

## To Our Shareholders

The Yamato Group has developed products and services for further improving customer convenience under a management philosophy that aims to “help 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.”

Moreover, our long-term *DAN-TOTSU Management Plan 2019* was formulated in January 2011, based on this philosophy.

Since then, we have developed our businesses along the theme of striving for “more globalization” while remaining “in close touch with the lives of local residents.” In doing so, we have endeavored to become Asia’s No. 1 solution provider in distribution and lifestyle support by fiscal 2020, when we will be celebrating our 100th anniversary.

In the year ended March 2014, the final year of the first *DAN-TOTSU Three-Year Plan HOP* phase of our long-term plan, our operating climate was underpinned by continued expansion of e-commerce markets, and marked by a recovery in personal consumption, corporate earnings, and the job market in Japan.

Under this operating climate, the Yamato Group responded to ever-evolving customer needs by further enhancing the *TA-Q-BIN* and other existing businesses, while developing new business lines by comprehensively leveraging Group management resources.

In particular, we succeeded in growing our solutions business, which the Group pioneered as an organic out-crop of rigorously combining consumer differentiation strategies with non-delivery businesses. As a result, the Yamato Group enjoyed a year in which our presence in the growing e-commerce market increased dramatically.

Moreover, in July 2013, we announced a new “*Value Networking*” design as a pillar for underpinning our growth in the future.

This design describes our attempt to raise logistics to a new evolutionary stage by upgrading our services as a “means for generating new value.” This will be achieved by integrating our “last mile” delivery network, built up in Japan and Asia as the Group’s core competence, with an array of non-delivery services we are developing.



*Kaoru Seto*

Kaoru Seto  
Representative Director and  
Chairman  
(left)

*M. Kigawa*

Makoto Kigawa  
Representative Director,  
President and Executive Officer  
(right)

To kick start this revolution in logistics networking, our *Haneda Chronogate*, *Atsugi Gateway*, and *Okinawa International Logistics Hub* began operation in the second half of 2013. The logistics quality, speed, and cost benefit improvements brought about by these strategic bases will be leveraged to push strongly for the realization of our “*Value Networking*” design.

Thanks to these endeavors, our consolidated operating revenues increased substantially by 7.2% year on year to ¥1,374,610 million in the year ended March 2014.

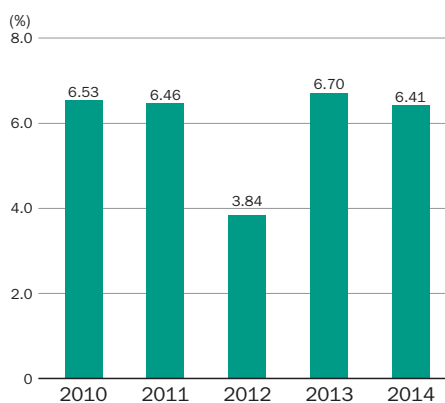
On the other hand, our operating income fell short of target and declined 4.7% year on year to ¥63,096 million, due to a weighty increase in temporary expenses. These short-lived impacts on income included delivery system improvements to keep up with the increasing *TA-Q-BIN* handling volume, system buildups for improving the quality of *Cool TA-Q-BIN* refrigerated courier services, and the Group responding to the record snowfall Japan experienced in February 2014.

Net income decreased 1.0% year on year to ¥34,776 million.

Impacted by the decline in income, ROE stood at 6.4%. Even though this ratio of shareholder returns was boosted in part by approximately ¥10,000 million in share buybacks we conducted in January 2014.

	Millions of Yen					Change	
	FY10/3	FY11/3	FY12/3	FY13/3	FY14/3	Increase/ Decrease	YoY (%)
Operating revenues							
Delivery	¥ 966,480	¥ 995,651	¥1,014,564	¥1,028,219	<b>¥1,098,693</b>	<b>¥70,474</b>	<b>6.9</b>
Non-Delivery	234,354	240,869	246,269	254,155	<b>275,917</b>	<b>21,762</b>	<b>8.6</b>
Total	1,200,834	1,236,520	1,260,833	1,282,374	<b>1,374,610</b>	<b>92,236</b>	<b>7.2</b>
Operating income	61,389	64,314	66,651	66,203	<b>63,096</b>	<b>(3,107)</b>	<b>(4.7)</b>
(Operating margin)	5.1%	5.2%	5.3%	5.2%	<b>4.6%</b>	–	–
Net income	32,282	33,208	19,787	35,144	<b>34,776</b>	<b>(368)</b>	<b>(1.0)</b>
(Net margin)	2.7%	2.7%	1.6%	2.7%	<b>2.5%</b>	–	–

## Return on Equity



The *DAN-TOTSU Three-Year Plan STEP*, the second phase of our long-term plan launched in April 2014, posits promoting the “*Value Networking*” design and forging a robust corporate culture as our two management pillars going forward.

Accordingly, we will develop business models with high added value to revolutionize the logistics we provide customers as we endeavor to promote our “*Value Networking*” design. At the same time, we will deliver greater satisfaction to our shareholders and other investors, customers, the local communities, and societies we serve, and our employees by forging a robust corporate culture. This will enable us to take a balanced approach to management, enhance corporate governance, and keep the promises we make to our customers.

We ask our shareholders and other investors for their ongoing encouragement and support as the Yamato Group embarks on a journey in pursuit of new growth.

September 2014