



As a corporate entity that will create new value in societies across the world, we will have a sense of speed as we grow.



Makoto Kigawa (left)

Representative Director and Chairman

Masaki Yamauchi (right)

Representative Director,
President and Executive Officer

The Yamato Group has set itself the major management objective of evolving to become Asia's No. 1 solution provider in distribution and lifestyle support by fiscal 2020 (the fiscal year ending March 31, 2020), the year in which we will be celebrating our 100th anniversary. Specifically, by integrating the functions in information technology (IT), logistics technology (LT), and financial settlement technology (FT) with the "last mile" network built up through our *TA-Q-BIN* home delivery business, we would like to provide customers with unprecedented services in key fields in the four areas of e-commerce (EC), B2B logistics, international logistics centered on Asia, and lifestyle support.

From April 2014, we implemented our *DAN-TOTSU Three-Year Plan STEP* medium-term management plan, which we had positioned as the second phase to convert our management targets into tangible forms. In the first fiscal year, which ended on March 31, 2015, we felt we made good progress, as our strategy to put ourselves ahead of and set ourselves apart from other companies steadily bore fruit, such as through the full-scale operations at *Haneda Chronogate*, one of our main bases in the realization of our "Value Networking" design that was launched under the plan. Going forward, without making major changes to the focal points of our strategy, we will promptly implement the measures adopted under *DAN-TOTSU Three-Year Plan STEP*: promote the "Value Networking" design and forge a robust corporate culture. In doing so, we will achieve well-balanced management that improves satisfaction for our shareholders, customers, our employees, local communities, and society as a whole.

During the course of our evolution to becoming a corporate entity that creates new value in societies across the world, our tactics and management systems continue to change in step with factors that include the external environment and customer needs. For the world outside of the Yamato Group, however, there is no change and we will enduringly promote what is in our DNA, namely of continuing to create new value for people.

Developed and created from the building blocks of that DNA and launched in 1976, the *TA-Q-BIN* "last mile" network, which has been extended throughout Japan, has now become a form of lifestyle and social infrastructure that simply cannot be done without, in the same way as electricity and running water are needed. We believe that the long-earned trust our customers place in the Yamato brand and quality represents a major asset for the Yamato Group and that our unique DNA led to the competitive edge we enjoy today.

Please expect the Yamato Group to continue facing up to the challenging of establishing unprecedented logistics services to make the leap to a new growth stage.

On behalf of all at the Yamato Group, we would like to take this opportunity to express our gratitude for the ongoing support and understanding of all our shareholders and investors.

September 2015

Toward Becoming Asia's No. 1 Solution Provider in Distribution and Lifestyle Support

I have taken over the reins of management from former President Makoto Kigawa, who was instrumental in shaping the corporate image for which the Yamato Group should be aiming and in maximizing corporate value and creating social value at a time of rapid change in the business environment. I would like to take this opportunity to explain how I will continue my predecessor's work to forge a robust corporate culture and create a high-value-added business model.

The Yamato Group: The Company That Repeatedly Innovates

The era of mass production and mass consumption is drawing to a close. In a time of mixed-model and small-lot production, product lifecycles are becoming shorter and the existence of industry itself is undergoing change. These changes have been occurring for a long period of time and their pace has been accelerating in recent years. This does not apply Japan alone, as these changes are happening across the world. Even the Yamato Group, which assumes responsibility for the linchpin of the economy we call logistics, must constantly monitor those changes. Furthermore, the rapid evolutionary changes in information technology are having an increasing impact on industry and business. The Yamato Group is no exception, and I would like to integrate the management resources of information technology (IT), logistics technology (LT), which is centered on "last mile" networks, and financial settlement technology (FT) functions to provide our customers with unprecedented services in key fields in the four areas of e-commerce (EC), B2B logistics, international logistics centered on Asia, and lifestyle support.

We are currently at a stage that will bring major changes to the Company. As the senior executive of the Yamato Group, however, even if the business environment or management system changes I have no intention of changing the DNA that continues to create new value for people and for society as a whole and would like to pass on the Yamato Group's DNA for the future.

If you look back in history, there were only 204 trucks in Japan in 1919, but Yamato was founded as a transport company with four trucks in the Ginza district of Tokyo. The first innovation came in 1929,



Masaki Yamauchi

Representative Director,
President and Executive Officer

10 years after the Company was founded, when we commenced Japan's first fixed-route service that allowed us to load up and combine several goods shipments and transport them along a defined route at a scheduled time.

Then, in 1976, we started our second innovation, the *TA-Q-BIN* service. Regardless of whether the package was for a company or an individual, we were able to easily deliver goods at any time to the places people wanted to send them through the service. The service subsequently gave rise to a succession of innovative services to meet customer needs, including *Cool TA-Q-BIN*, *Golf TA-Q-BIN*, *Ski TA-Q-BIN*, and *Time Period Delivery*.

Facing the Challenges of the Third Innovation

The Yamato Group is now engaged in its third innovation, the "*Value Networking*" design, the form of which is beginning to take shape. The "*Value Networking*" design will add a range of functions and value to logistics itself, and I am expecting the design will be able to bring to fruition a completely new logistics system of a kind that has never been created within the framework of conventional logistics. Furthermore, we will not confine ourselves merely to logistics reform being carried out by an individual company, as the design will enable the building of a logistics platform capable of analyzing industry-specific conditions, matching them to the Company's IT, logistics (LT), and financial settlement (FT) functions, and mobilizing industry. As a result, we will release our network to all our customers, including corporate customers that do not possess their own networks and corporate customers that would only want to use the network when needed, and support our customers' logistics reforms.



Making Quantum Leaps in the Yamato Group's Competitiveness in Partnership with Our Customers

By creating services that evolve logistics from the act of carrying to a “means for generating new value,” and by actually making those services available to customers, I feel we are responding to the high expectations customers have of us better than ever before. Going forward, we will take charge of not only *TA-Q-BIN* services but also entire supply chains, as we begin to be viewed by our customers as a partner.

As a result, I will improve our profit structure. This move will be because the part that provides added value for our backbone Delivery Business also accumulates value-added profit. If one logistics platform is utilized by a large number of customers, economies of scale will be generated, and we will be able to hold transportation costs at lower levels than in the past. When the “*Value Networking*” design has evolved and displays its true value, the expectations are for increased profit from non-delivery businesses and a significant improvement in profit margin due to decreased transportation costs.

Cooperation among the engines driving this “*Value Networking*” design—*Haneda Chronogate*, *Atsugi Gateway*, *Okinawa International Logistics Hub*, and domestic as well as overseas *TA-Q-BIN* networks—is already initiating specific moves.

The challenge, however, is to enhance market penetration. In response, based on the speed of recent changes in the environment, I would like to approach external resources, such as business alliances with other companies and M&A, more proactively.

We will realize improvements in transport efficiency and same-day delivery to continue to grow exponentially under the next medium-term *DAN-TOTSU Three-Year Plan JUMP*. In addition to the construction of gateways (logistics terminals) at Chubu Centrair International Airport and Kansai International Airport and expanding and upgrading the functions of the *Okinawa International Logistics Hub*, we will unwaveringly continue the investments necessary for growth, such as promoting a full-scale revamp of the IT trunk systems that underpin the Yamato Group's logistics and services.

Equally Displaying Our Presence Overseas

Set as a global strategy under the long-term *DAN-TOTSU Management Plan 2019* is the enhancement of distribution networks in Asia. *TA-Q-BIN* in Japan has brought to fruition a service that delivers important shipments quickly and reliably to customers all over the country, and the *TA-Q-BIN* “last mile” network has evolved into a form of lifestyle and social infrastructure. Our objective is to provide these types

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of services to customers in other parts of Asia.

We are currently providing high-value-added services that combine *TA-Q-BIN*, logistics, and financial settlement service businesses in five Asian regions. In the years ahead, it is anticipated that borderless business will make further advances and that cross-border logistics, which do not remain in the intraregional flow of goods, will continue to increase.

To plan for further business expansion, the Company comprehensively covered each zone area, including Southeast Asia and East Asia, judged the necessity of implementing strategies—including the strengthening of corporate governance—and established a local regional supervisory company in Singapore in January 2014. The company is positioned to build the framework for further business expansion in Southeast Asia.

Actually, the “last mile” network delivery service is gradually gaining acceptance across Asia and will surely continue to give rise to delivery needs. Actually, the “last mile” network delivery service is gradually gaining acceptance across Asia and will surely continue to give rise to delivery needs. That path, however, is a sequence of trial and error, and introducing a Japanese success story unchanged overseas might not have been accepted in reverse when not respecting local culture and customs. As you would expect, an important aspect is the

creation of new value for people and society as a whole, and I would like to steadily increase the presence of Yamato while taking a close look at the customers resident in each region.

Converting Challenges Arising from Labor Shortages into Opportunities for Growth

In Japan, the population is in a gradual decline, and as the low birth rate continues and the proportion of elderly people grows, the working population will be diminished. We are quickly beginning to take steps against a potential risk of this kind, and I would like to overcome that risk by further improvements in productivity. In the collection and delivery setting, such factors exist as utilizing IT to calculate the shortest delivery route and new ways to communicate with customers, including the *Kuroneko Members* membership service aimed at reducing undelivered shipments due to the recipient not being present. We will also advance workplace environment maintenance services that will mobilize housewives and seniors.

At the latest logistics terminals like *Haneda Chronogate*, we will promote mechanization and automation that previously could not be fully depended upon for manual tasks.



Targeting Double-Digit ROE

In the fiscal year ended March 31, 2015, purchase of treasury stock amounted to ¥30.0 billion and retirement of treasury stock amounted to ¥31.5 billion, with ROE subsequently at 6.7%. In concert with boosting operating income by the steady implementation of the value-added strategy, including the “*Value Networking*” design, I would like to achieve our ROE target for the fiscal year ending March 31, 2020 of more than 11.0% by continuing to implement capital policy measures awarding the return to shareholders ratio.

Our annual cash dividends were ¥25 per share, a year-on-year increase of ¥1 per share, for a payout ratio of 27.7%. Going forward, I will continue to meet the expectations of all shareholders by following the basic shareholder return policy of increasing the return to shareholders ratio through a combination of dividends and purchase of treasury stock.

Forging a Robust Corporate Culture

Another pillar of our Medium-Term Management Plan is the forging of a robust corporate culture. For the customer trust that the Yamato Group has built up over many years to remain unshakeable, we are making greater efforts than ever in employee training, ingraining our corporate philosophy throughout the Group, and creating

a corporate culture that facilitates and encourages communication.

We deeply apologize for the great inconvenience caused to all users with regard to the problems of inconsistent temperature management that occurred in our handling of the *Cool TA-Q-BIN* service in 2013. In the previous fiscal year, improving the quality of *Cool TA-Q-BIN* was deemed a top priority issue, and the Company as a whole worked to rebuild the quality control system anew.

Compliance is neither more nor less than the foundation of management. We absolutely must not lose our awareness of that in keeping our promises and pursuing customer satisfaction, including with *TA-Q-BIN*, which is built on customer trust. The managerial decision to discontinue the *Kuroneko Mail* service was based on that awareness. To maintain society’s trust, I would like the Company to continue to be honest and sincere at all times. Essential elements in remaining honest are the visualization of Group management and the building of a highly transparent management structure, and I would like to actively convey the Company’s direction and my way of thinking to our many stakeholders, including shareholders and investors, as well as encourage dialogue.



Always cherishing the innovation DNA that will continue to create new value, I will embody the management philosophy of “helping to enrich our society.”

In Closing

My desk motto is a Japanese term that, literally translated, means “through sincerity to heaven.” If you do your best for another person in good faith, it is said that those thoughts will lead you to heaven or, in other words, customers and employees. Exercising your wisdom and taking action for people as well as making others happy can give you a sense of happiness, too. If employees of this type gather together, it is my belief that new services and ideas will arise from a variety of aspects.

Of the latest logistics terminals that have commenced operations, customer use of *Haneda Chronogate* is progressing at a faster rate than expected. Not pursuing expansion of scale alone now or ever, we will always cherish our innovation DNA that continues to give rise to new value and exemplify the Yamato Group’s management philosophy of helping to “enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for

comfortable lifestyles and developing an innovative logistics system.”

The preparations to establish a new business model have been made. I am determined to vigorously lead the entire Yamato Group, including the employees who are active on the front line, and accelerate progress toward the Group becoming Asia’s No. 1 solution provider in distribution and lifestyle support. I am gratefully anticipating the ongoing understanding and support from all our shareholders and investors.

September 2015



Masaki Yamauchi

Representative Director,
President and Executive Officer

Background to the Discontinuation of *Kuroneko Mail* Service

With regard to the discontinuation of *Kuroneko Mail*, the decision was taken to avoid the risk, punishable by law, posed to customers using a delivery service to send “confidential documents” such as letters to specific parties.

Treating with all due seriousness the situation that customers, who were unaware that they were contravening the law, had sent confidential documents by *Kuroneko Mail* and were in violation of the law, the Company sent letters to recipients of confidential documents sent by customers via *Kuroneko Mail*, tightened receipt of goods procedures so they would not be subject to punishment under the law, and worked to raise awareness by sending out notifications.

In December 2013, the Company proposed at meetings of the Information and Communications Council and Postal Policy Subcommittee at the Ministry of Internal Affairs and Communications that the regulations pertaining to confidential documents be reformed by introducing an “External Standard”

that would enable anyone to judge the material being sent by not only by its content but also by its appearance. The Company had complained that even if confidential documents were sent, only the receiving transport business operator, not the customer sender, should be responsible for any crime.

However, the Company’s proposals were not accepted, and the situation remained that we were unable to avoid customer risk.

Having customers who were not aware of the law but at risk of committing a crime runs contrary to the Company’s corporate attitude and corporate responsibility. We determined that leaving the situation as it was would make it difficult for us to continuously balance a “safe and secure use environment” and “convenience” by the Company’s efforts alone. This led to the decision to discontinue *Kuroneko Mail* service.

On March 31, 2015, we ceased accepting items for *Kuroneko Mail* and from April 1 launched the *Kuroneko DM-Bin*.

Message from the Chief Financial Officer

We are working to improve profitability and capital efficiency, while targeting ROE of 9.0% in the fiscal year ending March 31, 2017, the final year of the medium-term management plan, and ROE of more than 11.0% in the fiscal year ending March 31, 2020, the final year of the long-term management plan.

Kenichi Shibasaki

Managing Executive Officer
Responsible for Financing and Accounting and Investor Relations



Business Performance in Year Ended March 2015

In the fiscal year under review, operating income came in at a record-high level due to the implementation of cost optimization, yet fell somewhat short of the ¥70.0 billion target because of factors that included the adverse impact of recoiling demand following the pre-consumption tax hike surge in spending, lower-than-expected *TA-Q-BIN* and *Kuroneko Mail* service delivery volumes in March, and increases in costs (advertising expenses) involved in announcing our new service offerings. (*TA-Q-BIN Compact*, *Nekopos* and *Kuroneko DM-Bin*).

In the fiscal year ended March 31, 2015, despite a visible trend toward improvement in the overall economic environment in Japan amid higher corporate earnings, lagging recovery in personal consumption was evident as a result of a decline in demand that accompanied the consumption tax rate hike, rising prices in step with the weakening yen, and other factors. Moreover, the Yamato Group faced a harsh operating environment as tight labor market conditions persisted.

Against this background, we worked to achieve the objectives of the medium-term management plan *DAN-TOTSU Three-Year Plan STEP* and the long-term *DAN-TOTSU Management Plan 2019*. To this end, we focused our efforts on taking steps to create a business model for generating a high level of added value while pursuing greater sophistication of our existing businesses by fusing logistics networks that have been developed with the business resources of individual Group companies.

In the Delivery Business, delivery volumes were sluggish due in part to stagnating personal consumption and the effect of surging demand ahead of the consumption tax rate hike in the previous fiscal year. Nevertheless, revenue increased ¥2.0 billion amid gains in *TA-Q-BIN* unit prices as a result of our efforts to

promote the collection of adequate fees. With respect to profits, amid the tight labor market conditions and the deteriorating cost environment, income also increased due to factors that included thorough cost management in line with operating volumes encompassing personnel expenses, costs of outsourcing work, and other expenses. Having included the promotion of measures to improve productivity, cost optimization is determined to have been sufficiently beneficial.

In the non-delivery businesses, we took steps to expand our existing service offerings by enlisting the strengths of Group companies, while drawing on Groupwide ties as we continued to aggressively pursue solution sales geared toward addressing customers' business challenges. The BIZ-Logistics Business in particular acted as a driver of positive earnings results. Operating revenue increased substantially, in line with new orders in sales and logistics as well as in multi-maintenance. In contrast, the e-Business segment faced some difficulties. However, we expect the segment to recover in the current fiscal year, given that the poor performance was brought about by an accounting period mismatch between the timing of costs and revenues amid an increase in the amount of work in process related to the development of information systems. The Home Convenience Business achieved a profit for the second consecutive year by bringing about improvements in its weekday utilization rate. Having freed itself from deficit, the Home Convenience Business can be expected to contribute to the Group's overall profit.

As a result, operating revenues for the fiscal year ended March 31, 2015, increased ¥22.0 billion year on year, or 1.6%, to ¥1,396.7 billion, and operating income rose a record-high ¥5.9 billion, or 9.3%, to ¥68.9 billion. Net income for the fiscal year under review increased ¥2.7 billion, or 7.9%, to ¥37.5 billion.

Year Ending March 2016 Forecasts

In the fiscal year ending March 31, 2016, which marks the second year of *DAN-TOTSU Three-Year Plan STEP*, our medium-term management plan, we will create services that will convert into more tangible forms our “*Value Networking*” design that targets B2B logistics. In conjunction with these efforts, I feel it will be necessary to continue toward the stage where more customers will be making easy use of our services. Furthermore, we will draw up growth strategies from a long-term perspective and accelerate our globalization efforts.

We forecast consolidated operating revenues will increase 2.4% year on year, to ¥1,430.0 billion, and operating income will rise 4.4%, to ¥72.0 billion. The forecast for operating income factors in the negative impact of approximately ¥1.5 billion increase in size-based business tax due to the government’s tax reform plan. As a result of ongoing implementation of thorough-going cost optimization, we are expecting the operating income margin to edge by up 0.1 of a percentage point, to 5.0%.

Long-Term Management Plan and ROE

The entire Yamato Group is pushing forward in unison with a view to converting into more tangible forms its management philosophy of helping to “enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system.” To this end, the Yamato Group formulated *DAN-TOTSU Management Plan 2019* in January 2011 and took on the challenge of becoming Asia’s No. 1 solution provider in distribution and lifestyle support by the fiscal year ending March 31, 2020, which marks the 100th anniversary of the Company’s founding. Under this long-term plan, we aim to raise the levels of satisfaction of all our stakeholders, including shareholders, customers, society at large, and employees.

In addition to bringing about improvements in profitability by steadily carrying out the business plans, we are working to enhance capital efficiency by implementing capital measures that draw on our robust financial foundation. From this perspective, we have set ROE targets to serve as an indicator that will raise awareness toward an improvement in shareholder value, and in my view we will achieve the sum of business and financial strategies. Under the medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, which remains in effect until the fiscal year ending March 31, 2017 (fiscal year ended March 31, 2015, to the fiscal year ending March 31, 2017), we are aiming to achieve ROE of 9.0%, and under the long-term *DAN-TOTSU Management Plan 2019*, which remains in effect until the fiscal year ending March 31, 2020, we are aiming to achieve ROE of more than 11.0%.

Agility and Flexibility of Financing Activities

The Yamato Group consistently and continually generates between ¥70.0 billion and ¥80.0 billion in cash annually to maintain the agility and flexibility of financial activities while sufficiently covering ordinary expenditures. As of March 2015, Yamato Holdings received the following credit rating from Rating and Investment Information, Inc. (R&I):

R&I AA-

The Yamato Group will strive to remain aware of capital costs, while at the same time maintain the existing credit rating to facilitate smooth capital procurement.

Implementation Status of Capital Policies to Enhance Financial Quality and Basic Policy on Shareholder Returns

The Yamato Group seeks to provide returns to shareholders based on the return to shareholders ratio of 50%, a combination of both dividends and purchase of treasury stock. Our basic policy is to pay dividends with a targeted consolidated dividend payout ratio of 30% of consolidated net income. During the fiscal year ended March 31, 2015, we purchased ¥30.0 billion in treasury stock and retired ¥31.5 billion of treasury stock. Although there was a negative impact amounting to approximately ¥3.5 billion in size-based business tax (SG&A), ROE edged up 0.3 of a percentage point compared with the previous fiscal year, to 6.7%, and the return to shareholders ratio, a combination of both dividends and purchase of treasury stock, exceeded 100%.

For the fiscal year ended March 31, 2015, dividends amounted to ¥25 per share, ¥1 higher than in the previous fiscal year. For the fiscal year ending March 31, 2016, we are planning a dividend of ¥26 per share for the fourth consecutive year and a consolidated dividend payout ratio of 25.2% and will take our earnings performance into consideration as we aim for a consolidated dividend payout ratio of 30%. With regard to treasury stock, we will be flexible in our considerations of its utilization for M&A as part of our capital policies.

Change of Dividend

