Management's Discussion and Analysis

Scope of Consolidation

At the end of the fiscal year ended March 31, 2009 (fiscal 2009), the Yamato Group consisted of Yamato Holdings Co., Ltd. (the Company), 44 subsidiaries, and four affiliated companies.

The number of subsidiaries included in the consolidated statements was 29 at the previous fiscal year-end, but increased to 32 at the end of fiscal 2009. Three subsidiaries which have increased in importance have been added to the scope of consolidation from fiscal 2009: Yamato Global Express Co., Ltd., which took over express operations from Yamato Transport, Co., Ltd., Yamato Global Logistics Japan Co., Ltd., which took over international distribution service operations primarily in forwarding for the BIZ-Logistics business, and Yamato Multi-Maintenance Solutions Co., Ltd., which took over maintenance operations from Yamato Logistics Co., Ltd. There were no affiliates accounted for by the equity method at the end of the period under review.

Results of Operations

In the fiscal year ended March 31, 2009, the business environment remained extremely challenging as a result of the sudden economic deterioration triggered by the global financial crisis.

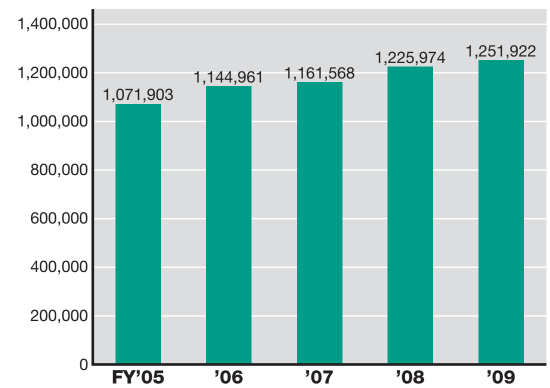
Under these conditions, the Yamato Group rallied together to actively develop business under the "Create Satisfaction Three-Year Plan," which began in the fiscal year under review. These efforts included creating a solutions business geared toward corporate clients, combining logistics technology (LT), information technology (IT), and financial technology (FT).

In particular, in the Delivery business, the Group sought to boost cost-competitiveness and enhance service at the same time by reforming *Takkyubin* operations to improve productivity, while aiming to further strengthen the management base with a view to realizing sustained growth.

As a result, consolidated operating revenues for the year amounted to ¥1,251,922 million, up 2.1%, from the previous fiscal year. Operating income, however, was down 18.3% year on year to ¥55,721 million. Ordinary income was ¥57,822 million, 18.1% lower than the previous fiscal year. Net income fell 27.8%, to ¥25,523 million.

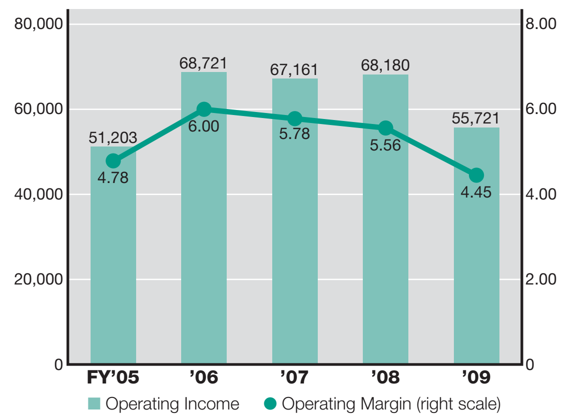
Operating Revenues

(Millions of Yen)



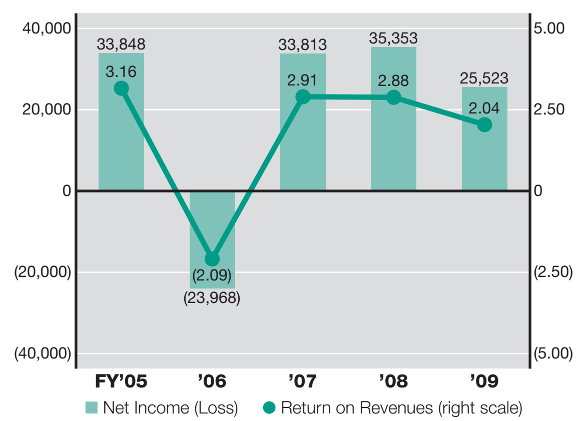
Operating Income / Operating Margin

(Millions of Yen, %)



Net Income (Loss) / Return on Revenues

(Millions of Yen, %)



Review by Operating Segment

Creation of New Business Category

Starting from the fiscal year ended March 31, 2009, the Truck Maintenance business has been added, reflecting the strong performance and expectations for further growth of the vehicle maintenance operations previously accounted for under Other business.

Delivery

The Delivery business faced a challenging business environment due to the sudden economic deterioration triggered by the global financial crisis. Nevertheless, the door-to-door parcel delivery market as a whole remained relatively firm, falling only 0.6% year on year.

The Yamato Group struggled with lower unit prices for *Takkyubin* services, which affected revenues. Due to efforts to minimize the drops in unit prices, total delivery volume only nudged down 0.3% from the previous fiscal year to 1,232 million parcels, although marking the first year-on-year decline since the launch of *Takkyubin* services in 1976.

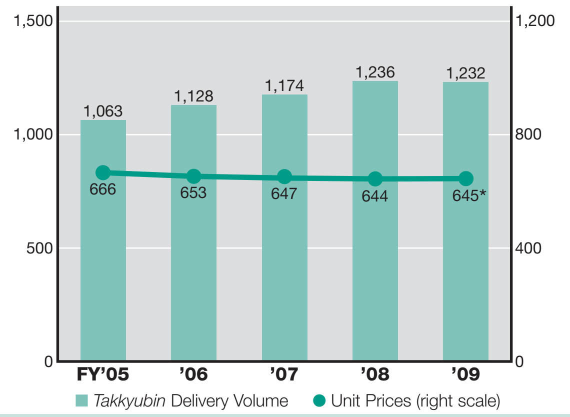
In *Kuroneko Mail* services, total handling volume rose by 1.2% to 2,231 million units thanks to comprehensive proposal sales offering value-added products such as printed enclosures, seals, and provision of address label printing software.

Management believes it has achieved a certain level of success in aggressively pursuing cost competitiveness through reforms to the *Takkyubin* operations, and for the Group's ability to limit costs in line with revenues, particularly in the second half. The same is true for the gradual effects of the solutions business geared toward corporate clients fusing logistics technology (LT), information technology (IT), and financial technology (FT).

As a result, operating revenues in the Delivery business were ¥997,898 million, a slight increase of 1.7%, falling short of target. As a result, despite cost-reduction effects achieved through increased productivity, operating income fell to ¥31,123 million, down 21.9% year on year.

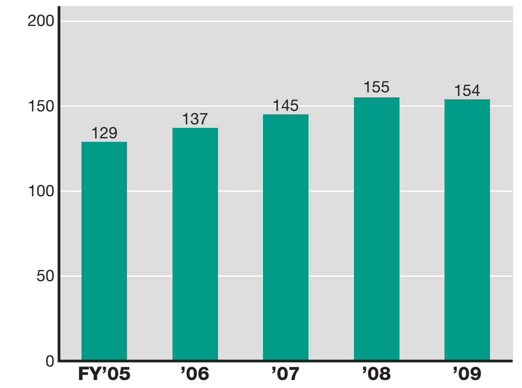
Takkyubin Delivery Volume / Unit Prices

(Millions of Parcels, Yen)



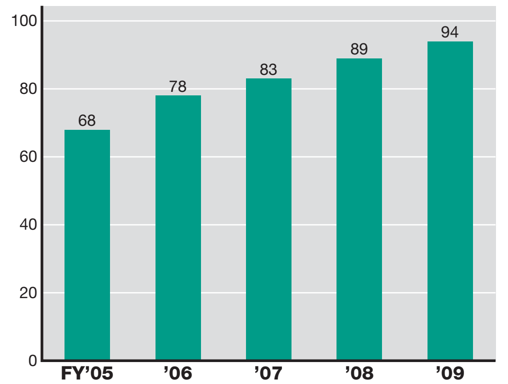
Cool Takkyubin Handling Volume

(Millions of Parcels)



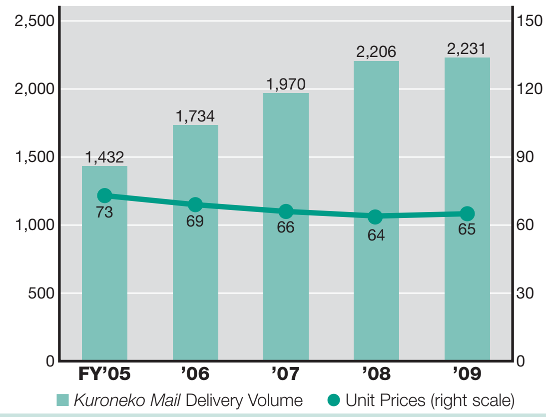
Takkyubin Collect Handling Volume

(Millions of Parcels)



Kuroneko Mail Delivery Volume / Unit Prices

(Millions of Units, Yen)



* In line with the division of the express business, starting from the fiscal year under review, this figure includes the ¥2,960 million for parcels delivered by Yamato Global Express. If calculated on the same basis as last year, the unit price for the previous fiscal year would be ¥643.

BIZ-Logistics

BIZ-Logistics leverages logistics technology (LT), information technology (IT), and financial technology (FT) to create a business model that supports customers' sales and production operations, and aggressively developed sales.

In the domestic sales of logistics services, performance was strong in the *Today Shopping Service* solution model for corporate clients, which supports sales through shortened lead-times and by lowering costs through dispersed inventories and consolidated shipping. The *Multi-Maintenance* solution for manufacturers, which reduces the lead-time for consumers for repair or maintenance, also performed strongly. In the wake of the sudden economic recession, however, trade logistics services, which supports international exports, saw lower revenues as a result of decreased export volume, particularly to the U.S.

As a result, operating revenues in the BIZ-Logistics segment dropped 2.9% to ¥92,947 million, while operating income fell 37.9% to ¥3,195 million.

Home Convenience

In September 2007, the Yamato Group integrated MOVING CO., LTD., working to achieve steady market penetration by leveraging the Group's nationwide delivery network in the Installation Delivery service, which combines a household appliance and furniture delivery function with a technical installation component.

In the moving services business, the Group sought to strengthen its competitiveness by revamping its moving services lineup in October 2008, hoping to take advantage of its network to attract corporate customers through box-unit shipping. Amid the overall slump in the moving industry, however, the business was not able to generate a profit.

As a result, operating revenues in the Home Convenience segment rose 8.9% to ¥53,315 million. However, the segment posted an operating loss of ¥340 million.

e-Business

In the e-Business segment, the Group promotes its sales support solution model, in which the Group leverages logistics technology (LT), information technology (IT), and financial technology (FT) under the keywords of 'tracking,' 'security,' and 'package,' providing high quality at a low cost and with short introduction times.

In the Internet supermarket field, where demand is projected to grow, the Group took steps to seize this business opportunity as early as possible. To this end, it created a business support system for supermarkets that can be implemented quickly and at low initial cost.

Operating revenues in the e-Business segment declined 1.6% to ¥32,273 million, while operating income fell 2.7% to ¥6,059 million.

Financial

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 increasingly diverse settlement methods tailored to customer requirements.

For customers involved in the mail-order business, in August 2008 the Group launched the PC-based version of *Kuroneko web Collect*, a comprehensive web-based settlement service. In March 2009, a mobile version was added to enhance the convenience of the service, in addition to other steps to promote business development and lead to increased sales power for mail-order companies.

Operating revenues in the Financial segment rose 4.2% to ¥53,608 million, while operating income dropped 3.8% to ¥10,506 million, due in part to various costs.

Truck Maintenance

The Truck Maintenance business expanded its business by providing year-round, 24-hour a day vehicle servicing to support customers operating truck and bus transport.

The Group aggressively expanded the number of vehicle service locations. Four new facilities were added, including the Chiba Superworks facility, which began full-fledged operations from July 2008, bringing the total number of locations to 13 as of March 31, 2009.

In addition, a Vehicle Management System was launched, allowing member clients to view managed vehicle servicing histories on the Web. Through these and other measures, the company strove to enhance convenience to customers.

Operating revenues were ¥17,555 million, up 54.0% year on year. Operating income however decreased by 16.9% to ¥1,711 million due to increased costs resulting from up-front investments.

Other

The *JITBOX Charter* service, which provides just-in-time, high-frequency, right-volume delivery by transport box for customers distributing goods between companies, aggressively sought to expand sales through its sales structure based on a group of 15 companies. From the second half of the year, however, the number of deliveries fell under the impact of slower shipments due to corporate production adjustments.

Excluding dividends received by Yamato Holdings Co., Ltd. from Group companies, operating income amounted to ¥1,392 million, up 163.9% from the previous fiscal year.

Financial Review

Operating Costs

In fiscal 2009, the Company recorded consolidated operating costs and expenses of ¥1,196,201 million, up 3.3%, from the previous fiscal year. Significant components of the operating costs were as follows.

From the fiscal year under view, the express business of Yamato Transport Co., Ltd. has been handled by Yamato Global Express Co., Ltd. The resulting subcontracting expenses are as follows.

The chart below includes the impact of the division.

Breakdown of operating costs (Millions of Yen)

Years ended March 31	2008	**2009**	Change
Personnel expenses	¥ 609,994	**¥ 621,115**	¥ 11,121
Subcontracting expenses	430,023	**490,941**	60,918
Vehicle expenses	38,946	**41,664**	2,718
Other expenses	256,668	**248,258**	(8,410)
Elimination of internal procurement costs	(177,837)	**(205,777)**	(27,940)
Total	¥1,157,794	**¥1,196,201**	¥ 38,407

Significant components of the operating costs excluding the impact of the division of the express business were as follows.

(Reference) Breakdown of operating costs (Millions of Yen)

Years ended March 31	2008	**2009**	Change
Personnel expenses	¥ 609,994	**¥ 619,077**	¥ 9,083
Subcontracting expenses	430,023	**436,074**	6,051
Vehicle expenses	38,946	**41,664**	2,718
Other expenses	256,668	**258,313**	1,645
Elimination of internal procurement costs	(177,837)	**(186,440)**	(8,603)
Total	¥1,157,794	**¥1,168,688**	¥10,894

Net Income

In fiscal 2009, income before income taxes and minority interests decreased ¥18,600 million, or 27.5%, to ¥48,996 million. Income taxes declined ¥8,098 million, to ¥23,349 million.

After deducting income taxes of ¥23,349 million and minority interests of ¥124 million, net income was ¥25,523 million, down ¥9,830 million, or 27.8% year on year. As a result, net income per share was ¥57.60, and return on equity (ROE) was 5.4%.

The annual dividend was ¥22.00 per share.

Cash Flows

Operating Activities

Net cash provided by operating activities in fiscal 2009 amounted to ¥84,463 million. Major factors included ¥48,996 million in income before income taxes and minority interests, as well as ¥42,697 million in depreciation and amortization.

Investing Activities

Net cash used in investing activities totaled ¥23,095 million. This mainly reflected ¥36,986 million in purchases of property, plant and equipment, partially offset by a ¥13,160 million gain on sale of investment securities.

Financing Activities

Net cash used in financing activities was ¥28,830 million. This was primarily due to ¥10,387 million in dividends paid and a ¥13,809 million decrease in loans.

Financial Condition

At March 31, 2009, total assets amounted to ¥869,606 million, down ¥4,613 million from a year earlier. This was mainly due to recording of ¥9,092 million in lease assets as a result of the application of the accounting standard for lease transactions, which was outweighed by a ¥15,650 million decrease in installment receivables in the Financial business.

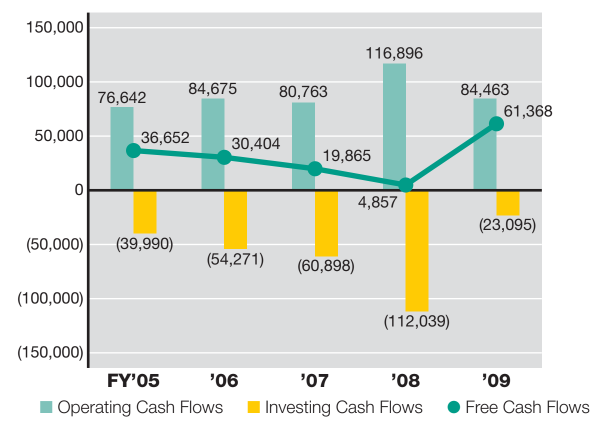
Liabilities totaled ¥383,347 million, down ¥14,888 million from the previous year-end. This was due primarily to a decrease of ¥13,806 million in short-term bank loans and long-term debt.

Total equity at March 31, 2009 amounted to ¥486,259 million, up ¥10,275 million from the previous fiscal year-end. This was due mainly to an increase of ¥15,324 million in retained earnings resulting from ¥25,523 million in net income and ¥10,193 million in payment of cash dividends.

As a result of the above, the equity ratio rose from 53.3% to 54.7%.

Operating and Investing Cash Flows / Free Cash Flows*

(Millions of Yen)



* Free Cash Flows = Operating Cash Flows + Investing Cash Flows

Capital Expenditures

Capital expenditures in fiscal 2009 totaled ¥45,856 million, down ¥78,976 million, or 63.3%, from the previous fiscal year. The following is a breakdown of capital expenditures.

(Millions of Yen)

	2008	2009
Delivery	¥106,991	**¥33,923**
BIZ-Logistics	1,437	**2,153**
Home Convenience	375	**627**
e-Business	606	**3,824**
Financial	13,503	**1,912**
Truck Maintenance	–	**3,099**
Other	1,912	**292**
Eliminations or Corporate	8	**26**
Total	¥124,832	**¥45,856**

Major changes in the delivery business network are detailed below.

Network

	2008	2009	Increase/ Decrease
Number of vehicles	52,947	**52,287**	(660)
Number of delivery channels	13,391	**13,301**	(90)
Number of sub-agents	274,924	**266,896**	(8,028)

Forecasts for Fiscal 2010

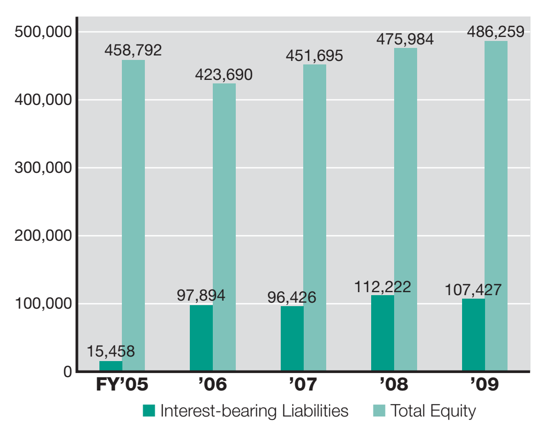
The domestic economy is expected to see negative growth in the shadow of global-scale economic deterioration, and conditions are set to remain challenging going forward.

The Yamato Group, however, sees changes in the supply chain and general consumer purchasing styles as a business opportunity. Going forward, the Group will work to further differentiate itself by creating a solutions business geared toward the high growth-potential area of corporate clients, combining logistics technology (LT), information technology (IT), and financial technology (FT) and increasing market penetration of the *Kuroneko Members* individual members' service. At the same time, aggressive efforts will be made to promote stronger cost-competitiveness through productivity-enhancing reforms to *Takkyubin* operations.

Management forecasts operating revenues of ¥1,227 billion, operating income of ¥58.5 billion, ordinary income of ¥61.0 billion, and net income of ¥31.5 billion for fiscal 2010.

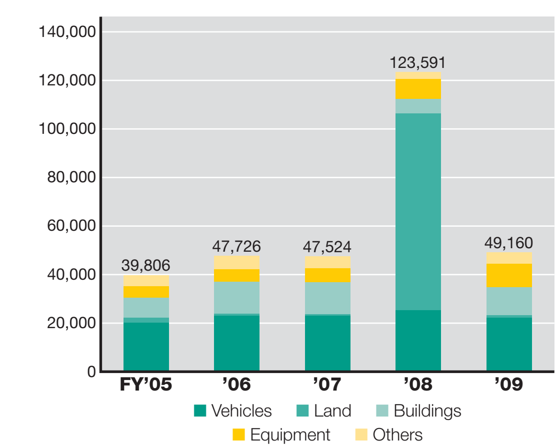
Interest-bearing Liabilities / Total Equity

(Millions of Yen)



Capital Expenditures

(Millions of Yen)



Note: Total capital expenditures for 2008 include the expenditures related to Haneda Logistics Terminal of ¥81,190 million.

Major Risk Factors

The Yamato Group believes that the following matters related to the implementation of the Group's business operations may have a significant impact on the decisions of investors. It should be noted that forward-looking statements in this document are based on information available as of March 31, 2009.

(1) Legal Regulation

The Group's business activities could be restricted by law or ordinance, resulting in a decline in sales and an increase in costs to achieve legal compliance.

(2) High Dependency on *Takkyubin* Business for Operating Revenues

1. The rate of growth in the home delivery market could slow due to domestic economic trends, the natural environment, including inclement weather conditions, changing customs with regard to sending midsummer, year-end and other gifts, or other factors.
2. Unit prices could decline beyond the range expected and the Group's customers could switch to its competitors as a result of fierce price competition among companies in the industry.

(3) Securing Human Resources

The Yamato Group could be unable to continuously hire competent staff, allocate staff to appropriate positions, and keep employees in the Group by developing a good work environment and improving training and education systems.

(4) Leakage of Business Know-how Resulting From Personnel Leaving the Group

Various kinds of know-how, such as ways to develop new products and methods of building networks, could be leaked outside the Group when personnel leave their employment and it may not be possible to effectively prevent a third party from providing similar services.

(5) Loss of Trust in the Yamato Group

An incident such as damage to or loss of packages entrusted to *Takkyubin* or *Kuroneko Mail*, or a similar major flaw in services or products could lead to a loss of society's trust in the Group.

(6) Leak of Customer Information

Leakage of information outside the Group due to negligent controls over customer information or similar could lead to a loss of society's trust in the Group or a claim for payment of damages.

(7) Administrative Sanction and loss of Social Trust as a Result of a Major Traffic Accident

1. A major traffic accident could occur, leading to a decline in the degree of social trust accorded to the Group.
2. The Group could be placed under government sanction and ordered to halt use of vehicles, and offices could be required to halt business or their business permissions could be revoked, causing discontinuities or cessation of business.

(8) Official Regulation due to Environmental Issues

Unexpectedly strict environmental regulations could be enacted.

(9) Natural Disaster, Power Outages, Etc.

Roads and other infrastructure could be damaged as a result of a natural disaster, or cargos could become stalled if electric power supply is cut off due to a natural disaster or power outage.

(10) Computer Viruses and Criminal Hacking Activity

The Yamato Group could be subject to an unanticipated regional disaster, computer virus infection, or attack by hackers.

(11) International Factors

1. The geographical regions where the Yamato Group or its main business partners are active could be subject to acts of terrorism, war or other international conflicts, or spread of disease such as new strains of influenza.
2. The stable supply of diesel or other fuel could be restricted due to international events, or fuel prices could remain persistently high.

(12) Credit Exposure Management and Interest Rate Fluctuations

1. Personal bankruptcies could remain at a high rate due to economic trends and other factors, making increases in the cost of credit exposure management likely.
2. It could become difficult to absorb the rising cost of funding procurement due to greater-than-anticipated, sharp increases in long- and short-term interest rates.