

# Delivery



**Makoto Kigawa**

Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.

Guided by its basic corporate philosophy of "Total Reliability," the Delivery Business utilizes the business resources of the Group in the Japanese and overseas markets to pursue business development that improves the convenience of customers' lives. In the Japanese market, the Delivery Business aims to achieve further development of its *Takkyubin* service based on a core strategy of introducing business innovations to increase market share, boost services and operations quality, and improve its cost structure. In overseas markets, the Delivery Business is targeting expansion of its *Takkyubin* business in the Asia region.

### Review of Fiscal 2010

In the fiscal year ended March 31, 2010, we realized that there had been a notable contraction in the delivery service market because of the economic recession. Our strategic response was to introduce strategies to maintain our workforce and our network and to make business plans that take into consideration the downsizing in revenues caused by market contraction. Based on a core strategy of introducing business innovations to increase market share, boost services and operations quality, and improve our cost structure, we worked together as a group to establish an overwhelming competitive advantage over our rivals in preparation for when the economy does recover. We also strengthened our cost control capabilities by reforming our in-house structure, such as making our labor costs flexible in conjunction with our pickup and delivery system reforms and further constricting working hours. As a result, although operating revenues declined 3.1% year on year, to ¥966,480 million, we were able to increase operating income 22.3%, to ¥38,071 million.

However, this result reflected a change in our accounting method for airfreight expenses from a gross to a net method that added approximately ¥22.0 billion to both operating revenues and expenses. On a real basis, therefore, operating revenues actually decreased by approximately 1.0%. The change in accounting method had no effect on operating income.

In Japan, our efforts focused on being more oriented to people's lifestyles and regional characteristics. We took steps to support the sales of supermarket clients by offering our *Net Super Support* services and by eliminating shopping inconveniences for customers related to low-density population areas and old age. Specifically, in collaboration with local supermarkets, we made it possible for customers to use our IT infrastructure to place orders to supermarkets through our *NekoPit* terminals, establishing a business model that utilizes our *Takkyubin* service to deliver their purchases. In February 2010, to further reduce the stress of shopping for customers, we introduced a *Takkyubin* Delivery Option service for *Kuroneko Members*. The service sends customers an e-mail message prior to delivery that allows them to select the day, timeslot, and method of delivery of their parcels.

Overseas, our main business activities focused on achieving borderless operations from the perspective of becoming a more global operation. We worked to locally procure raw materials and produce supplies used in our businesses and import those goods to Japan. In addition, we made a full-fledged start to developing our business in the Asia region by commencing *Takkyubin* services in Singapore and Shanghai in January 2010. Preliminary results indicate that the business model used in Japan will be a success overseas as well.

### Strategies in Fiscal 2011

The fiscal year ending March 31, 2011 marks the final year of our three-year medium-term management plan "Create Satisfaction Three-Year Plan." As such, it is a year in which we will complete the old plan as well as one in which we will set the path for our transition to the next three-year plan. During the fiscal year we intend to make great progress by taking full advantage of the opportunities offered to us in the current competitive environment, and to thoroughly solidify our base for business expansion in preparation for a great leap forward under the next three-year plan. We will do so by pursuing two major business strategies. In Japan, we will further increase the quality of our operations to establish an overwhelming

competitive advantage over our rivals. Overseas, we will expand our *Takkyubin* business in the Asia region.

### Japan Market: Achieving an enormous leap in quality through a regional-oriented approach

Guided by the concept of "from home delivery to personal delivery," we will develop convenient services that will make *Kuroneko Members* glad to be members, introduce new services that will please customers in the same way as our *Takkyubin* Delivery Option service, and support the sale of products in regional markets and to elderly people with the combined use of next-generation systems, fully digitized systems, and electric settlement systems. Through these activities we will seek to make our services even more regionally and personally oriented.

We will proceed with network expansion of our *Today Shopping Service*, a direct sales business solution for corporate clients. In fall 2010, we will establish a new base in the Chubu region to complement our operations in the Kanto, Kansai, and Kyushu regions. In some of these regions, we will be developing business solution services combining dispersed inventories, auto-pick factories (automated warehousing), and merge functions that will be able to provide delivery services in as little as four hours. To improve the joint transport services offered by Express Network Co., Ltd., we are going to implement advances to make the network easier to use. Besides expanding the number of routes and areas for which the service is available as well as the number of participating companies, we will pursue further integration of the shared IT system. In other areas, we will make

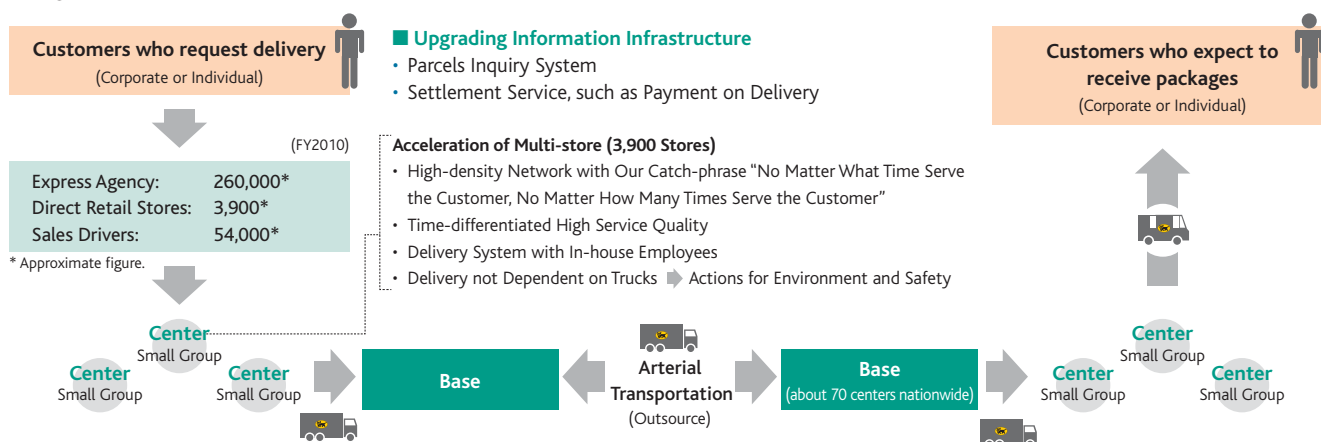
efforts to expand the sales of *S-PAT*, our shared delivery service, by including such value-added content as our *Cool Takkyubin* service and proxy fee collection functions. Another of our goals is to develop businesses that link production and consumption areas throughout Japan. Based on these business activities, we will orient our operations more toward people's lifestyles and regional characteristics.

### Overseas market: promoting and strengthening development of our *Takkyubin* service in Asia

Along with the further expansion and improvement of our overseas network, we will seek to offer the same high-quality and value-added services that we do in Japan and make them available in each country and region. Moreover, we intend to start offering an international *Takkyubin* service between these expanded regions and our existing *Takkyubin* network. We have already renewed our international *Takkyubin* service connecting Singapore, where we have started a *Takkyubin* service, with Taiwan and Japan. In fall 2010, we plan to add Shanghai to our international *Takkyubin* service, with the goal of expanding the *Takkyubin* business in Asia.

As we proceed with these business activities, our strategies to gain a foothold in the international market will be to increase market share and service quality while providing a differentiated service at a reasonable cost. In addition, we will allocate an appropriate amount of staff to deal with customer needs, an area included in the second stage of our cost structure reforms, continuing our efforts to establish an optimum pickup and delivery system.

### Takkyubin Service



## BIZ-Logistics



**Masaki Yamauchi**

Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.

The BIZ-Logistics Business aims to amaze and satisfy its customers and the consumers of its products and services by exceeding their expectations. The business realizes this goal by achieving daily advances in logistics systems as only the Yamato Group can offer them, such as the *Today Shopping Service*, the *Maintenance Support* service, and the *Global Direct* service, all of which are business solutions that fully utilize the Group infrastructure.

### Review of Fiscal 2010

In the fiscal year ended March 2010, operating revenues fell 15.1% from a year earlier, to ¥78,927 million, struggling under the impact of the economic slump. Operating income shed 16.8%, to ¥2,657 million. Taking into consideration the change in our accounting method for airfreight expenses introduced from fiscal 2010, the real decline in operating revenues was 4.2%. There was no effect on operating income.

Although performance was disappointing, the BIZ-Logistics Business achieved major advances in its logistics systems during the period under review. The following are two examples.

In case 1, we expanded and improved the network of the *Today Shopping Service* and strengthened its services. More concretely, we built two new specialized distribution centers called Auto-pick factories (automated warehousing) in Tokyo and Fukuoka. Of the two centers, the Tokyo center used its special feature as a “directly linked *Takkyubin* facility” to launch a “4-hour delivery service” for certain areas, a service that our competitors cannot match.

Using this service, an item on inventory at the center can be delivered to a consumer in as few as four hours from a direct sales order being received. This means that a customer could, for example, order wine or cheese in the morning and have it for dinner at night.

This “4-hour delivery service” is a breakthrough that represents a giant leap forward in consumer convenience for direct sales. Going forward, the BIZ-Logistics Business plans to develop it into one of its core services. Besides building more centers to make the service available to consumers throughout Japan, we plan to introduce the service overseas as part of the development of our *Takkyubin* business.



An Auto-pick factory allows items to be picked out automatically without relying on a human operator

Case 2 concerns our *Global Direct* service. Originally, we began this service as a consumer purchases support service. By having *Takkyubin* service parcel delivery slips attached to items purchased

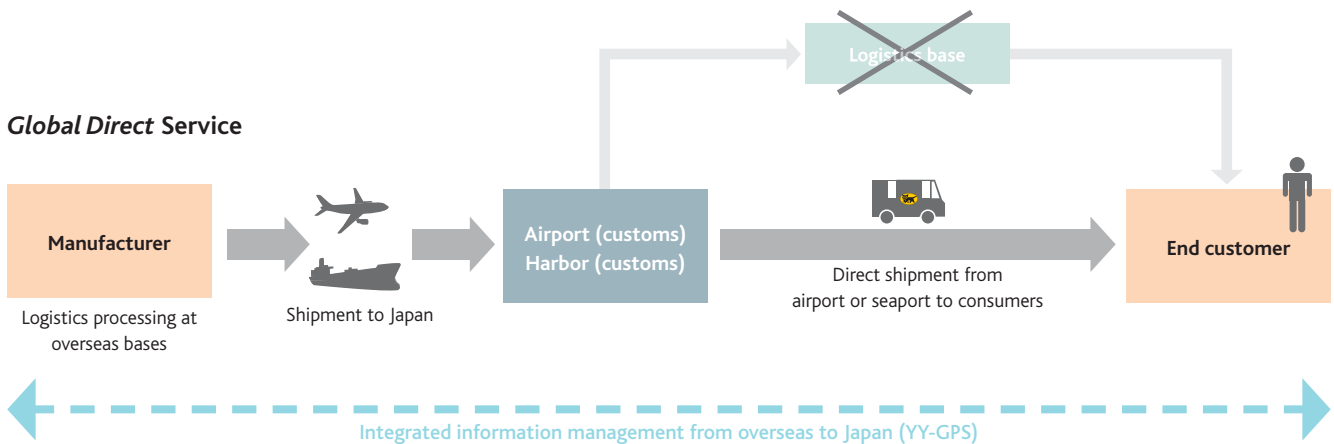
overseas, we achieved the fastest possible delivery times for consumers by delivering the items directly to them following arrival of the items at airports or harbors in Japan. During the fiscal year under review, however, we upgraded this service into an item supply support service for retail outlets. We took this action because of the advantages this service offers retailers in terms of cost reductions through eliminating intermediate logistic route processing and temporary warehousing, shortened lead times, and reduced inventories. Following its introduction, the service has been highly praised by such customers as manufacturers that

deliver products made overseas directly to retail outlets in Japan, and retailers that send dry goods procured overseas to their own retail outlets around the country. In future, we will endeavor to develop the service into one that can handle all varieties of goods, such as fresh foods and pharmaceuticals.

As can be seen, although external factors resulted in performance falling below that of the previous fiscal year, we made significant progress in developing and expanding our businesses.

### Strategies in Fiscal 2011

In the fiscal year ending March 31, 2011, the BIZ-Logistics Business will aim to attain further business development and to amaze and satisfy its customers and the consumers of its products and services. We will do so by achieving daily advances in logistics systems as only the Yamato Group can offer them, such as the *Today Shopping Service*, the *Maintenance Support* service, and the *Global Direct* service, all of which are business solutions that fully utilize the Group infrastructure.



# Home Convenience



**Makoto Hasegawa**  
 Representative Director, President and Executive Officer of  
 Yamato Home Convenience Co., Ltd.

The Home Convenience Business is responsible for offering life environment services that take a step inside the lifestyles of customers. The business is developing and providing comprehensive lifestyle support services that enrich and make more convenient customers' lives not only in the home, but also in the office.

## Review of Fiscal 2010

In our delivery with installation business, a service that not only delivers but also sets up large-sized furniture and consumer electronics goods, we actively endeavored to acquire new customers based on the appeal of our nationwide network and immediate set-up after delivery service.

Moreover, using our technicians and drivers we proactively sought to create a new high value-added market for delivery and installation plus repair, maintenance, and construction services. Examples of our services include installation management system services for environmental protection related housing installation work, and repair and maintenance services for household electronics goods. Through these services, we sought to differentiate ourselves from our rivals by increasing the degree of convenience provided to customers.

Reflecting these efforts, operating revenues grew despite the difficult business environment.

In the moving business, we endeavored to expand our share of the corporate personnel moving market by eliminating the moving inconveniences faced by businessmen and women who have been transferred to a new city or town. We did so by offering our *Tanshin-Hikkoshi* Just Service, which takes advantage of the special strengths of our network to enable the transport of individual moving crates. In addition, as a comprehensive lifestyle support service for people moving households, we began offering the *Kuroneko Leave-It-to-Us Rental service*. This service collects

## Household Takkyubin Service



unwanted furniture and household electronic goods and sells them in recycling shops as well as leasing household electronic goods at a reasonable price to businesspeople living on their own away from their families.

Although operating revenues from the corporate personnel moving market increased substantially, the overall moving business remained at a low ebb because of the contraction in the household moving market as evidenced by the decline in housing starts during the fiscal year.

As a result, operating revenues decreased 5.6% year on year, to ¥50,351 million. We took various steps to reduce operating expenses, including reforming our business structure to improve efficiency by restructuring the organizations of our set up and moving businesses and merging them into a single operation and improving services. We also cut subcontracting expenses by promoting more in-house handling of areas where delivery services are usually subcontracted. Although operating expenses did contract 4.4% year on year, it was insufficient to offset revenue decline, and the Home Convenience Business suffered an operating loss of ¥701 million.

### Strategies in Fiscal 2011

In the fiscal year ending March 31, 2011, we will continue to expand our share of markets in which we can take advantage of our network's strengths, which have advanced from last year. We will also develop new services into businesses.

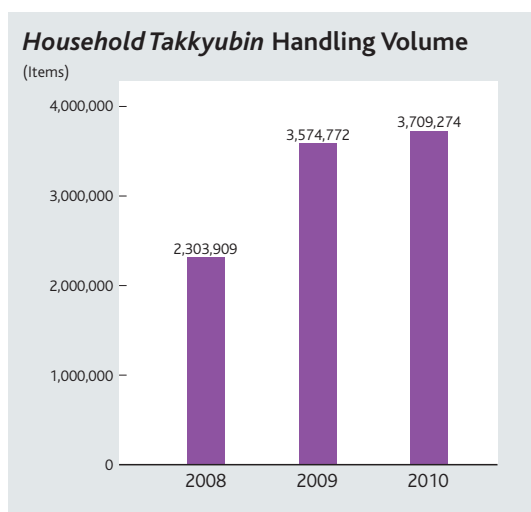
We believe that the key words for the success of our strategies are network, technological capabilities, and eco-friendly. In our delivery with installation business, we will offer solution models that directly link manufacturers and consumers. Examples of such solutions are our repair logistics service, which eliminates the tradeoff between improving the after-sales services of the manufacturer and reducing distribution costs, and solutions that separate commercial distribution from physical distribution in the furniture and electronic appliances distribution markets. In our moving business, we will continue to expand our market share by achieving greater convenience for customer and we will lower costs in the business personnel moving market.

Because of the growing awareness of global environmental issues, there has been a surge in the development and

popularization of energy-saving houses and household electronics. With the Government of Japan subsidizing purchases to promote their use, there is a growing market for these products. We believe that our business can use its strengths to gain an advantage in the eco-friendly housing market by offering a total service that includes procurement in addition to our delivery with installation plus construction services. As a moving and lifestyle support service, our recycling and rental business also has strong market potential.

In terms of developing technological capabilities into one of our strengths, we have established our own technological capability qualification standards to be used in the development of our technicians and drivers who make up the core of our technological strength. Based on those standards, we will continue our development and training programs with the goal of upgrading and expanding technician and driver skills.

Although we expect that the currently difficult market conditions will continue, we will aim to implement innovative logistics system reforms to make the lives of our customers more comfortable. Our goal will be to achieve sustainable growth by offering a wide range of services that provide greater convenience for customers and by increasing our corporate value.



# e-Business



**Kenji Minaki**  
 Representative Director, President and Executive Officer of  
 Yamato System Development Co., Ltd.

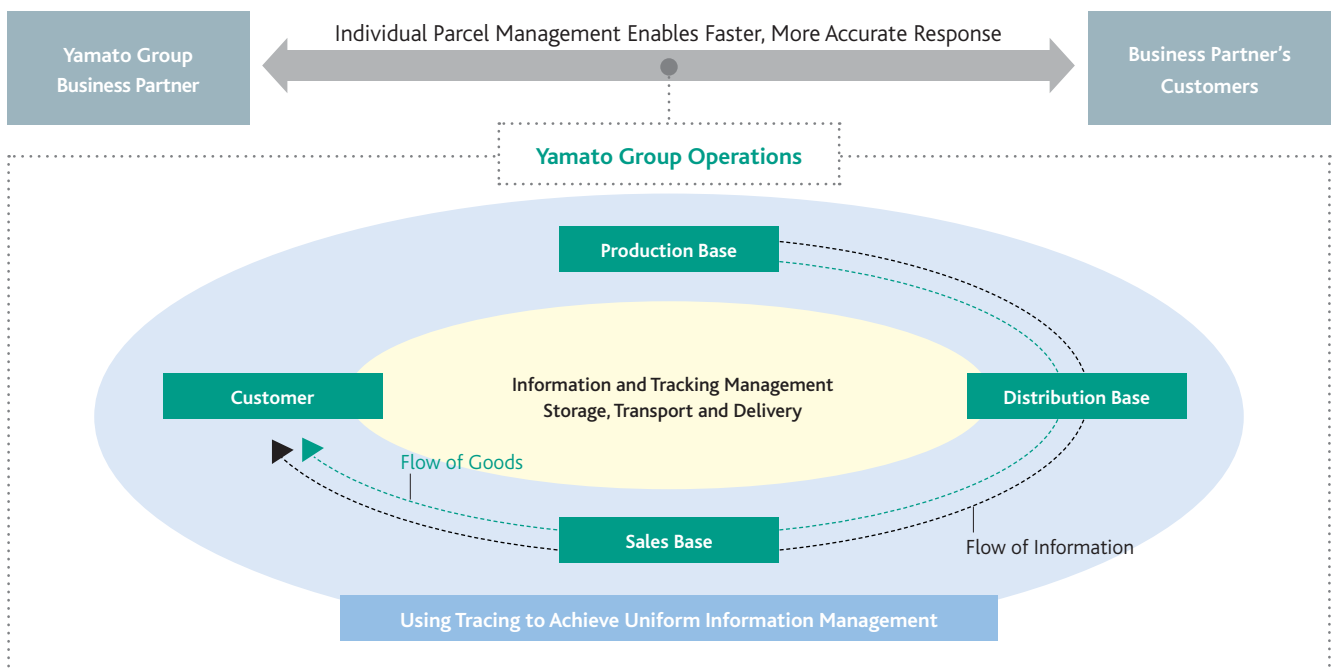
Our e-Business is involved in a range of information services for corporations, including application service provider (ASP) services and information system development. Using information and communication technology (ICT), the e-Business works in partnership with customers in promoting efficient business processes. Based on these services, the e-Business provides solutions for potential business problems and proactively proposes solutions that result in sales growth and cost reductions for customers.

## Review of Fiscal 2010

During the year under review, the e-Business contributed to improving the efficiency of its customers' business processes by providing ASP services, developing information systems, and other actions. At the same time, we actively suggested solutions for potential business problems to our customers. Furthermore, keeping up with the aggressive business development of the Yamato Group, we developed and operated Group systems.

Along with the Group's development of the *Takkyubin* business in Asia, we created an ASP-type *Takkyubin* system and provided services in Singapore and Shanghai, China. In setting up the Group's new in-house IT system, the 7th generation *NEKO* system, we converted the communications format of our portable POS terminals to a wireless data transmission system for mobile phones to supply service functions to the many electronic money settlement systems under our roof and to improve the productivity of vehicle drivers. In addition, we established a relay system to provide settlement information to our customers in the electronic money business.

## e-Logistics Tracing Solution



Our e-direct sales solution business, which develops business outside the Group, took steps to develop the “net supermarket” business, in which we expect demand will expand. The business targeted retail business customers, such as supermarkets and department stores, in expanding its *Net Super Support* service, a comprehensive service offering Web system creation, delivery of items, and collection of payments. Taking advantage of the multi-functionality of the Yamato Group, this service has gained a strong reputation for its overall power as a service that deals with the underlying social trends of an aging society and the depopulation of rural areas. Consequently, business is expanding firmly.

In our e-logistics tracing solution business, we worked to provide services that contribute to the reduction of customers’ inventories and costs through the integration of distribution and information functions. Business expanded in the fiscal year under review along with robust sales of our *Sales Promotion Materials On-Demand* and *SCM Tracing* services. The former supports improved sales efficiency and inventory reductions by providing management, on-demand printing, and just-in-time delivery of customers’ sales promotion materials. The latter is a supply-chain management tracing service that contributes to lower inventories through individual parcel management of customers’ manufactured products.

Revenues of the IT operating solutions business increased on the strength of expanded demand for its *PC Life Cycle Service*, which increases the efficiency of customers’ PC management operations. The business provides a full service for customers’ personal

computers throughout this life cycle, from purchasing to disposal, and including installation and setting up of software, delivery, on-site installation, operating support and maintenance services.

Although the measures mentioned above supported expansion in Internet direct sales and tracing services and in services for the credit card industry, the current curtailing of IT capital investments by corporate clients reduced overall demand. As a result, operating revenues edged down 0.6% year on year, to ¥32,094 million, while operating income slid 0.7%, to ¥6,016 million.

### Strategies in Fiscal 2011

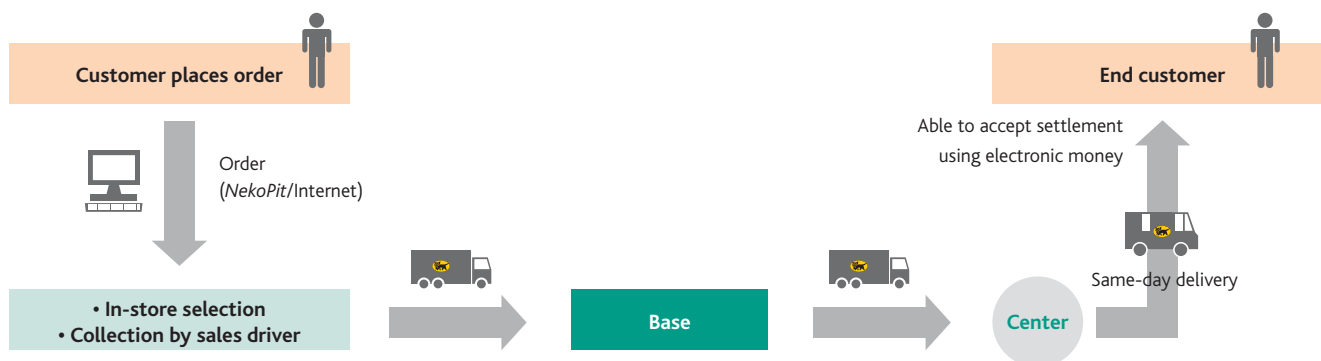
Our first strategy is to transfer and develop the high-quality *Takkyubin* system developed in Japan to countries in Asia in support of the Group’s development of its *Takkyubin* business in Asia.

Next, to further increase the number of businesses involved with e-Business formation, we plan to create multiple solution units (SUs), our seeds for new business, and commercialize them.

Our third strategy is to use ICT to nurture a workforce that can drive the development of the Yamato Group. Utilizing ICT, we will develop human resources with the capability of creating total solutions that combine logistics technology (LT) and financial technology (FT), dispersing them throughout the Group.

Going forward, we will strive for superior ability to use the combined power of the Group in our business, continuing to offer new solutions that contribute to improved efficiency in the business processes of our customers.

### Net Super Support Service





# Financial



**Kenichi Shibasaki**  
 Representative Director, President and Executive Officer of Yamato Financial Co., Ltd.

The Financial Business is currently expanding from delivery settlement services to business-to-business logistics settlement. During the year under review, the business took steps to respond with a wide array of settlement methods tailored to customer requirements.

## Review of Fiscal 2010

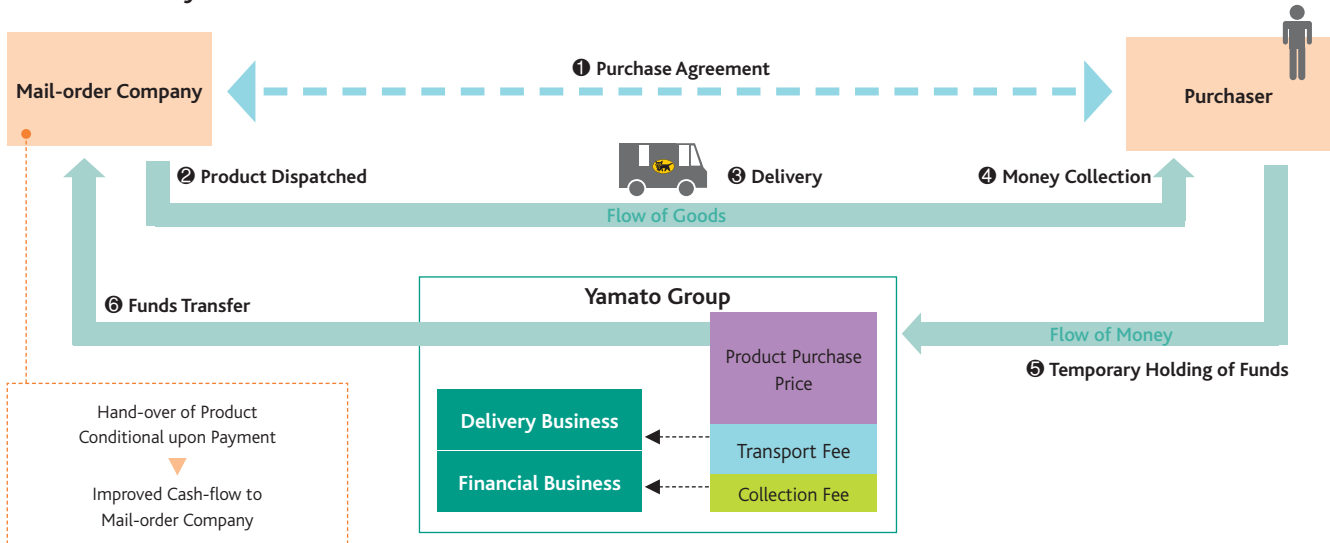
The Financial Business proposes total comprehensive solutions for mail-order companies that offer greater convenience for purchasers (end-users) and an improved business environment for the mail-order companies. To provide greater convenience to purchasers, our high-quality *Takkyubin Collect* service offers customers who use mail-order shopping the same secure, comfortable shopping environment they have when shopping in a store.

Purchasers who are satisfied with the service become repeat customers, and mail-order companies who develop a good reputation gain new customers, which leads to higher revenues.

To improve the business environment for mail-order companies, we offer support in building mail order systems, while also offering systems for reducing costs relating to settlement processing. The proposals we make to increase revenues and cut costs improve the business performance of corporate customers. Moreover, we continue to pursue greater convenience in methods of payment, actively promoting electronic money payments in addition to payments by cash, credit or debit card.

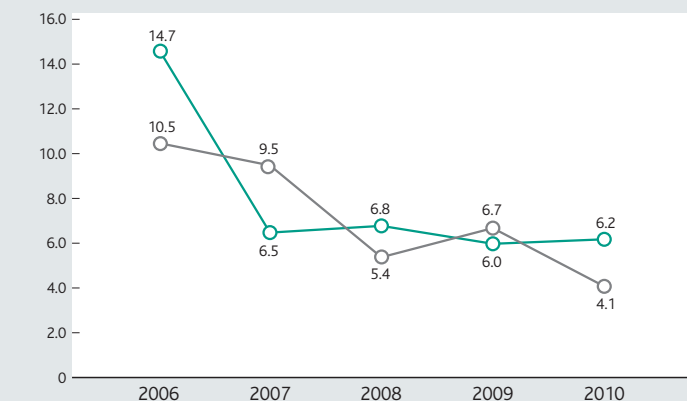
Surveys indicate that one in five users of electronic money chooses to shop at stores that accept electronic money, and that one in four users would like to be able to use electronic money to make payments for Internet shopping.

## Cash on Delivery Service



## The Growing Mail-order Sales Market and *Takkyubin Collect*

(%)



○ YoY growth in mail-order sales    ○ YoY growth in *Takkyubin Collect* parcel volume

Source: The Japan Direct Marketing Association

Yamato Financial introduced systems for making payment by electronic money for the *Takkyubin Collect* service using a PC or mobile phone in November 2007. Since then the scope of users has expanded, and in June 2010 we introduced a single terminal able to process multiple electronic money settlements, and launched a service allowing recipients to pay by electronic money at the time of delivery.

Operating revenues for this segment for fiscal 2010 were ¥52,659 million, down 1.8% year on year, partly because of the tightening of relevant laws in the shopping credit business despite healthy numbers of settlements in the *Takkyubin Collect* service. Operating income for the Financial segment declined 2.3% to ¥10,260 million.

### Strategies for Fiscal 2011

The Financial Business will continue to work on creating convenient, user-friendly services to suit a range of settlement scenarios for all corporate customers and end-users in regional areas. Specifically, we will focus on two themes.

First, for our corporate clients we will propose optimal solutions for innovating logistics operations, thereby contributing to a flourishing mail-order shopping market and comfortable lifestyles supported by mail-order shopping.

Second, the electronic money settlement market is estimated to be worth around ¥7 trillion, and we expect that going forward the major part of this market will be settlements for small amounts here in Japan. We will therefore work to expand the markets for electronic money and transactions even further.



Drivers can take payments by credit card on delivery, right on the customer's doorstep

## Truck Maintenance



**Keishiro Sasaki**

Representative Director, President and Executive Officer of Yamato Autoworks Co., Ltd.

Since October 2003, the Truck Maintenance Business has operated in-industry vehicle maintenance plants for logistics companies. Over the years, the business has expanded the industry's first maintenance service into a 24 hours a day, 365 days a year, membership service that enables customers to service their vehicles without stopping operations, schedule automobile safety inspections, and have routine check-ups. Based on the perspective of "Transform inconvenience into convenience from the customer's standpoint"—the corporate DNA of the Yamato Group—the business offers one-stop services that go beyond vehicle maintenance to include body and tire maintenance, inspection consultations and fuel supplies. These total vehicle management services are designed to vitalize the logistics businesses of customers.

### Review of Fiscal 2010

In the fiscal year ended March 2010, our operating revenues amounted to ¥16,002 million, while operating income was ¥1,649 million. These figures represent declines in revenues and profit because we were unable to compensate for the downturn in the economy, particularly the slumps in domestic haulage and in fuel demand, and for the dramatic fluctuations in the diesel oil market.

The number of automobile safety inspections done for companies outside the Yamato Group totaled 30,565 vehicles, up 25.0% from the previous fiscal year and supporting growth in overall operations.

During the fiscal year under review, we opened two high operating efficiency *Superworks* vehicle maintenance plants in the Tokyo metropolitan area and one in the Osaka area. With these additions, 18 of our 70 vehicle maintenance plants are *Superworks* plants. We expect that the strengthening of our vehicle maintenance plant network will result in growth in our customer base.

### Strategies in Fiscal 2011

In the fiscal year ending March 2011, we will endeavor to upgrade our business into a comprehensive consulting service guided by the key words of "vehicle management." We intend to expand and improve our services by shifting our viewpoint from vehicle maintenance to business management support.

As a start, we will launch a 12-month fixed payment tire management service. The service charges will be based not on the frequency of occurrence of tire problems, but will offer a scheme that allows the customer to set a budget for tire maintenance. Consequently, the new service will contribute to improvement in customers' cash flow.

Based on the introduction of this new scheme, we expect to acquire new maintenance contracts for 25,000 vehicles. For the fiscal year ahead, our performance targets in the one million vehicle strong commercial truck market will be 150,000 vehicles under management, 75,500 automobile safety inspections, and a 21.0% increase in the number of vehicles serviced for non-Group companies.

## Superworks Locations

18 locations in total (as of March 31, 2010)



A mechanic services a customer's vehicle at a highly efficient Superworks vehicle maintenance plant

### Basic Concepts—The Four “Cs”

Yamato Autoworks pursues one-stop services for vehicles based on observing the four “Cs.”

The first “C” is Compliance. Using our *Repairworks* mobile plants that enable vehicle inspections in customers' garages, we have contributed to improving the completion rate for statutory vehicle inspections of our customers. We also offer a Manager Development Support Program for G Mark and Green Management certified operations.

Next, we have Convenience. Based on this concept, we support improvement in operating rates for commercial vehicles by promoting a shift to night-time working hours and operating 24 hours a day, 365 days a year in order to

carry out vehicle inspections when the vehicles are not in operation. In addition, we have introduced a Large Vehicle 3 Hour Service and expanded the items on our “on-the-go” maintenance services menu.

Our third “C” stands for Cost reduction. By increasing the completion rate for statutory vehicle inspections, we have made it possible to implement preventative maintenance, which helps limit occurrences of unexpected costs.

Finally, we have Clean. Guided by this concept, we support our customers' efforts to deal with environmental issues through such measures as installing LED or other low-energy consumption lights and recommending the use of rebuilt parts.

### Industry Analysis

Since the freight market in Japan is continuing to shrink, the total haulage and number of trucks will also likely decline. However, since we have entered a period where logistics companies must carefully use each vehicle and pursue higher operating rates, the number of years that companies operate

their trucks and buses as well as their useful lives will certainly increase. As a business that emerged from the maintenance department of a logistics company, we will contribute to the truck and bus maintenance market by creating schemes that increase the useful life of trucks and support their efficient and effective use.

# Other

With respect to the "JITBOX Charter" service, the Yamato Group took aggressive marketing approaches, supported by a sales structure composed of 15 Group companies, to promote market penetration of its product characteristics including just-in-time and frequent, right-volume delivery by transport box.

Although handling volume for fiscal 2010 decreased due partly to sluggish shipment movements as a result of production adjustments by companies, fourth quarter volumes were up year on year, and we saw signs of a recovery.

Operating income in other businesses, excluding dividends and other payments which Yamato Holdings received from Group companies, increased 34.4% to ¥1,872 million.



JITBOX Charter

