



Toshizo Kurisu
 (Executive Officer, responsible for Financing and Accounting, Investor Relations)

The Finance Strategy of the Yamato Group

Details of the Yamato Group's performance are presented in To Our Shareholders (page 5) and Overview of Operations (page 14). This section focuses on the Group's finance strategy.

The Yamato Group is currently promoting various growth strategies, with the aim of expanding corporate value through growth in profits.

In order to pursue strategic and flexible business and achieve this growth in profits, we have formulated medium- and long-term strategies that look five and ten years down the road, respectively. Based on these strategies we will conduct the necessary investments, including well-timed M&As, being sure not to overlook the crucial openings for future growth.

The logistics industry in which the Group operates is currently in a period of great transformation. From the perspective of CFO, I believe that the ability of a company in the logistics industry to raise its corporate value indefinitely depends on whether it is able to implement the management measures based on its medium- to long-term plan.

In other words, strategic and well-timed growth investments are absolutely critical to raising corporate value in the future. Another key factor in determining whether a company will be able to grow is whether or not that company has a financial base that enables the company to make continuous investments.

Despite the poor economic conditions, Yamato Holdings has secured around ¥100.0 billion on an EBITDA basis. The shareholders' equity ratio is around 50%, and both cash flow generation capabilities and financial soundness are at high levels compared to competitors.

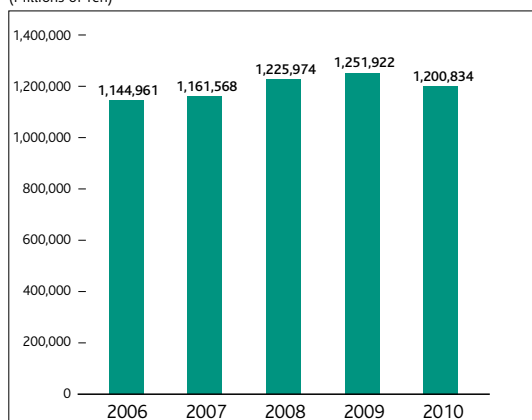
Going forward, we will pay careful attention to the balance between shareholders' equity and interest-bearing debt, and maintain the strong financial base we need to promote strategic and flexible business. Moreover, we will conduct the well-timed investments needed to secure future growth in order to expand corporate value.

Procurement and Use of Capital

In the fiscal year ended March 2010, we conducted annual capital expenditures of ¥35.3 billion, including for vehicle investment and renovation of *Takkyubin* base terminals.

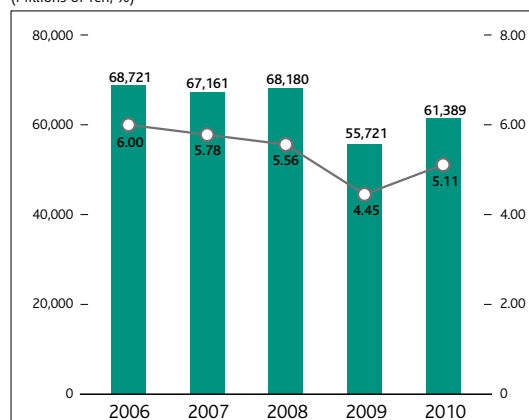
Operating Revenues

(Millions of Yen)



Operating Income/Operating Margin

(Millions of Yen, %)



■ Operating Income (left scale)
 ○ Operating Margin (right scale)

As stated earlier, the logistics industry is confronting a period of great change. The age of the conventional approach to management—which focused on improving the bottom line by lowering customer delivery costs as much as possible—is coming to an end.

In the future, the paradigm will go beyond simple delivery costs, and it will be increasingly important to approach management from the perspective of improving corporate value by raising customers' corporate value as much as possible.

As we have communicated to investors with information and case studies, the Yamato Group has focused on creating and proposing solutions that leverage information technology (IT), logistics technology (LT), and financial technology (FT) to help boost customers' cash flow efficiency. We believe that this type of approach, which focuses on raising corporate value for the customer, is a crucial element that will make a logistics company indispensable to society.

To give just one example, we feel that the conventional single-function base terminals where packages are sorted will not be sufficient going forward.

In future, we will need to offer customers more than simply efficient modes of delivery; we must offer them comprehensive value that will further raise our competitiveness. For example, we need to provide value along the entire supply chain, from procurement to distribution.

After thorough analysis of the market conditions for transport volumes and the flow of goods, the Yamato Group expects to continue successive renovations to create the new types of base terminals needed in order to provide the value it is targeting.

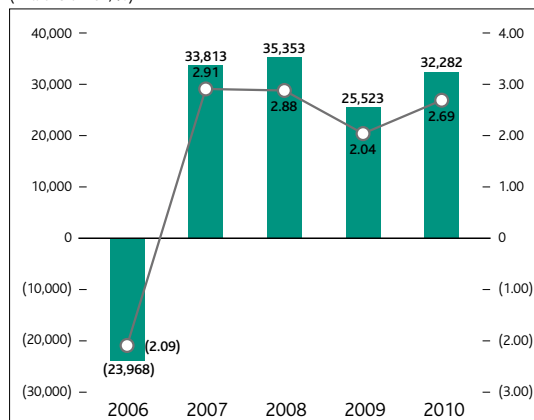
Moreover, including investments related to maintenance, and for the Haneda Logistics Center acquired in December 2008 (scheduled to begin operations in the autumn of 2012), we plan to make annual capital expenditures of approximately ¥100.0 billion in the two year period starting in fiscal 2011.

In future, should operating cash flows prove insufficient to cover capital demand, we will turn to the financial markets to procure the shortfall. We would seek to meet such needs by using debt financing, primarily in the form of loans.

The Yamato Group views return of profit to shareholders as one of our 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.

Net Income (Loss)/Return on Revenues

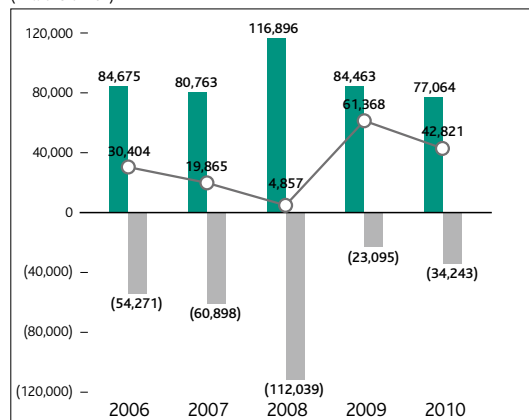
(Millions of Yen, %)



■ Net Income (Loss) (left scale)
○ Return on Revenues (right scale)

Operating and Investing Cash Flows/Free Cash Flows

(Millions of Yen)



■ Cash Flows from Operating Activities
■ Cash Flows from Investing Activities
○ Free Cash Flows
* Free Cash Flows = Cash Flows from Operating Activities + Cash Flows from Investing Activities

In connection with this, we also consider ROE, which shows capital efficiency, an important management indicator.

In fiscal 2010, the financial markets remained uncertain and we held back on investments needed for future growth, including the Haneda Logistics Center. In order to increase liquidity at hand, we took steps to secure cash. As a result, the shareholders' equity ratio was 58.4% and ROE was 6.5%.

In order to achieve sustained growth and maximize corporate value in the medium to long term, we will seek a balance among the three elements of growth potential, soundness, and efficiency, distributing profits and conducting share buybacks and cancellations in pursuit of capital efficiency with the shareholders' equity ratio at a steady level of around 50% and medium-term ROE of 10%.

With regard to share buybacks, the Yamato Group repurchased a total of approximately ¥50.0 billion in treasury stock over the five years from fiscal 2003 to fiscal 2007. The Group cancelled approximately 12 million of these shares in fiscal 2006.

In addition, in fiscal 2006 and 2007, the Company utilized approximately 3 million shares for the purpose of M&As.

Going forward, we will consider further share buybacks depending on growth in profits and progress on investment plans.

The basic dividend policy of the Yamato Group is to increase the amount of dividend per share as profits grow. For the foreseeable future, we intend to maintain a consolidated dividend payout ratio of 30%.

Based on this policy, for the fiscal year ended March 2010 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

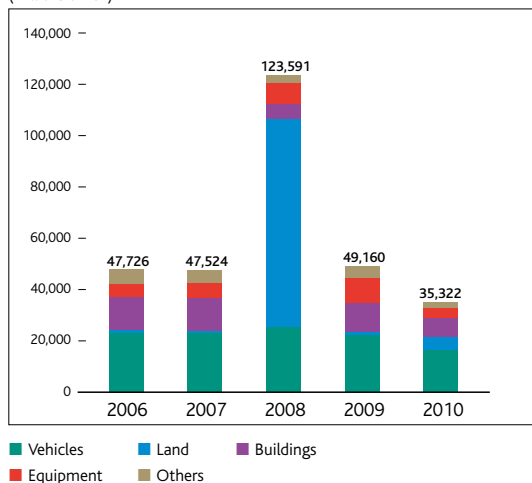
Management of Funds

In order to make effective use of surplus funds, the Yamato Group utilizes cash management systems (CMS) for each Group company.

We divide up funds into funds from logistics businesses such as the Delivery and BIZ-logistics businesses and funds from the Financial Business, which covers the settlement business. We then direct fund investments for future growth.

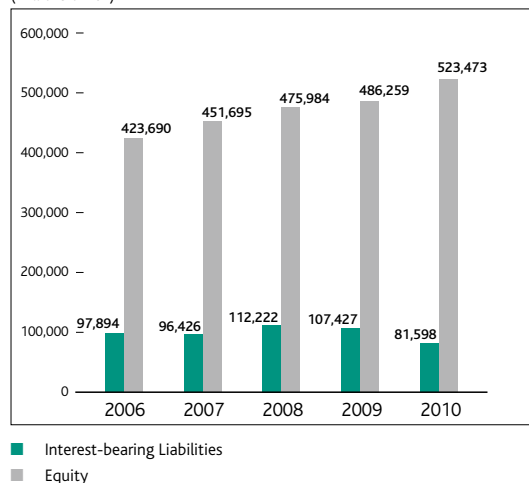
Capital Expenditure

(Millions of Yen)



Interest-bearing Liabilities/Equity

(Millions of Yen)



Credit Ratings

As of March 2010, Yamato Holdings has received the following credit rating from Rating & Investment Information, Inc. (R&I).

R&I AA-

The business environment has remained severe amid the global economic recession following the Lehman Shock. The Yamato Group will strive to minimize risk of loss of performance to secure target profits, maintaining awareness of capital costs, while at the same time maintaining and improving credit ratings in order to facilitate smooth capital procurement.

Reforming Cost Structures

In order to achieve the lower costs that accompany enhanced business process efficiency, Yamato Group company Yamato Transport Co., Ltd. has relocated some back-office business processes such as management of accounts and receivables from its 69 administrative centers in Japan to the IBM Global Delivery Center located in Dalian, China. Operations in China began in November 2009.

As of March 2010, approximately 250 employees are operating the Dalian center. Going forward, we plan to progressively expand the scope of operations and increase the number of staff as processing volumes grow.

Risk Management

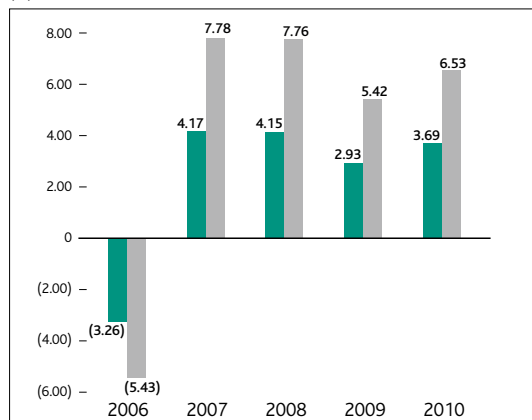
The risks that could affect the business operations of the Yamato Group fall into two categories: macroeconomic risks and risks specific to the logistics industry.

Naturally, it is impossible to avoid risk completely, and without taking certain risks it is not possible to achieve commensurate or increased returns.

In order to achieve returns that are greater than risk, the Yamato Group is seeking to eliminate excessive dependence on the delivery business and to compose an optimized business portfolio as a means of minimizing risk and pursuing high returns.

ROA/ROE

(%)



■ ROA
■ ROE