels, depending on the progress of profit growth and investment plans. While maintaining a shareholders' equity ratio of about 50%, we will improve the quality of our finances and pursue capital efficiency towards attainment of our fiscal 2014 ROE target of 8.5%.

As for our dividend policy, our intention to maintain a consolidated dividend payout ratio of 30% is unchanged, with a basic policy of increasing dividends per share in line with profit growth. Based on this policy, for the fiscal year ended March 2011 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

Co-existence with society—Supporting earthquake reconstruction

In order for the Yamato Group to continue being a logistics partner that is chosen and trusted by customers, it is very important to become a company that co-exists with society. To that end, a virtuous cycle must be sustained of contributing to society through our main business and earning profits in return to continue our business, which we believe will also lead to enhanced corporate value.

I visited areas affected by the Great East Japan Earthquake about two weeks after the disaster, and I was at a loss for words after seeing destruction that was much greater than imagined.

On the other hand, I was also greatly moved by the fact that people in affected areas were facing reconstruction head-on and doing their best. After this visit, the Yamato Group decided to donate ¥10 per piece of domestic *Takkyubin* in order to aid the revitalization of local people's living conditions and industrial infrastructure. The total amount donated will be based on future transaction volume, but the total amount, assuming that a similar volume as last year's approximately 1.3 billion pieces is handled, is expected to be about ¥13 billion. Since this amount is equivalent to as much as 40% of net income, we decided on implementation in the belief that it will contribute to enhanced corporate value over the medium to long term. Donations based on monthly transaction volume will be donated to recipients through the Yamato Welfare Foundation's Great East Japan Earthquake Life, Industry Infrastructure Recovery and Rebuilding Relief Fund.

In June of this year, donations made through the relief fund were recognized as "designated donations" by Japan's Minister of Finance. In addition to the Yamato Group's "¥10 donation per piece of domestic *Takkyubin*," the Yamato Welfare Foundation is collecting donations from other companies and groups as well as individuals, striving to help in any way possible the sustained support of reconstruction and revitalization.

We ask for the understanding of you, our shareholders, in such efforts by the Yamato Group.

The Yamato Group will continue working to raise corporate value through dialogue with stakeholders. We ask our shareholders for your ongoing encouragement and support.

September 12, 2011



Makoto Kigawa
Representative Director, President and Executive Officer