

Questions and Answers (Digest)

**The Financial Results Meeting
for the fiscal year ended March 31, 2013
held on May 1, 2013**

Q1

Compared with the targets set in the medium-term plan announced in January 2011, the projections for the fiscal year ending March 31, 2014 are different. What are the reasons and analysis of this situation?

A1

- The medium-term plan was originally formulated before the occurrence of the Great East Japan Earthquake. Therefore, the overall targets were ambitious.
- Looking at the delivery business, the progress of TA-Q-BIN has been pleasing. The main reason for the discrepancy is the declining revenues from Kuroneko Mail.
- Negative factors are also affecting the Non-Delivery Business, such as anti-Japan demonstrations in China, flooding in Thailand, and a slump in the electrical appliance retail sector in Japan. Overall, the non-delivery business's speed of growth has been slowing down.
- With respect to operating income, the size of the downward revision is ¥18.0 billion. We strongly emphasize however, that this correction does not mean we must reformulate our long-term business strategy. The big-picture scenario is still intact. Although there is a gap between actual operating results and our plan, each of the management strategies of the plan are steadily being implemented. Where necessary, our measures are being adjusted.

Q2

What initiatives are you taking to respond to the stricter parcel acceptance policies impacting Kuroneko Mail?

A2

- Our first priority is to provide the service that our users find the most convenient. We have presented our case to the Cabinet Office Regulatory Reform Committee to argue against restrictions imposed by the policies.
- Looking toward the future, we are considering our options and studying the feasibility of the general letter domain.

Q3

Please explain your policy of hiring part-time employees in the fiscal year ending March 31, 2014.

A3

- About 70% of the increase in part-time employees in the fiscal year ending March 31, 2014 will be the conversion of workers at base terminals to part-time employees. At our base terminals, in addition to part-time employees, there are many employees who are classified as day laborers (hired on a daily basis) or dispatch workers from employment agencies. Converting the base staff to part-time employee status is expected to result in improving personnel quality and improving operational efficiency. On the cost side, this conversion to part-time employees will increase the cost of employee salaries, however, we expect this will be offset by the decrease in cost of commission expenses, and day laborers, which are recorded in other personnel expenses.
- In addition, we plan to continue developing our “field cast” concept in the fiscal year ending March 31, 2014 as one of our productivity improvement strategies. In addition to high-density areas, we will begin to introduce measures that are appropriate for medium-density areas.

Q4

What level of new capital expenditure is planned to get the Cool TA-Q-BIN next-day delivery service to Asia into full operation via the Okinawa Hub?

A4

- We are not considering a large amount of investment. The refrigeration facilities are already in place in Japan and also in the existing overseas TA-Q-BIN markets.
- One thing that will be necessary is to prepare for the air freight leg. Of course, refrigerated airfreight is currently handled at Okinawa and we possess many refrigerated containers. As business expands, we expect more refrigerated containers will be required, but the size of this investment is not that large.

Q5

Please explain the impact on profit and costs from the large-scale terminals that are scheduled for completion in the fiscal year ending March 31, 2014 (Haneda Chronogate and Atsugi Gateway).

A5

- We expect the start of operations of these facilities to have an insignificant impact on profit in the fiscal year ending March 31, 2014. In the case of Haneda Chronogate, we do not plan to commence full operations when operations start in September. Full operations are planned to start from the beginning of the fiscal year ending March 31, 2015. In the case of Atsugi Gateway, as it basically will fulfill the function of a base terminal for TA-Q-BIN, it will play a major role when the domestic network connecting Tokyo, Nagoya and Osaka is completed. However, no large revenue increase is expected in the fiscal year ending March 31, 2014.
- On the cost front, the largest impact will be depreciation. The increase in depreciation for the fiscal year ending March 31, 2014 will be ¥6.5 billion and more than half of this amount is increased depreciation costs related to Haneda Chronogate and Atsugi Gateway. From the fiscal year ending March 31, 2015 onwards, we expect 2-3 years of slightly higher depreciation costs. The relocation costs of some customers have already been factored into the forecast for fiscal year ending March 31, 2014.