

**Settlement of Accounts Meeting
for the First Nine Months of Fiscal Year Ending
March 31, 2015**



January 30, 2015

YAMATO HOLDINGS CO., LTD.

Disclaimer:

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I am Makoto Kigawa, Representative Director and President of Yamato Holdings Co., Ltd.
Thank you for participating in today's Settlement of Accounts Meeting.

In our nine months results, we made certain progress toward achieving our income targets for the year. This puts us in a good position for achieving record high operating income.

There seem to be no major discrepancies between our figures and consensus estimates, and as such I will go over the key points of our results, referring to the presentation materials you have been provided.

Following the earnings results briefing, Yamauchi will provide an explanation on our decision announced recently to discontinue our Kuroneko Mail service and expand our TA-Q-BIN service.

1. Highlight

Nine Month FY2015 Results Main Points

- In the nine months ended December 31, 2014, operating revenue was up YoY due to progress in ensuring collection of adequate fees in the delivery business combined with firm results in the non-delivery business.
- Operating income came in at ¥64.5 billion, backed by rigorous cost management focused on personnel expenses, while we achieved increases both in revenue and income, even when comparing against previous-year figures net of one-time expenses incurred for initiatives such as for improvements to Cool TA-Q-BIN quality.

Trends of Delivery Business

- TA-Q-BIN delivery volume for the nine months ended December 31, 2014 decreased by 1.9% YoY due to lagging economic recovery and a greater-than-anticipated shift of some delivery business to competitors. Meanwhile, the unit price increased 3.8% YoY given steady progress in negotiations to collection of adequate fees.
- Kuroneko Mail delivery volume for the nine months ended December 31, 2014 decreased by 8.7% YoY due to an increasingly competitive environment and contracting of the target direct mail market.

Trends of Non-Delivery Business

- **BIZ-Logistics Business** Revenue and income increased due to firm results from areas such as mail order services and service for product repair and the like.
- **Home Convenience Business** Revenue increased due to strong results from household equipment delivery and installation services, which helped reduce income losses.
- **e-Business** Revenue was roughly on par with previous year levels, while income decreased despite firm results with new services in the e-Logistics Solution Business, given that results from certain services failed to make up for the demand situation last year.
- **Financial Business** Revenue increased due to solid results from the vehicle leasing business but income decreased on decreased revenues in the TA-Q-BIN Collect business.
- **Autoworks Business** Revenue and income increased due to steady growth in vehicle maintenance volume.

I will start off with a summary for the nine months ended December 31, 2014.

- (1) In the nine months ended December 31, 2014, both revenues and earnings increased YoY.
- (2) Since the second quarter, consumer spending remained weak, despite a diminishing impact from the post-consumption tax hike pull-back in demand. In that environment, operating revenue increased by ¥22.3 billion YoY as a result of Delivery Business' collection of adequate fees along with firm performance in the non-delivery businesses.
- (3) With respect to expenses, amid a deteriorating cost environment such as a tightening labor market, we implemented robust cost controls and worked to curb outlays through initiatives that included promoting measures to boost productivity centered on the Delivery Business.
- (4) Consequently, operating income increased by ¥4.9 billion YoY, to ¥64.5 billion.
- (5) Trends of respective operating segments remained unchanged, as shown on this slide.

2. Overview of Operating Results

(Billions of Yen)	9 Months FY2015 (Actual)	9 Months FY2014 (Actual)	YoY Change	
			Amount	[%]
Operating revenues				
Delivery	853.2	845.6	7.5	0.9
Non-Delivery	215.7	201.0	14.7	7.3
Total	1,069.0	1,046.6	22.3	2.1
Operating income	64.5	59.6	4.9	8.2
[Profit margin]	6.0%	5.7%	-	-
Ordinary income	66.3	60.6	5.6	9.4
[Profit margin]	6.2%	5.8%	-	-
Net income	39.1	33.2	5.8	17.7
[Profit margin]	3.7%	3.2%	-	-

(Note)

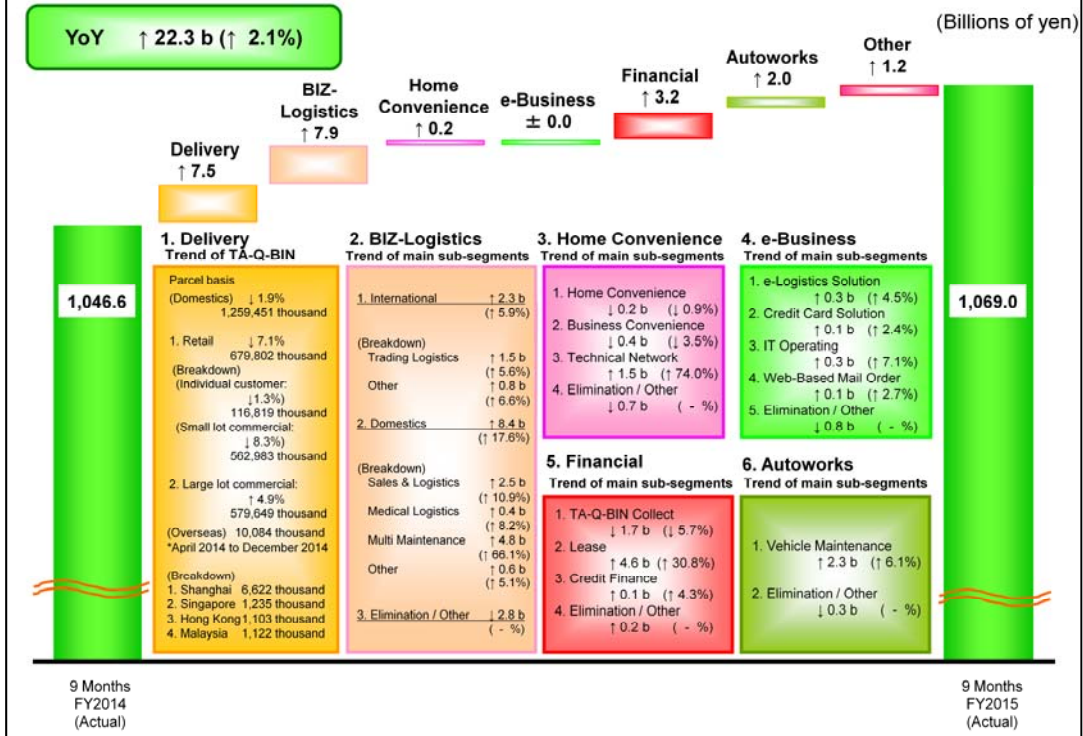
Starting with FY2015, Yamato Contact service, which was previously included in e-Business segment, has been shifted to Delivery Business segment. With this change between the segments, FY2014 results for e-Business segment and Delivery Business segment have been modified to meet the current structure.

Next, let's move on to operating results.

(1) This table provides a summary of year-on-year results for operating revenue, operating income, and other earnings results.

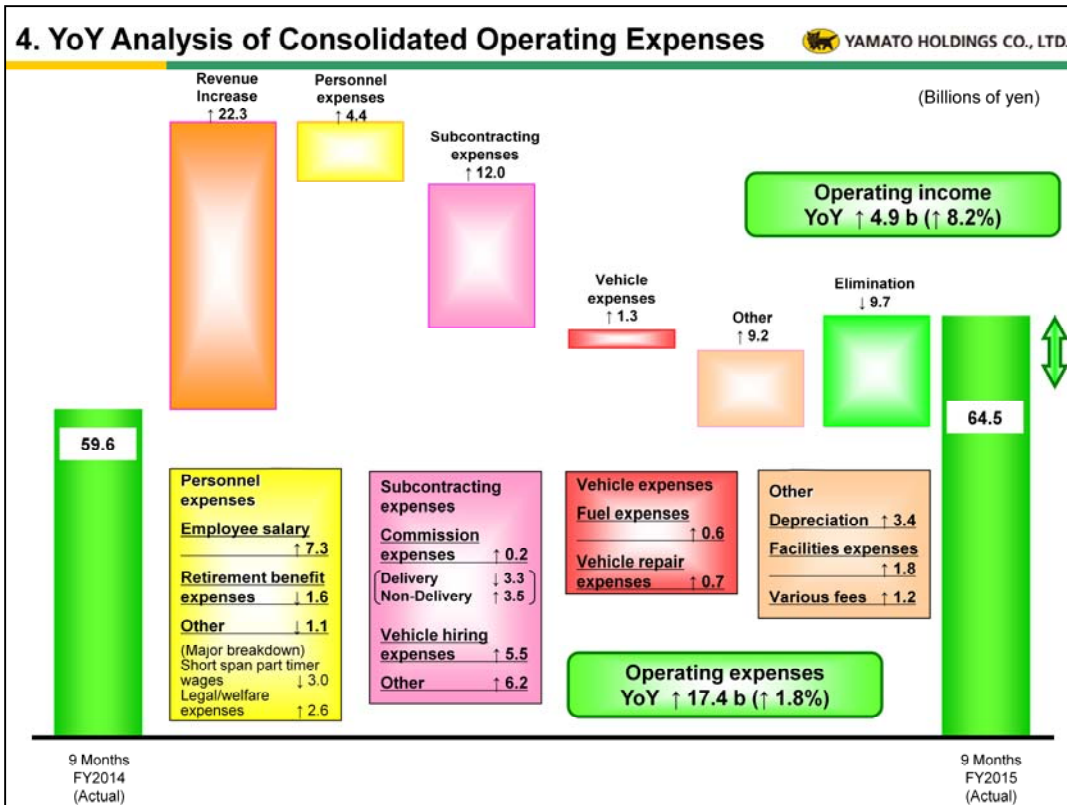
(2) Net income increased by ¥5.8 billion YoY, to ¥39.1 billion.

3. YoY Analysis of Consolidated Operating Revenues



Next is the YoY analysis of changes in consolidated operating revenues.

- (1) Revenues by operating segment increased almost across the board, as these figures indicate.
- (2) Operating revenues in the BIZ-Logistics Business increased significantly, in line with new orders, particularly in Sales & Logistics and Multi Maintenance.



Next for the analysis of changes in consolidated operating expenses.

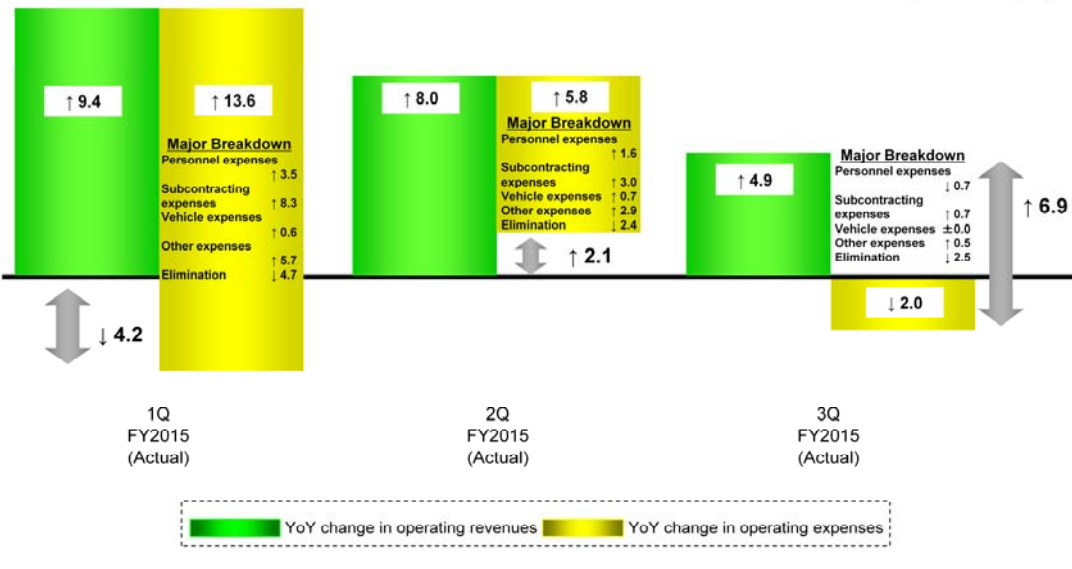
- (1) Consolidated operating expenses increased by 1.8% YoY. Please look at slide 5 to get a better understanding in this regard.
- (2) We have continued with robust cost control measures which include initiatives to boost productivity, amid a deteriorating cost environment such as a tightening labor market. Accordingly, these results indicate that our cost controls have been quite effective.
- (3) Managing Executive Officer Shibasaki will cover specifics with slide 10 which provides an analysis of changes in consolidated operating expenses, and also with slide 11 which provides an analysis of changes in operating expenses of the Delivery Business.

5. Quarterly YoY Trends of Consolidated Operating Income

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In 3Q FY2015 (October-December), revenue and income increased YoY on progress in ensuring collection of adequate fees in the Delivery Business, and because of rigorous cost management focused on personnel expenses.

(Billions of yen)

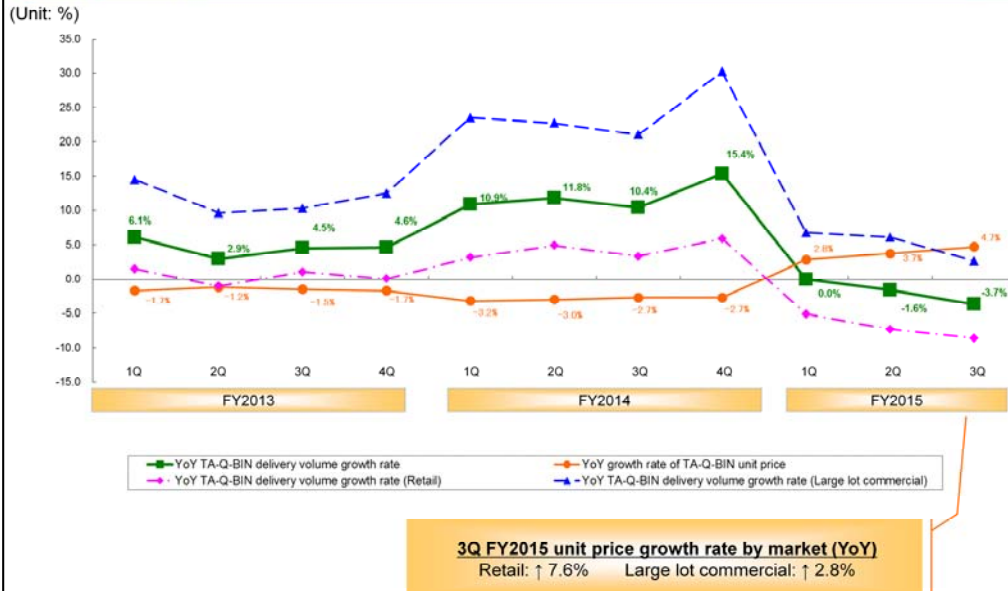


Now we come to quarterly YoY trends for consolidated operating income.

- (1) As I mentioned at the beginning of this presentation, we incurred costs over the latter half of last year from initiatives to improve quality of Cool TA-Q-BIN deliveries. As you can see, however, YoY comparisons of results, even net of that set of costs, show capacity to generate earnings improving as we control costs in each successive quarter.


6. Quarterly YoY Trends of TA-Q-BIN Delivery and Unit Price

- TA-Q-BIN delivery volume in 3Q FY2015 (October–December) decreased 3.7% YoY, due to lagging economic recovery and some delivery business shifting to competitors.
- The unit price increased 4.7% YoY given steady progress in negotiations to ensure collection of adequate fees.

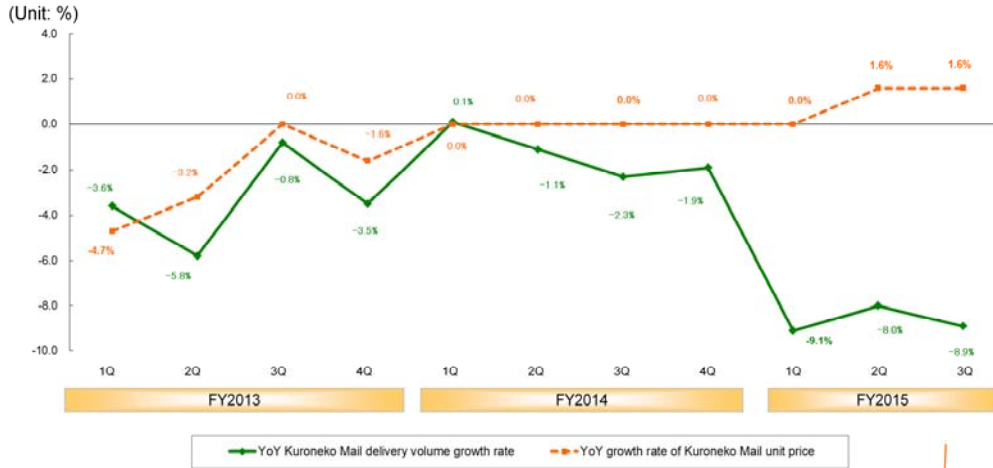


Next, we will move on to quarterly YoY trends of TA-Q-BIN delivery volume and unit price.

- (1) Overall, prevailing trends remain largely unchanged.
- (2) TA-Q-BIN delivery volume for the third quarter (October–December) decreased by 3.7%, due to sluggish personal consumption and some delivery business shifting to our competitors.
- (3) The unit price increased by 4.7%, given steady progress in negotiations with customers to ensure collection of adequate fees.
- (4) In terms of progress made with negotiations, not much has changed since the second quarter.
 We are pretty much finished with approaching our customers in that regard, and have concluded negotiations with approximately 80% of our customers in the retail market and approximately 50% of those in the large-lot commercial market.

7. Quarterly YoY Trends of Kuroneko Mail Delivery Volume and Unit Price 

- Kuroneko Mail delivery volume for 3Q FY2015 (October-December) decreased by 8.9% YoY due to an increasingly competitive environment and contracting of the target direct mail market.
- The unit price increased by 1.6% YoY.



3Q FY2015 shipment volume by market (YoY)

From TA-Q-BIN Centers: ↓ 5.5%
 From large lot commercial: ↓ 10.7%

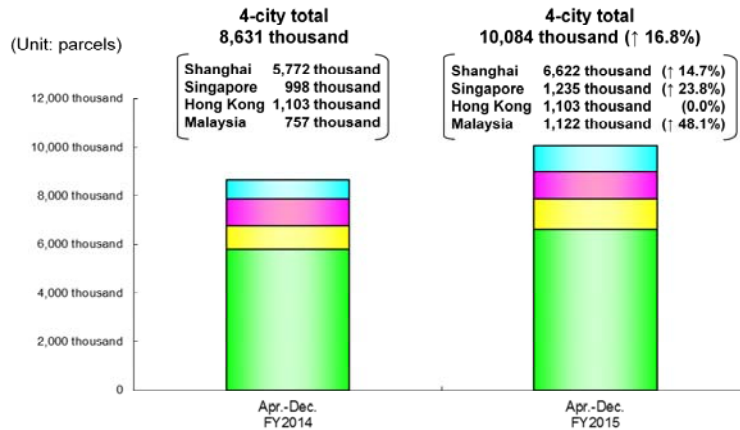
Next we move on to quarterly YoY trends of Kuroneko Mail delivery volume and unit price.

- (1) As with TA-Q-BIN delivery, trends with Kuroneko Mail delivery volume remain largely unchanged.
- (2) Kuroneko Mail delivery volume in the third quarter (October–December) decreased by 8.9% YoY, due to a shrinking market and an increasingly competitive environment.
- (3) The unit price began to increase in the second quarter (July–September), and was at ¥62.
- (4) As you are aware, in April there will be some changes to our service offerings with respect to our Kuroneko Mail service and our TA-Q-BIN service.

8. Progress of TA-Q-BIN Business Overseas

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Overseas TA-Q-BIN delivery volume



Overseas TA-Q-BIN delivery volume including Taiwan

Apr. - Dec.
FY2014

71,777 thousand

Apr. - Dec.
FY2015

82,129 thousand (↑ 14.4%)

Next we look at progress achieved by the TA-Q-BIN business overseas.

- (1) As shown in this slide, delivery volume has been growing steadily.
The total delivery volume including that of Taiwan is listed in the lower part of this slide.
- (2) In the ASEAN region, we are looking toward a strategy involving a shift of focus to the B2B market.
We will also intensify efforts in East Asia as well.

9. Forecasts of FY2015 Operating Results (1)

(Billions of Yen)	FY2015 (New Forecast) A	FY2014 (Actual)	FY2015 (October 2014 Forecast) B	YoY Change		Forecast Change (A-B)	
				Amount	[%]	Amount	[%]
Operating revenues	1,400.0	1,374.6	1,400.0	25.3	1.8	0.0	0.0
Operating income	70.0	63.0	70.0	6.9	10.9	0.0	0.0
[Profit margin]	5.0%	4.6%	5.0%	-	-	-	-
Ordinary income	71.0	64.6	71.0	6.3	9.8	0.0	0.0
[Profit margin]	5.1%	4.7%	5.1%	-	-	-	-
Net income	41.0	34.7	41.0	6.2	17.9	0.0	0.0
[Profit margin]	2.9%	2.5%	2.9%	-	-	-	-

Here are our full-year operating results forecasts for FY2015.

- (1) We have not changed forecasts for operating revenues, operating income or the other earnings figures given that the results of the nine months are in line with company projections. Furthermore, Yamato Group will work hard as a team to generate record profits.

This concludes my explanation.

**Expense Analysis
Assumptions of Forecasts**

My name is Kenichi Shibasaki, and I am in charge of Finance and Accounting, and Investor Relations.

Thank you for participating in today's Financial Results Meeting.

Results for the nine months ended December 31, 2014 came largely in line with expectations, as Kigawa explained at the beginning of this presentation.

I will now go over the key points of our expenses and operating results, in line with the presentation materials.

10. YoY Analysis of Consolidated Operating Expenses

(Millions of Yen)	9 Months FY2015 Actual	9 Months FY2014 Actual	YoY Change	
			Amount	[%]
Operating revenues	1,069,009	1,046,682	22,326	2.1
Operating expenses	1,004,417	987,007	17,409	1.8
Personnel expenses	536,527	532,067	4,459	0.8
Employee salary	369,778	362,474	7,303	2.0
Retirement benefit expenses	9,386	11,051	(1,665)	(15.1)
Other personnel expenses	157,362	158,541	(1,178)	(0.7)
Subcontracting expenses	409,167	397,098	12,069	3.0
Commission expenses	159,358	159,153	205	0.1
Vehicle hiring expenses	131,514	125,919	5,595	4.4
Other subcontracting expenses	118,294	112,026	6,268	5.6
Vehicle expenses	37,179	35,812	1,367	3.8
Fuel expenses	21,664	21,057	607	2.9
Other operating expenses	216,731	207,446	9,284	4.5
Depreciation	33,346	29,866	3,479	11.7
Elimination	(195,188)	(185,418)	(9,770)	5.3

Here are the analysis of changes in consolidated operating expenses.

- (1) Personnel expenses rose ¥4.4 billion YoY.

Employee salary and the retirement benefit expenses are as stated in this slide.

Other personnel expenses decreased ¥1.1 billion YoY.

The major breakdown of this is as follows:

Legal/welfare-related expenses : ↑ ¥2.6 billion

(Due to a rate hike regarding legal welfare expenses)

Short span part timer expenses : ↓ ¥3.0 billion

(Decrease associated with lower delivery volumes and productivity improvements)

- (2) Subcontracting expenses rose ¥12.0 billion YoY.

Commission expenses are largely unchanged from the previous fiscal year. By business segment, commission expenses decreased by ¥3.3 billion in the Delivery Business but increased by ¥3.5 billion in the non-delivery businesses. The increase in the non-delivery businesses is attributable to firm results in those businesses, particularly in the BIZ-Logistics Business.

Vehicle hiring expenses increased by ¥5.5 billion YoY, in tandem with trends in delivery volumes. Vehicle hiring expenses increased substantially in the first quarter in line with sharply fluctuating delivery volumes, but subsequently have been evening out over each successive quarter. The amount by which unit prices for hiring vehicles have increased due to the tightening labor market has been within expectations.

“Other subcontracting expenses” increased by ¥6.2 billion YoY. The increase reflects increased revenues in the non-delivery businesses, such as from the BIZ-Logistics Business and a greater number of lease transactions in the Financial Business.

- (3) Fuel expenses increased by ¥0.6 billion. Total fuel consumption increased by 0.9% YoY.

Although this is higher than in the previous fiscal year, it is lower than the amount planned given that we were able to curb consumption and keep it below the amount budgeted by the company.

11. YoY Analysis of Delivery Business Expenses

(Millions of Yen)	9 Months FY2015 Actual	9 Months FY2014 Actual	YoY Change	
			Amount	[%]
Operating revenues	853,244	845,668	7,575	0.9
Operating expenses	809,853	805,681	4,171	0.5
Personnel expenses	456,320	454,146	2,173	0.5
Employee salary	311,271	306,029	5,241	1.7
Retirement benefit expenses	7,746	9,007	(1,261)	(14.0)
Other personnel expenses	137,302	139,109	(1,806)	(1.3)
Subcontracting expenses	240,603	241,435	(832)	(0.3)
Commission expenses	87,360	90,674	(3,314)	(3.7)
Vehicle hiring expenses	125,526	120,794	4,732	3.9
Other subcontracting expenses	27,716	29,966	(2,250)	(7.5)
Vehicle expenses	32,145	30,656	1,488	4.9
Fuel expenses	17,678	17,062	616	3.6
Other operating expenses	157,240	153,278	3,961	2.6
Depreciation	24,147	21,890	2,257	10.3
Elimination	(76,456)	(73,836)	(2,619)	3.5

(Note)

- Starting with FY2015, Yamato Contact service, which was previously included in e-Business segment, has been shifted to Delivery Business segment.
With this change between the segments, FY2014 results for e-Business segment and Delivery Business segment have been modified to meet the current structure.
- The figures above include operating expenses related to overseas TA-Q-BIN services.

This slide contains the statement of operating expenses for the Delivery Business.
I have just covered these details, so will now move on to the next slide.

12. Forecast of FY2015 Operating Results (2)

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(Millions of Yen)	FY2015 (New Forecast) A	FY2014 (Actual)	FY2015 (October 2014 Forecast) B	YoY Change		Forecast Change (A-B)	
				Amount	[%]	Amount	[%]
Operating revenues							
Delivery	1,104,000	1,099,399	1,107,000	4,600	0.4	(3,000)	(0.3)
BIZ-Logistics	101,000	90,254	98,000	10,745	11.9	3,000	3.1
Home Convenience	51,000	48,723	51,000	2,276	4.7	0	0.0
e-Business	43,000	40,831	43,000	2,168	5.3	0	0.0
Financial	66,000	62,727	66,000	3,272	5.2	0	0.0
Autoworks	27,000	25,650	27,500	1,349	5.3	(500)	(1.8)
Other	8,000	7,022	7,500	977	13.9	500	6.7
Total	1,400,000	1,374,610	1,400,000	25,389	1.8	0	0.0
Operating income							
Delivery	41,500	35,784	41,000	5,715	16.0	500	1.2
BIZ-Logistics	4,700	3,403	4,700	1,296	38.1	0	0.0
Home Convenience	700	217	500	482	221.9	200	40.0
e-Business	7,500	8,057	8,400	(557)	(6.9)	(900)	(10.7)
Financial	9,200	9,405	9,600	(205)	(2.2)	(400)	(4.2)
Autoworks	3,600	3,272	3,600	327	10.0	0	0.0
Other	23,300	24,956	22,700	(1,656)	(6.6)	600	2.6
Subtotal	90,500	85,097	90,500	5,402	6.3	0	0.0
Elimination	(20,500)	(22,000)	(20,500)	1,500	(6.8)	0	0.0
Total	70,000	63,096	70,000	6,903	10.9	0	0.0
[Profit margin]	5.0%	4.6%	5.0%	-	-	-	-
Ordinary income	71,000	64,664	71,000	6,335	9.8	0	0.0
[Profit margin]	5.1%	4.7%	5.1%	-	-	-	-
Net income	41,000	34,776	41,000	6,223	17.9	0	0.0
[Profit margin]	2.9%	2.5%	2.9%	-	-	-	-

(Note)

Starting with FY2015, Yamato Contact service, which was previously included in e-Business segment, has been shifted to Delivery Business segment.

With this change between the segments, FY2014 results for e-Business segment and Delivery Business segment have been modified to meet the current structure.

The forecasts for operating revenues and operating income by business segment for the full year ending March 31, 2015 are as follows.

- (1) As Kigawa just explained, overall consolidated revenue and income forecasts remain unchanged. We are aiming to achieve record operating income of ¥70.0 billion.
We have not factored in the potential impact of the government's tax reform plan given that the date on which new laws will go into effect and other specifics have yet to be determined.
- (2) Per-segment revenue and income forecasts have been adjusted slightly to account for results up to the third quarter, as indicated in the presentation materials.
- (3) We project that TA-Q-BIN delivery volumes will decrease by 2.0% YoY to 1,632 million parcels and the unit price will increase 3.7% YoY to ¥595, given prevailing circumstances. In that regard, please refer to the forecasts of slide 13 (the next slide) and page 10 and thereafter of the supplementary materials provided.
- (4) With respect to Kuroneko Mail, in consideration of the prevailing circumstances, we estimate volume of 1,925 million units, 7.7% fewer YoY. Our forecast for unit pricing of ¥61 yen remains unchanged from the previous fiscal year.

13. Forecasts of FY2015 Operating Results (3)

 YAMATO HOLDINGS CO., LTD.

(Millions of Yen)	FY2015 (New Forecast) A	FY2014 (Actual)	FY2015 (October 2014 Forecast) B	YoY Change		Forecast Change (A-B)	
				Amount	[%]	Amount	[%]
Operating revenues	1,400,000	1,374,610	1,400,000	25,389	1.8	0	0.0
Operating expenses	1,330,000	1,311,513	1,330,000	18,486	1.4	0	0.0
Personnel expenses	710,000	704,338	712,000	5,661	0.8	(2,000)	(0.3)
Employee salary	490,000	484,094	491,000	5,905	1.2	(1,000)	(0.2)
Retirement benefit expenses	13,000	14,834	13,000	(1,834)	(12.4)	0	0.0
Other personnel expenses	207,000	205,408	208,000	1,591	0.8	(1,000)	(0.5)
Subcontracting expenses	540,000	528,105	541,000	11,894	2.3	(1,000)	(0.2)
Commission expenses	210,000	211,837	209,000	(1,837)	(0.9)	1,000	0.5
Vehicle hiring expenses	174,000	168,104	176,000	5,895	3.5	(2,000)	(1.1)
Other subcontracting expenses	156,000	148,163	156,000	7,836	5.3	0	0.0
Vehicle expenses	47,500	46,288	48,500	1,211	2.6	(1,000)	(2.1)
Fuel expenses	28,500	27,622	29,500	877	3.2	(1,000)	(3.4)
Other operating expenses	290,500	277,920	292,500	12,579	4.5	(2,000)	(0.7)
Depreciation	46,000	42,265	46,000	3,734	8.8	0	0.0
Elimination	(258,000)	(245,140)	(264,000)	(12,859)	5.2	6,000	-

Assumptions of forecasts

Operating revenues

Delivery Business

- TA-Q-BIN parcels (forecast)
1,632,000 thousand (YoY ↓ 2.0%)
- TA-Q-BIN unit price (forecast)
¥595 (YoY ↑ 3.7%)
- Kuroneko Mail units (forecast)
1,925,000 thousand (YoY ↓ 7.7%)
- Kuroneko Mail unit price (forecast)
¥61 (YoY 0.0%)

Personnel expenses

- Employee salary (consolidated; forecast)
Total 198,800 persons (YoY ↑ 5,654 / ↑ 2.9%)
Full-time 88,800 persons (YoY ↑ 1,521 / ↑ 1.7%)
Part-time 110,000 persons (YoY ↑ 4,133 / ↑ 3.9%)
- Other personnel expenses
Increase due to revision to the rate of social insurance

Capital Expenditure

Capital Expenditure (Millions of Yen, forecast) ¥70,000

Finally, this slide shows our full-year forecasts for consolidated operating expenses.

- (1) Revisions have been made with respect to our full-year forecasts for individual expense items, as shown in this slide, in light of results of the nine months.
- (2) I will now go over projections that have been revised since release of our previous forecast: In personnel expenses, the forecasts for employee salary and “Other personnel expenses” have been respectively lowered by ¥1.0 billion following on review of workforce numbers which were adjusted in line with delivery volumes.
The forecast for commission expenses under subcontracting expenses has been increased by ¥1.0 billion to account for subcontracting expenses associated with work on projects landed by the BIZ-Logistics Business. The forecast for vehicle hiring expenses has been decreased by ¥2.0 billion, on the basis of moves to increasingly source the optimal number of hired vehicles in line with delivery volume trends with each successive quarter.
- (3) Capital expenditure had been projected at ¥75.0 billion, but the forecast is now ¥70.0 billion.
Please look at this slide in conjunction with page 16 of the supplementary materials for an itemized breakdown of the capital expenditures forecast. In that regard, the amount for buildings has been decreased by ¥5.0 billion from the amount previously forecast. The amount was decreased due to postponements of facility renovations in the Delivery Business through initiatives that included undertaking additional repairs in areas where it was possible to put on hold.
- (4) The forecast for eliminations has been revised from the previous projection on the basis of three key factors in light of prevailing trends. Those three key factors are: 1.) a decrease in the value of fuel sales from Yamato Autoworks to respective Group companies in line with lower crude oil prices, 2.) a decrease in various subcontracting expenses associated with lower TA-Q-BIN delivery volumes, and 3.) a decrease in data processing fees also associated with lower TA-Q-BIN delivery volumes.

That concludes my explanation.

**Discontinuation of Kuroneko Mail Service and
Expansion of TA-Q-BIN Service**

14. Rationale for Discontinuing Kuroneko Mail Service and Expanding TA-Q-BIN Service



Rationale for discontinuing Kuroneko Mail Service

Eliminate risk of customers using the Kuroneko Mail service to send personal letters and other items legally classified as postal mail "correspondence"

This move eliminates the risk of customers inadvertently sending postal mail "correspondence" using the Kuroneko Mail service, unaware that doing so is illegal.

1. The legal definition of postal mail "correspondence" is extremely vague.
2. Because of the vagueness, Kuroneko Mail service entails risk of customers violating the law.
3. There are limited means of avoiding risk through verification of parcel content when taking custody of items to be delivered.

The market for the Kuroneko Mail service is shrinking

Deliveries of paper media are decreasing amid advances in digital technology.

Rationale for expanding and upgrading TA-Q-BIN service

Growing e-commerce market

1. There is a trend toward omni-channel along with an expansion in the range of daily goods and other types of low-value merchandise.
2. There are growing numbers of C2C transactions in connection with auctions, flea markets, etc.

Shifting customer needs

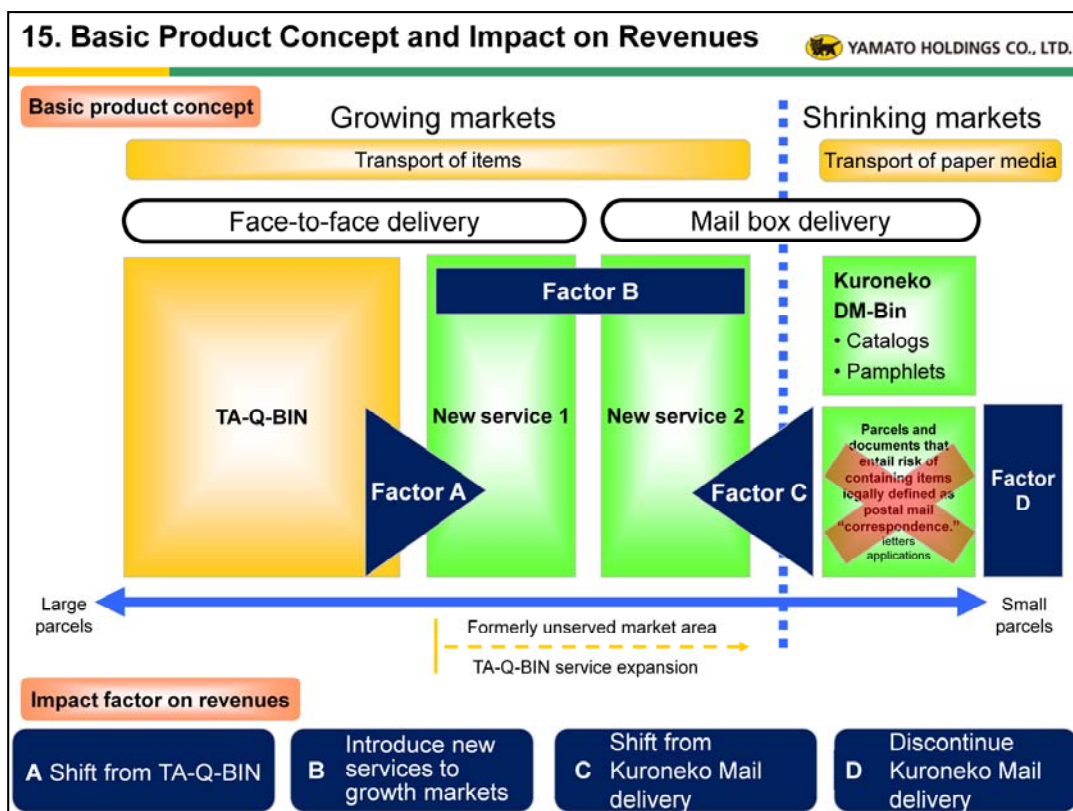
1. There is a shift from consumers seeking luxury goods and hard-to-get items to customers seeking easily-ordered daily goods
2. In addition to customer preferences for specifying parcel delivery time range and pick-up location, there are growing needs for having items delivered to mail boxes.

We will discontinue the Kuroneko Mail service and instead provide new TA-Q-BIN quality services geared toward diversifying customer needs in terms of the growing e-commerce market, C2C market and B2B logistics market.

I am Masaki Yamauchi, Representative Director and President of Yamato Transport Co., Ltd.

I will explain our plans which were recently made public for discontinuing our Kuroneko Mail service along with upgrading and expanding our TA-Q-BIN services.

- (1) As those of you who have seen our press release or read reports from the news media on this matter are already aware, we have decided to discontinue our Kuroneko Mail service which handles delivery volumes in excess of 2 billion parcels annually. Accordingly, we will no longer accept items for Kuroneko Mail service after March 31, 2015.
- (2) The service will be discontinued to eliminate risks posed to customers.
We have decided to discontinue our Kuroneko Mail service based on our conclusion that it would be better to eliminate that area of business given prevailing legal ambiguities with respect to the postal mail "correspondence" designation, particularly as discussions continue in that regard.
- (3) Meanwhile, demand for services that enable individuals to send small, low-value items to other individuals has been increasing, in line with growth in the mail order and auction markets. Having gained a clear understanding of the shifting customer needs in that regard, we plan to offer convenient and dependable services geared to those needs, in a way that only Yamato can.



Next, I will profile our new services and discuss the potential impact of those services on our financial results.

- (1) As shown on this slide under the heading "transport of paper media," we are completely stepping away from any services involving deliveries of "parcels and documents that entail risk of containing items legally defined as postal mail 'correspondence.'" Instead, we will handle "transport of paper media" through our new Kuroneko DM-Bin service, which will be limited to items outside the category of postal mail "correspondence."

Our operations involving "transport of items" will be handled using new service number 1 and new service number 2, in addition to our existing TA-Q-BIN service.

- (2) Four factors with respect to these changes will have an impact on our business operations.

First, "Factor A" will have an impact on our business operations in terms of customers shifting from our TA-Q-BIN service to our new services. Here, there will be a decrease in the unit price, which will have a negative impact on our business operations. However, we think the shift away from our TA-Q-BIN service will be limited, given requirements of the new services for delivering parcels using specialized packaging boxes and other restrictions in the service specifications.

Next, "Factor D" involves the area of business that we will completely step away from, as mentioned earlier. This move will have a negative impact on our business operations.

"Factor C" will have an impact on our business operations in terms of customers shifting from our Kuroneko Mail service to our new services. We will address needs of customers who have been sending items using our Kuroneko Mail service, in terms of their desire for speedier deliveries of items, at greater precision. We will release specifics of this new service at a later date, but for now I will just say that this involves a higher unit price which will have a positive impact on our business operations.

Finally, of the four factors, "Factor B" will have the most significant positive impact on our business operations. This is because we will expand into new lines of business by addressing customer needs that continue to grow, and getting customers to switch over from our competitors.

- (3) Growth in the mail order and auction markets is giving rise to customer needs for services that involve precise and reasonably-priced deliveries of small, low-value items. We anticipate ongoing growth in this business area. Our moves to upgrade and expand our service offerings through these new services will involve meeting customer needs that our existing services have not been addressing. As such, breaking new ground in this regard will contribute toward the company achieving renewed growth.

- (4) We are still in the process of assessing how these changes will specifically affect our operating results. However, we would like to minimize the impact of these changes on our business through efforts geared toward streamlining operations by digitizing shipping labels and introducing specialized packaging materials, and actively marketing our new services.

That concludes my explanation.

These presentation materials (with explanatory notes) and the minutes of the financial results meeting Q&A are posted in PDF format on the Company's website in the Investor Relations section.

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