

## Message from the Management I

# An Always Innovative SOLUTIONS PROVIDER



Representative Director, President and Executive Officer **Kaoru Seto**

### The Yamato Group Today

Fiscal 2009 marked the first year of our medium-term management plan “Create Satisfaction Three-Year Plan.” Earnings-wise, we saw higher revenues but lower profits, with operating revenues growing 2.1% year on year, while operating income declined 18.3%. Excluding the impact of the spinoff of the express business from the delivery business, however, operating revenues were actually down by 0.2%. Operating income was not affected by the spinoff, and thus still fell by 18.3%. Thus, both revenues and profits declined year on year.

Beginning on page 10 of this report, we will explain the main results in each business. However, fiscal 2009 was a special year in many ways, not least in historical terms due to the rapid deterioration of the economy caused by the global

financial crisis. In light of this, I would like to start by giving an overview of what we accomplished during that year.

First, with the aim of establishing long-term growth for the Group in the future, we promoted two major policies.

1. Establish an overwhelming leadership position in the parcel delivery service market, based around *Takkyubin*.
2. Bring together the logistics technology (LT), information technology (IT), and financial technology (FT) functions of the *Takkyubin* business to leverage the management resources of the Group as a whole and create new businesses.

### Financial Results

Millions of Yen

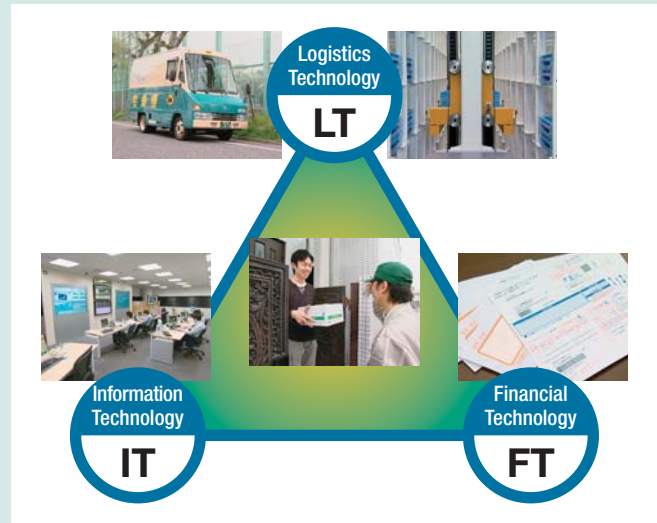
	FY05/3	FY06/3	FY07/3	FY08/3	FY09/3	Change	
						Increase/ Decrease	YoY (%)
<b>Operating Revenues</b>							
Delivery	–	¥ 908,228	¥ 934,607	¥ 981,142	¥ 997,898	¥ 16,756	1.7
Non-Delivery	–	236,733	226,961	244,832	254,024	9,192	3.8
Total	¥1,071,903	1,144,961	1,161,568	1,225,974	1,251,922	25,948	2.1
<b>Operating Income</b>	51,203	68,721	67,161	68,180	55,721	(12,459)	(18.3)
(Margin)	4.8%	6.0%	5.8%	5.6%	4.5%	–	–
<b>Net Income (loss)</b>	33,848	(23,968)	33,813	35,353	25,523	(9,830)	(27.8)
(Margin)	3.2%	(2.1)%	2.9%	2.9%	2.0%	–	–

In November 2005, we clearly separated decision-making functions from business execution functions, and transferred to a pure holding company system with the new Yamato Holdings Co., Ltd. as the parent company. This move enabled us to achieve optimal allocation of management resources and increase the speed of management, as well as to promote the smooth portfolio management needed to achieve our two policies.

Here I would like to stress that the core of the strategy that Yamato Group has been promoting is not simply to diversify our operations, but to combine the many valuable assets we have accumulated over the years to create new added value.

Based on this point, we placed special priority on two initiatives out of all those called for by a number of management issues, and worked to generate results.

First, we strove to make drastic revisions to the operating methods we have been using for over 30 years. To achieve

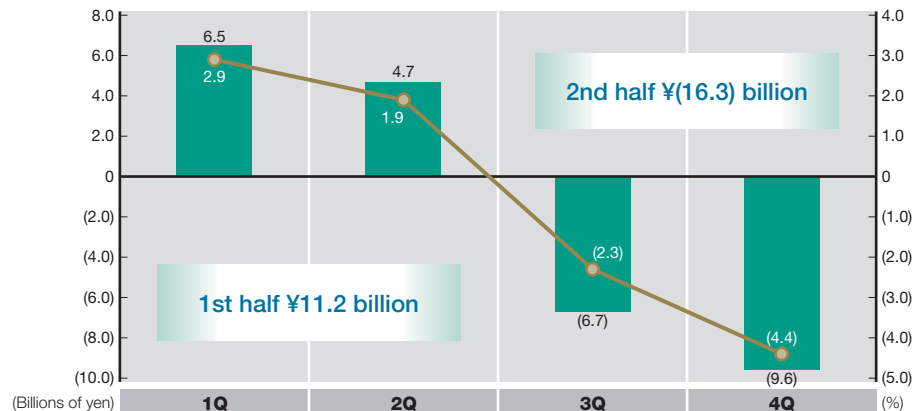
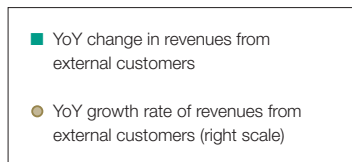


this, for a short time we took on double our typical personnel costs. Despite these higher costs, however, we got the productivity-enhancing reforms to the *Takkyubin* operations up and running, and made progress toward further firming our

## Results of Labor Productivity Improvement Measures

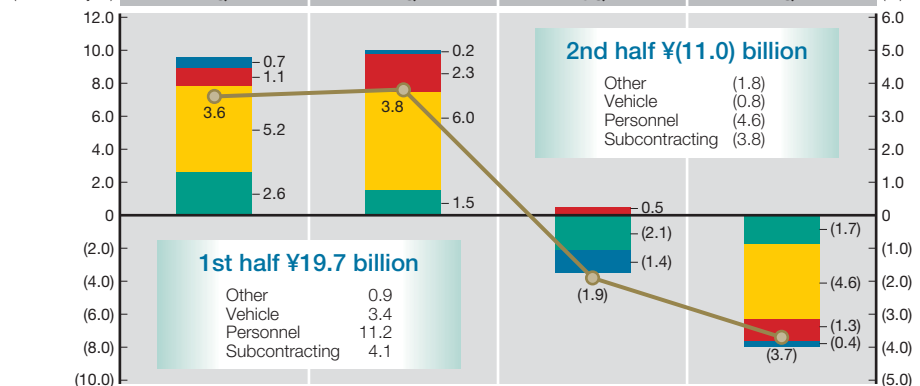
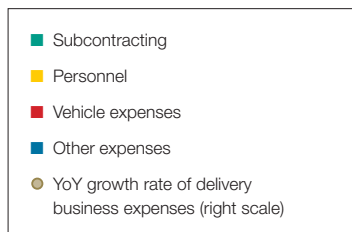
### FY2009 Delivery Business Revenues (Actual)

Excl. impact of Yamato Global Express split



### FY2009 Delivery Business Expenses (Actual)

Excl. impact of Yamato Global Express split



management base to allow the Yamato Group to realize continuous growth going forward.

Second, for our corporate clients in the manufacturing, mail-order sales and logistics industries, we not only offered high-quality, low-cost shipping, but also built various solutions businesses that provide new value such as improving cash flows through enhanced sales capabilities and reduced

inventories. Over the year, we prepared a framework that will allow us to promote business still further from fiscal 2010.

Unfortunately, due to the rapid economic slowdown, we were unable to avoid a drop in operating revenues. However, we view our ability to make major improvements in cost management and transform ourselves into a solutions provider as a definite achievement.

### Five Solution Models

Solution Name	Special Features	Target Market	Value
<b>1. Today Shopping Service</b>	Japan's fastest, low-cost mail-order sales business operator support model operates 24 hours a day every day of the year, leveraging the Company's warehouses and <i>Takkyubin</i> network to achieve same-day delivery throughout Japan.	Mail-order sales Logistics	<b>1. Shrink inventories</b> <b>2. Total logistics cost reduction</b> <b>3. Sales promotion</b> <b>4. Back-office processes reduce work</b>
<b>2. Net Super Support</b>	A model that combines logistics technology (LT), information technology (IT), and financial technology (FT) to support the development of Internet supermarkets with low initial cost and in a short time frame.	Logistics	
<b>3. Maintenance Support</b>	A model that leverages the <i>Takkyubin</i> network to provide total maintenance support, from same-day collection of items needing repair to simple repairs within the Group and return to customers.	Manufacturers	
<b>4. Import Direct</b>	A model that enhances consumer satisfaction by delivering to consumers directly from overseas, enabling companies to eliminate their domestic inventory bases, shrink their inventories and reduce lead-time.	Manufacturers	
<b>5. Web Shipment Control</b>	An ASP service that reduces the amount of complex business procedures that department stores, supermarkets, and other sellers must go through to make shipments to geographically remote areas by enabling web-based shipment orders and generating information exchange between the seller and the shipper.	Mail-order sales Logistics	