

Questions and Answers (Digest)

**The Financial Results Meeting
for the first nine months of the fiscal year ending March 31, 2012
held on January 31, 2012**

Q1

In the chart showing the quarterly year-on-year trends of delivery volumes and unit prices of Kuroneko Mail in slide 7 (Quarterly YoY Trends of Kuroneko Mail Delivery Volume and Unit Price) shows a year-on-year fall of 9.3% for Kuroneko Mail delivery volume in the third quarter, however, for the fourth quarter, you are forecasting a year-on-year fall of 1.5%. Why are you expecting this significant improvement?

A1

- Firstly, 2012 is a leap year. In addition, there will be a correction from the previous year's delivery volume decline owing to the earthquake that occurred in March 2011.
- Looking at the present situation regarding delivery volume of Kuroneko Mail by channel, there is a reduction in delivery volumes as a result of stricter parcel acceptance policies due to our adherence to compliance guidelines. This decline is occurring particularly in the market for small-lot commercial handed by the Takkyubin Centers. Based on our analysis, two-thirds of the decline portion were items no longer handled such as invoice slips while the other one-third was an over-response due to insufficient explanation.
- On the other hand, the market for large-lot commercial, particularly direct mail, proceeded firmly. From the fourth quarter onwards, we will strive to recover the one-third portion mentioned above, making sure sufficient explanation is provided to our customers.

Q2

The revenue decline from Kuroneko Mail appears to be the reason for the sudden decline in operating income in the Delivery Business.

Is it fair to assume that the current revenue/expense structure will continue until the second quarter for the next fiscal year (ending March 2013) when the cycle of delivery volume decline is expected to end?

Also from the second quarter of the next fiscal year (ending March 2013), what degree of recovery do you expect on a delivery volume basis?

A2

- Although we expect to improve the revenue/expense structure by striving to achieve recovery in the Kuroneko Mail delivery volume and raising the self-distribution ratio, we don't expect the revenue/expense structure to significantly improve until the second quarter of next fiscal year (ending March 2013) which is when the cycle of delivery volume decline is expected to end.
- In the second quarter of the next fiscal year (ending March 2013), we aim to secure at least the same level of delivery volume as the corresponding period of this fiscal year (ending March 2012).

Q3

Are there any differences in fixed expenses expected in the next fiscal year (ending March 2013) due to special reasons such as revisions to laws or changes to systems?

A3

- At present there is nothing to mention.
- With respect to risks of increased expenses, in addition to an increase in Retirement Benefit Expenses due to a deterioration of gains on investment, we expect an increase in Computer Expenses due to the further investment in IT systems and high Fuel Expenses because of the market situation.

Q4

Considering the competitive environment, what is the background behind the stable expansion of Takkyubin delivery volumes?

Reference: Slide 6 (Quarterly YoY Trends of Takkyubin Delivery Volume and Unit Price)

A4

We are expanding its market share of mail-order companies, which continue to grow.

Q5

In terms of labor productivity, what is the current situation and your outlook for the future?

A5

- At the same time delivery volumes are stably increasing, we effectively achieved cost control in the third quarter, particularly with respect to Personnel Cost. We are steadily improving labor productivity by following our team-based pick up and delivery technique.
- Still only a portion of our centers have implemented team-based pickup and delivery. From this point on, we expect team-based operations to expand. In the next fiscal year (ending March 2013), we shall speed up the adoption of these methods and realize improved labor productivity.

Q6

What about your employment policies in the Delivery Business going forward?

A6

- In some areas, the employees replacing the shortfall arising from retirements etc. will probably include full-time employees but as a general rule, Field Casts (part-time) will be employed to respond to delivery volume increases and we are pursuing the use of team-based pickup and delivery to accompany the Sales Drivers.
- Following these measures, we expect to achieve a higher self-distribution ratio because such delivery will be able to be delivered at the same time as Takkyubin.

Q7

What is the monetary effect from the revenue and expenses of overseas Takkyubin Business?

Reference: Slide 9 (Progress of Takkyubin Business Overseas)

A7

- Loss from the Takkyubin Business and the Cash-on Delivery Business in the three locations of Shanghai, Singapore and Hong Kong was 1.6 billion yen for the nine months ended December 31, 2011.

* As of December 31, 2011, Malaysia is excluded from the scope of consolidation.

Q8

What is the progress of Haneda Chronogate?

A8

Although there has been no change to the total investment, as explained at the financial results meeting of the second quarter ending March 31, 2012, currently the scheduled date for commencement of operations is the latter half of the fiscal year ending March 2014.

Q9

For the nine months ended December 31, 2011, capital expenditure for the full-year of the fiscal year ending March 2012 is currently reduced 16.0 billion yen lower than plan.

You explained that you plan to carry forward a portion of the amount of expenditure reduction to the next fiscal period ending March 2013. Is there any change to the capital expenditure amount announced in the medium-term management plan?

A9

No significant changes have been made to the medium-term management plan that was announced in January 2011.