

# NEW ERA OF GROWTH POTENTIAL

Advancing with “*Value Networking*” design  
and forge a robust corporate culture

Annual Report 2015

For the year ended March 31, 2015



YAMATO HOLDINGS CO., LTD.

## Management Philosophy

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The Yamato Group helps 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.

## Yamato Group's Precepts, Which Have Represented Its Corporate Spirit since Foundation

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### 1. We 'all' represent the company

The Yamato Group is a company that was established based on the concept that people present a greater asset than money and equipment. Our employees are regarded not simply as "human resources," but as individuals who benefit the company. Above all, we respect the individual. Each employee's ability to provide balance, cooperation, cohesiveness, and symmetry strengthens the Yamato Group. Our employees demonstrate the independence and initiative encompassed in the idea, "If I don't do it, then who will?" Each individual recognizes that their behavior must reflect their responsibility and role in representing the Group through their interactions with customers and partners.

### 2. We deliver with a personal touch

The fundamental business of the Yamato Group is transportation business. Just like railway, telephone, gas, and water services, the delivery of goods is a highly public operation indispensable to society. Through our transport services we take possession of our customer's (sender's) personal sentiments, and it is our aim to speedily and accurately deliver the packages entrusted to us with a sense of responsibility, goodwill, and sincerity.

To do so, it is important that every Yamato Group employee always possess an attentive and eager attitude that asks, "What can I do to bring the customer more satisfaction?" That kind of initiative translates to improved performance that promises lasting growth and success for our company.

At the same time, Yamato Group employees must constantly strive to revise and improve our distribution network to streamline operations. It is also imperative that we prevent all accidents. Achieving this requires that the company and all employees continuously learn and work together.

### 3. We work with gratitude and politeness

Every Yamato Group employee is engaged in a highly public service indispensable to society, and must always ask himself or herself, "How can I be useful to society and people's lives?" At present, the important responsibility that Yamato Group employees have been charged with is to take the capabilities we have been given and improve them by enhancing quality. Therefore, each and every employee must adhere to high moral principles (courtesy and moderation), and as a member of society, must strictly observe all laws and ethics. Employees must make every effort towards self-improvement and self-growth.

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#### Editorial Policy

Having built up long-standing relationships of trust with all its many and varied stakeholders, the Yamato Group discloses information not only of a legal nature but also information considered necessary for those stakeholders. The Yamato Group adopted the policy that such information shall be conveyed promptly and accurately as well as fairly and equitably. Conveying information, including that of a nonfinancial nature, on such aspects as management strategies, business overviews, corporate governance and corporate social responsibility (CSR) activities, this annual report is intended to comprehensively deepen the reader's understanding of the Yamato Group. Please visit our website for more detailed information.

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# Toward Further Evolution with an Abiding Spirit

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## Profile

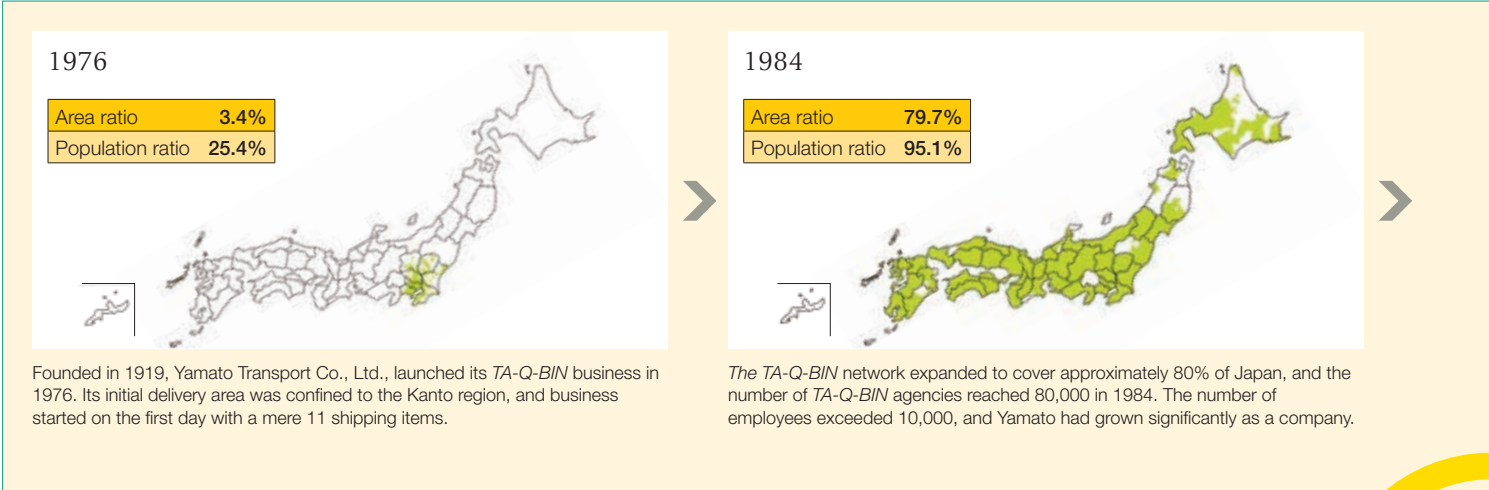
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The special characteristic of management at the Yamato Group is its “management starts in the field” way of thinking. Formulated in 1931 to serve as its founding spirit, the Company’s precepts, which have not changed once since the *TA-Q-BIN* services were started in 1976, are positioned as the genesis of the Yamato Group. The Yamato Group is a logistics company but has been creating unprecedented services that are needed by society to keep pace with changes in the social structure, markets, and customers (companies and consumers) that have been subtly perceived by employees in the field on the front line of business. These efforts have given the Yamato Group of today its competitive edge.

# Business Foundation Expanded with TA-Q-BIN at Its Core

TA-Q-BIN is the Yamato Group's flagship service offering. Since its launch in 1976, we have pursued a strategy of differentiation based on the development of additional strategic offerings and an improvement in delivery quality. As a result of these efforts, the Yamato Group has outperformed the growth in the express home delivery market as a whole and steadily expanded its market share. The Yamato Group is currently developing its overseas TA-Q-BIN business across Asia.

## Expansion of TA-Q-BIN Network

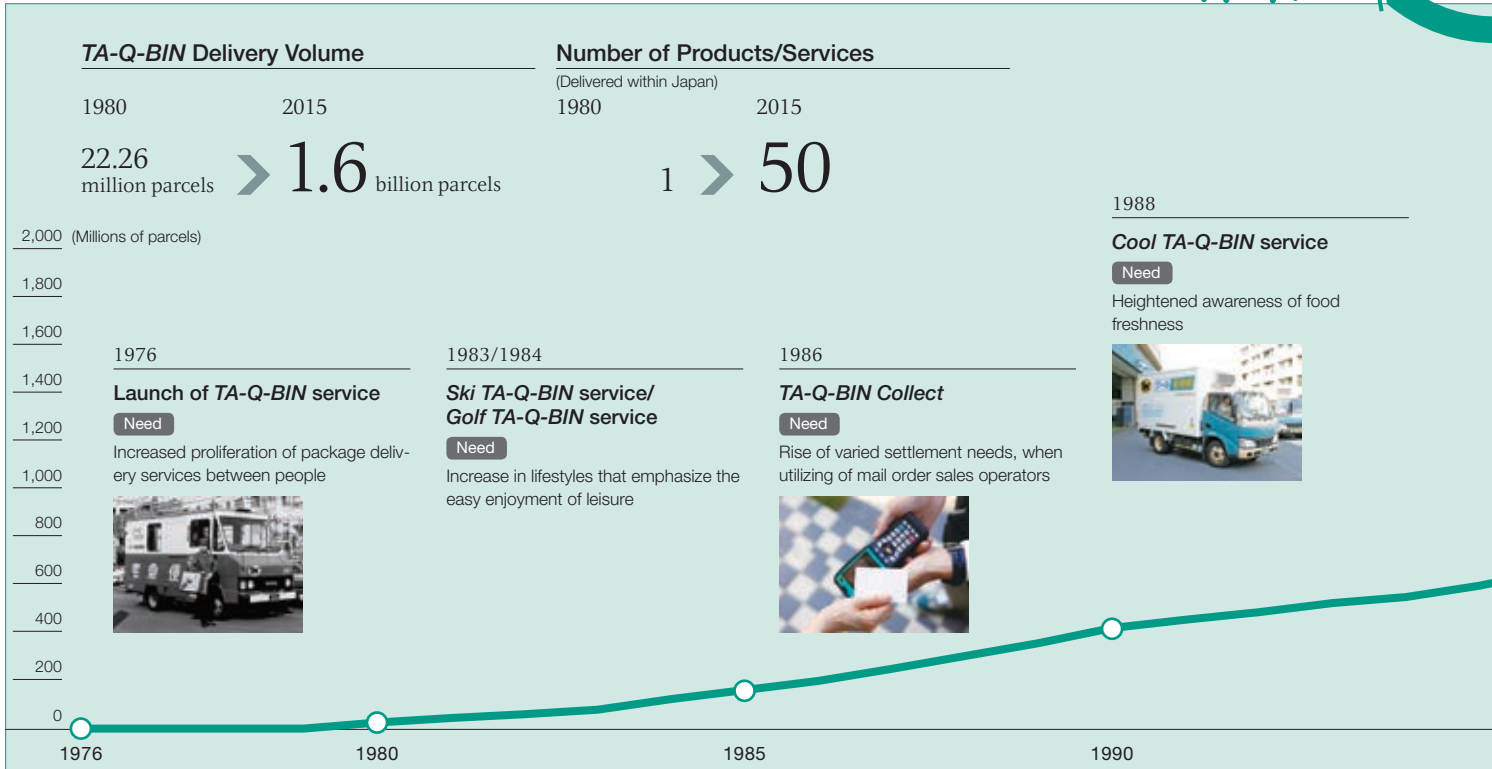


### Provision of High-Value-Added Logistics Infrastructure

Not confining ourselves to simple "delivery," we provide TA-Q-BIN as a unique service that exceeds the expectations of society and customers and have put in place a business foundation that is used by a growing number of customers.

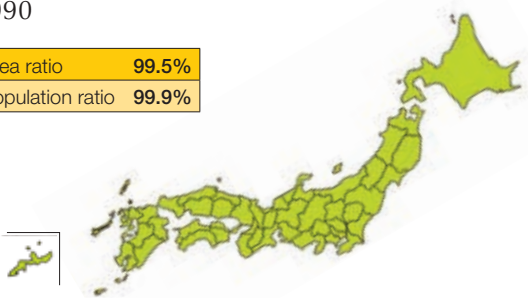


## TA-Q-BIN Delivery Volume and Development History for Products and Services



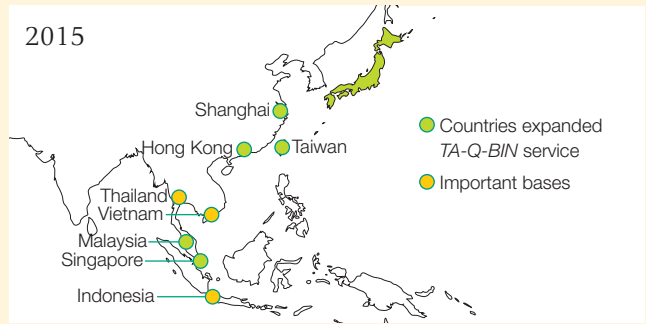
1990

Area ratio **99.5%**  
Population ratio **99.9%**



TA-Q-BIN network coverage extended to 99.5% of Japan. We commenced TA-Q-BIN services on the Bonin (Ogasawara) Islands in 1997, completing a nationwide TA-Q-BIN network.

2015



TA-Q-BIN business in Taiwan was commenced in 2000 as the first overseas base in Asia. As at the end of March 2015, the Company has a total of five overseas bases in operation: Shanghai, Singapore, Hong Kong and Malaysia as well as Taiwan. We will extend the TA-Q-BIN business to other parts of the world in the years to come, focusing on East Asia and members of ASEAN.

### Customer Base and Service Synergies

By increasing the numbers of customers who use TA-Q-BIN, we have reached the stage where we are able to subtly perceive changes and needs called for by society, improve our high-quality services, and generate the synergies to expand our customer base.



1998

#### Time Period Delivery

Need

Growing need for specific time zone for delivery in keeping with changing lifestyles

2004

#### Driver Direct service

Need

Differentiation to speedily respond according to customers' requests



2007

#### Kuroneko Members service

Need

Service diversification through proliferation of IT



2013

#### Completion of Haneda Chronogate, the largest general logistics terminal in Japan

Need

Creation of value added through logistics



2010

#### TA-Q-BIN service expansion in Asia

Need

Development of logistics infrastructure in Asia

2013

#### International Cool TA-Q-BIN service

Need

Further diversification, sophisticated TA-Q-BIN needs

2000

2005

2010

2015

# Management System That Creates New Value

Amid diversifying social needs, we generated business beyond the *TA-Q-BIN* framework, inaugurated a holdings system in 2005 to continue business promotion, and formulated a new management philosophy.

## Management Philosophy

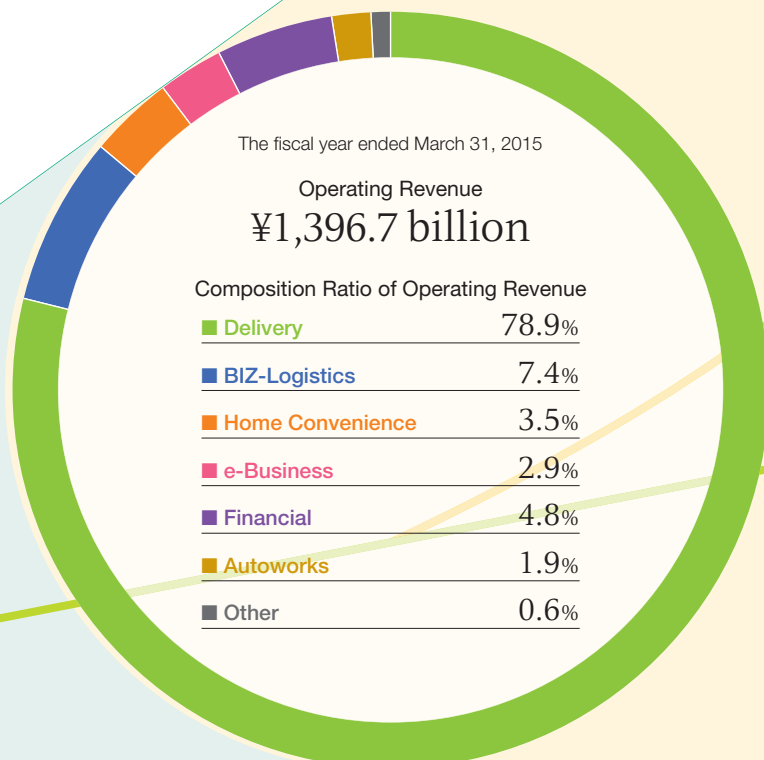
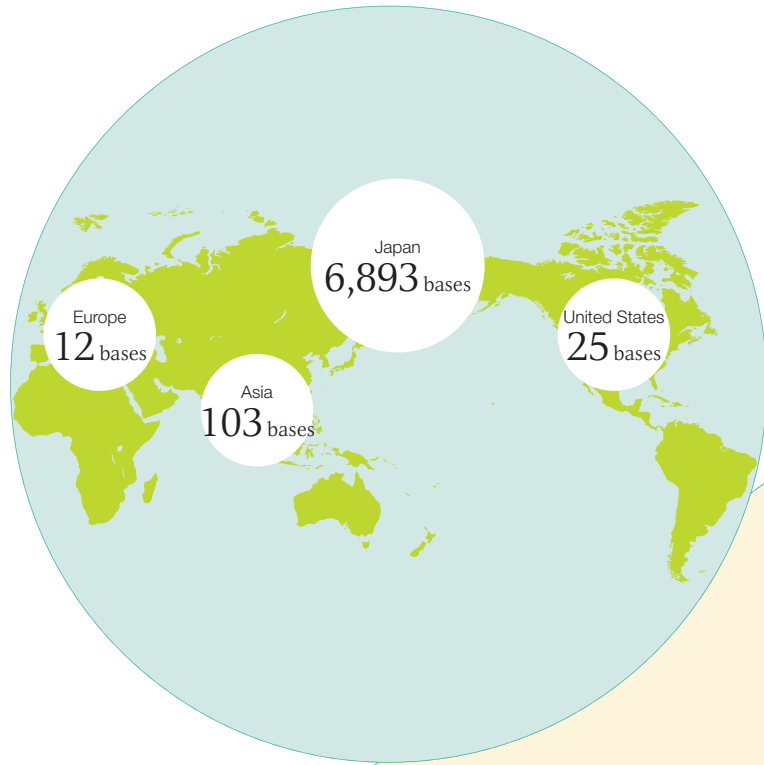
The Yamato Group helps enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles, and developing an innovative logistics system.

## Growing Number of Business Facilities in Japan and Overseas

The Yamato Group is currently operating 7,033 business facilities in the world. With the aim of becoming Asia's No. 1 solution provider in distribution and lifestyle support, our goal in the final year of the long-term *DAN-TOTSU Management Plan 2019* that was formulated in 2011, we are naturally making progress as a unified Group with the enhancement of domestic business as well as overseas business, including the growth market of Asia.

## Creation of New Value following Organic Integration of Delivery Business and Non-Delivery Businesses

Under the previous operating holding company structure, Yamato Transport Co., Ltd., had both a management supervisory function and a delivery business execution function. Therefore, the management of the entire Group was biased toward the delivery business. In November 2005, we launched a pure holding company, Yamato Holdings Co., Ltd., which assumed the decision-making and supervisory functions, and under the new structure each business company, including Yamato Transport Co., Ltd., fulfills executive functions as part of the holding company. This move was designed to grow not only the delivery business but also the non-delivery businesses by accelerating the management speed.





Delivery Business

## Business Description



## ■ Delivery

The Delivery Business provides small parcel delivery services for the general public and corporations. Guided by its basic corporate philosophy of “Total Reliability,” the business provides mainly *TA-Q-BIN* services to improve convenience in customers' lives.



## ■ BIZ-Logistics

The BIZ-Logistics Business is a corporate distribution operation involved in services such as logistics and medical products distribution. The business provides customers with an innovative logistics system by combining management resources such as the *TA-Q-BIN* network with maintenance and recall response as well as international transport functions.



## ■ Home Convenience

The Home Convenience Business is a community-based lifestyle support operation that provides services such as the pickup, delivery, and assembly and installation of home furnishings and appliances. The business provides lifestyle-related services utilizing the Yamato Group's nationwide network, with the aim of supporting the convenient and comfortable lifestyles of customers.



## ■ e-Business

The e-Business comprises operations in contract data processing and information systems development. The e-Business provides solutions that integrate data, distribution, and settlement functions to raise business process efficiency and solve potential business problems that customers face.



## ■ Financial

The Financial Business provides settlement services and financial products for corporations and the general public. From payment collection on mail-order product deliveries to B2B logistics settlement, the Financial Business is striving to respond to every means of settlement to meet the needs of customers.



## ■ Autoworks

The Autoworks Business performs the maintenance and upkeep of trucks and other vehicles for logistics and distribution business operators under contract. Utilizing technologies for reliably maintaining and repairing trucks, the Autoworks Business provides three forms of value: 1) compliance with statutory vehicle inspections, 2) convenient vehicle maintenance, and 3) reduced maintenance and repair costs.



## ■ Other

The Yamato Group's Other segment provides box charter business, such as the *JITBOX Charter* service, and extensive shared services centered on the trunk-route transport business.

Non-delivery Businesses



# Yamato Group's Medium-to Long-Term Management Plan

The Yamato Group is making headway in its aim to become Asia's No. 1 solution provider in distribution and lifestyle support to maximize both corporate earnings and corporate value.

Based on the nine-year, long-term *DAN-TOTSU Management Plan 2019* that is designed to establish the Yamato Group in the position of being Asia's No. 1 solution provider in distribution and lifestyle support by the fiscal year ending March 31, 2020, which will mark the 100th anniversary of the Company's founding, the Group is aiming to create new businesses and accelerate growth. Dividing the nine years into the three stages of HOP, STEP, and

JUMP, under the second-stage *DAN-TOTSU Three-Year Plan STEP* medium-term management plan (from the year ended March 2015 to the year ending March 2017), the Group is leveraging and strengthening the business foundation built under HOP and ensuring a sure-footed leap in the final JUMP phase by enhancing its underpinning growth strategy.

## HOP

Year Ended March 2012—Year Ended March 2014



- Further strengthening business foundation and networks

### Overview of *DAN-TOTSU Three-Year Plan STEP*

Under *DAN-TOTSU Three-Year Plan STEP*, the Company is carrying out a plan based on two strategies: promoting the “*Value Networking*” design and forging a robust corporate culture.

In promoting the “*Value Networking*” design, the Company creates high-value-added business models by further strengthening the business foundation, such as *Atsugi Gateway* and *Haneda Chronogate*, which were constructed under the previous medium-term management plan HOP, and by promoting logistics network innovation. By making thorough improvements in cost, quality,

and speed, the Company brought about an evolution in logistics and the means to create value. In addition, from a global perspective, the Company is aiming to create new markets centered on Yamato Asia, its supervisory company in the ASEAN region.

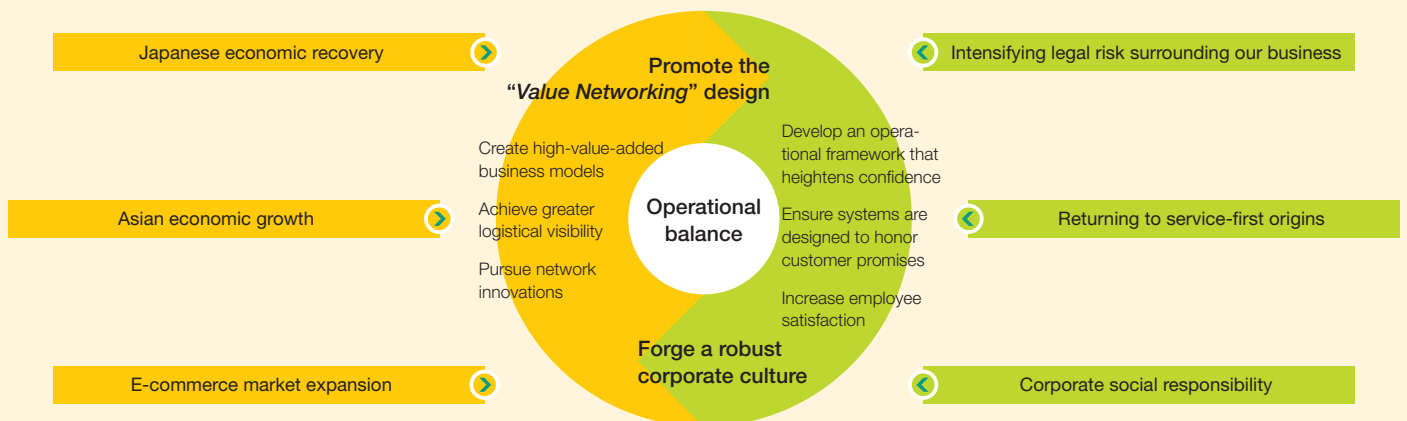
In forging a robust corporate culture, the Company has put in place a framework to maintain quality that will be trusted by customers by further enhancing its governance and the promotion of CSR and by plans to build a stable business foundation to bring about business creation and growth.

## STEP

Year Ended March 2015—Year Ending March 2017



- Leveraging the business foundation built under HOP
- Ongoing efforts to further strengthen the business foundation and networks





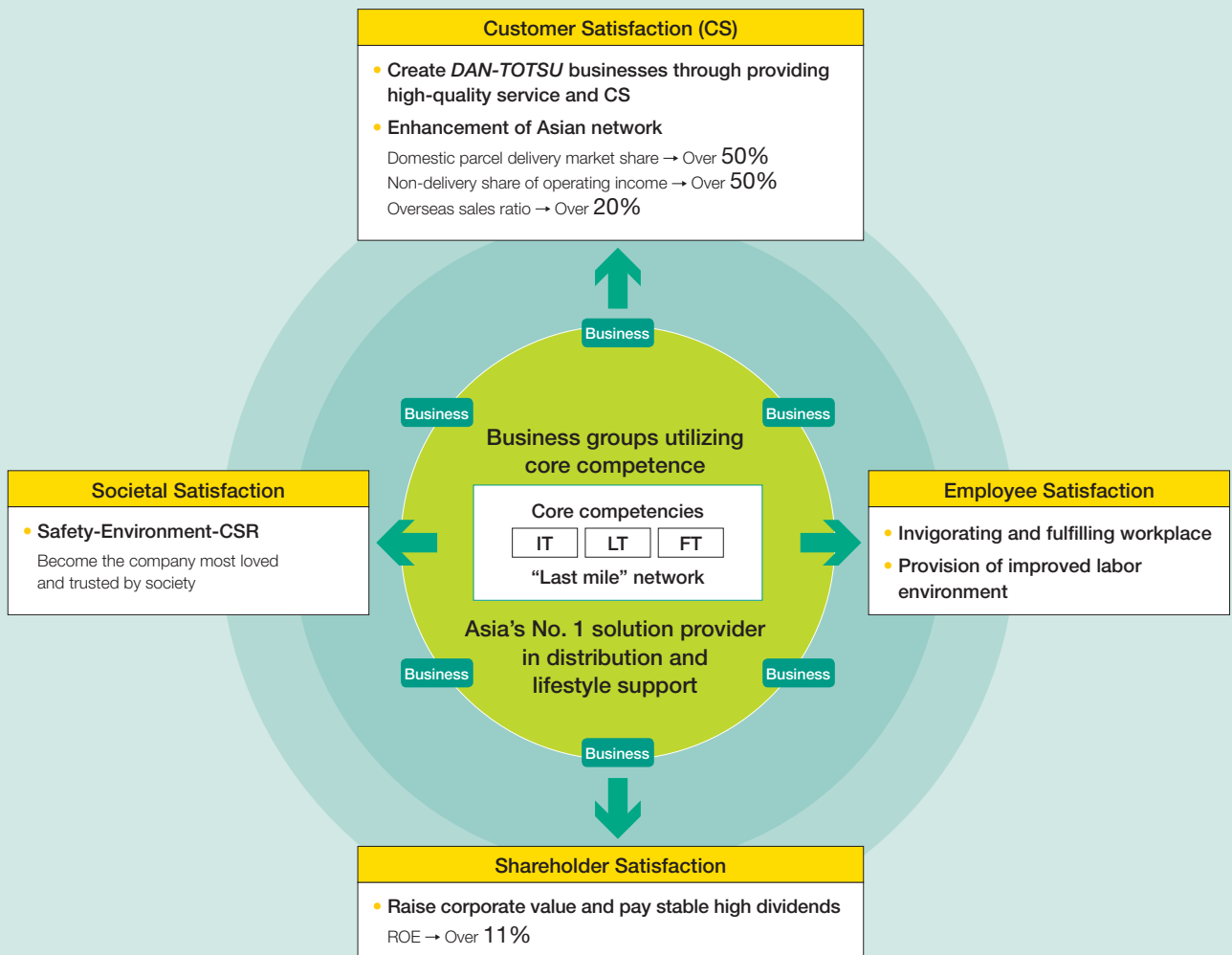
# JUMP

Year Ending March 2018—Year Ending March 2020

## Long-term *DAN-TOTSU Management Plan 2019* Asia's No. 1 solution provider in distribution and lifestyle support

### Long-term *DAN-TOTSU Management Plan 2019*

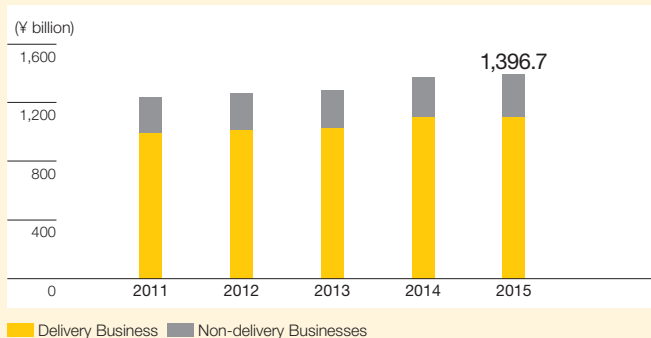
- (1) Delivery: Secure growth resources for non-delivery businesses through recovery in *TA-Q-BIN* growth momentum
- (2) Non-delivery: Create businesses and accelerate growth momentum
- (3) Strengthen governance and promote CSR



# Performance Highlights

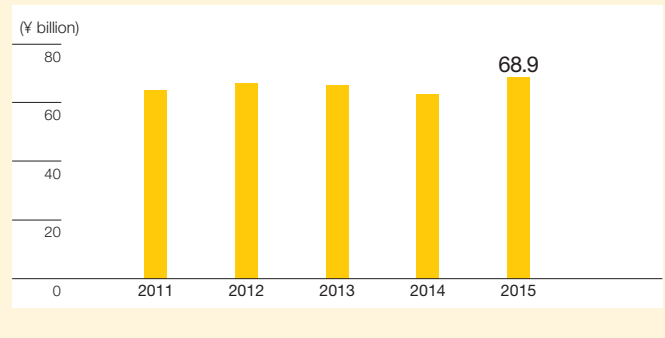
Fiscal years ended March 31

## Operating Revenues



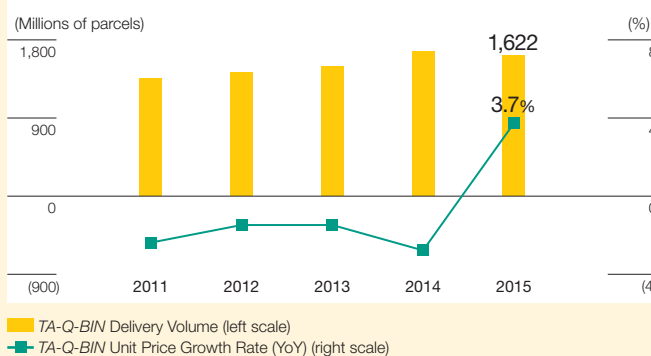
Operating revenues increased 1.6% year on year, to ¥1,396.7 billion, due to improved *TA-Q-BIN* prices brought about by ongoing efforts in promoting the collection of adequate fees in the Delivery Business and the strong performance of non-delivery businesses centered on the BIZ-Logistics Business.

## Operating Income



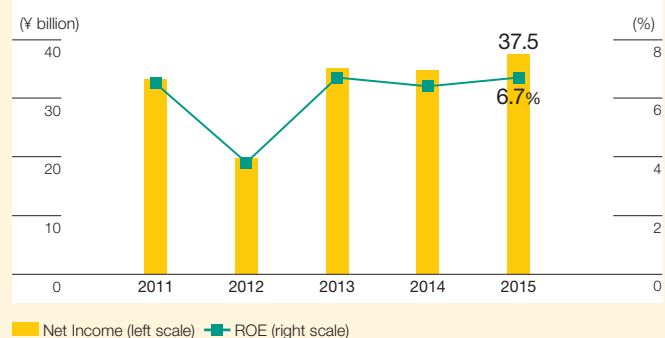
Operating income increased 9.3% year on year, to ¥68.9 billion—achieving an all-time high—as a result of efforts to improve productivity that encompassed cost control initiatives, which included pursuing efforts to keep costs in line with operating volumes, and the creation of optimal designs for pickup and delivery operations and transportation systems.

## TA-Q-BIN Delivery Volume/ TA-Q-BIN Unit Price Growth Rate (YoY)



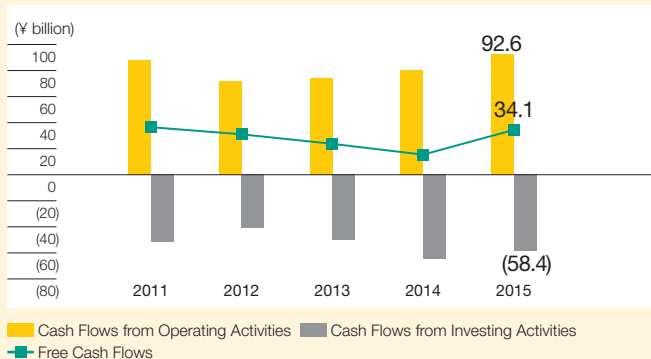
*TA-Q-BIN* delivery volume decreased 2.6% year on year, to 1,622 million parcels, due to such reasons as stagnation in personal consumption and the effect of surging demand ahead of the consumption tax rate hike in the previous fiscal year. Thanks to ongoing efforts in promoting the collection of adequate fees, the *TA-Q-BIN* unit price rose 3.7% year on year.

## Net Income/ ROE



Net income increased 7.9% year on year, to ¥37.5 billion. Consequently, ROE edged up 0.3 of a percentage point, and stood at 6.7%.

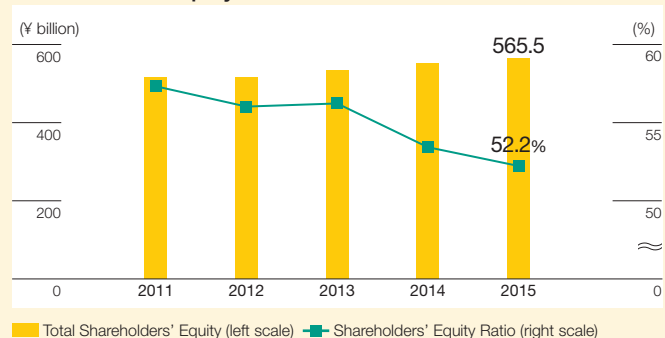
## Operating and Investing Cash Flows/ Free Cash Flows\*



Due to the increase in income, net cash provided by operating activities rose approximately ¥12.5 billion year on year, and net cash used in investing activities decreased approximately ¥6.4 billion. As a result, free cash flows grew approximately ¥19.0 billion year on year.

\* Free Cash Flows = Cash Flows from Operating Activities + Cash Flows from Investing Activities

## Total Shareholders' Equity/ Shareholders' Equity Ratio



Total shareholders' equity increased 2.6% year on year, to ¥565.5 billion, but the shareholders' equity ratio decreased 1.2 percentage points year on year, to 52.2%, due to a 4.9% year-on-year rise in total assets to ¥1,082.5 billion.

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## ANNUAL REPORT 2015

### NEW ERA OF GROWTH POTENTIAL



#### Forward-Looking Statements

This annual report contains forward-looking statements concerning Yamato Holdings' future plans, strategies, and performance.

These statements represent assumptions and beliefs based on information currently available and are not historical facts.

Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, customer demand, foreign currency exchange rates, tax laws and other regulations.

Yamato Holdings therefore cautions readers that actual results may differ materially from these predictions.

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As a corporate entity that will create new value in societies across the world, we will have a sense of speed as we grow.





**Makoto Kigawa** (left)

Representative Director and Chairman

**Masaki Yamauchi** (right)

Representative Director,  
President and Executive Officer

The Yamato Group has set itself the major management objective of evolving to become Asia's No. 1 solution provider in distribution and lifestyle support by fiscal 2020 (the fiscal year ending March 31, 2020), the year in which we will be celebrating our 100th anniversary. Specifically, by integrating the functions in information technology (IT), logistics technology (LT), and financial settlement technology (FT) with the "last mile" network built up through our *TA-Q-BIN* home delivery business, we would like to provide customers with unprecedented services in key fields in the four areas of e-commerce (EC), B2B logistics, international logistics centered on Asia, and lifestyle support.

From April 2014, we implemented our *DAN-TOTSU Three-Year Plan STEP* medium-term management plan, which we had positioned as the second phase to convert our management targets into tangible forms. In the first fiscal year, which ended on March 31, 2015, we felt we made good progress, as our strategy to put ourselves ahead of and set ourselves apart from other companies steadily bore fruit, such as through the full-scale operations at *Haneda Chronogate*, one of our main bases in the realization of our "Value Networking" design that was launched under the plan. Going forward, without making major changes to the focal points of our strategy, we will promptly implement the measures adopted under *DAN-TOTSU Three-Year Plan STEP*: promote the "Value Networking" design and forge a robust corporate culture. In doing so, we will achieve well-balanced management that improves satisfaction for our shareholders, customers, our employees, local communities, and society as a whole.

During the course of our evolution to becoming a corporate entity that creates new value in societies across the world, our tactics and management systems continue to change in step with factors that include the external environment and customer needs. For the world outside of the Yamato Group, however, there is no change and we will enduringly promote what is in our DNA, namely of continuing to create new value for people.

Developed and created from the building blocks of that DNA and launched in 1976, the *TA-Q-BIN* "last mile" network, which has been extended throughout Japan, has now become a form of lifestyle and social infrastructure that simply cannot be done without, in the same way as electricity and running water are needed. We believe that the long-earned trust our customers place in the Yamato brand and quality represents a major asset for the Yamato Group and that our unique DNA led to the competitive edge we enjoy today.

Please expect the Yamato Group to continue facing up to the challenging of establishing unprecedented logistics services to make the leap to a new growth stage.

On behalf of all at the Yamato Group, we would like to take this opportunity to express our gratitude for the ongoing support and understanding of all our shareholders and investors.

September 2015

# Toward Becoming Asia's No. 1 Solution Provider in Distribution and Lifestyle Support

I have taken over the reins of management from former President Makoto Kigawa, who was instrumental in shaping the corporate image for which the Yamato Group should be aiming and in maximizing corporate value and creating social value at a time of rapid change in the business environment. I would like to take this opportunity to explain how I will continue my predecessor's work to forge a robust corporate culture and create a high-value-added business model.

## The Yamato Group: The Company That Repeatedly Innovates

The era of mass production and mass consumption is drawing to a close. In a time of mixed-model and small-lot production, product lifecycles are becoming shorter and the existence of industry itself is undergoing change. These changes have been occurring for a long period of time and their pace has been accelerating in recent years. This does not apply Japan alone, as these changes are happening across the world. Even the Yamato Group, which assumes responsibility for the linchpin of the economy we call logistics, must constantly monitor those changes. Furthermore, the rapid evolutionary changes in information technology are having an increasing impact on industry and business. The Yamato Group is no exception, and I would like to integrate the management resources of information technology (IT), logistics technology (LT), which is centered on "last mile" networks, and financial settlement technology (FT) functions to provide our customers with unprecedented services in key fields in the four areas of e-commerce (EC), B2B logistics, international logistics centered on Asia, and lifestyle support.

We are currently at a stage that will bring major changes to the Company. As the senior executive of the Yamato Group, however, even if the business environment or management system changes I have no intention of changing the DNA that continues to create new value for people and for society as a whole and would like to pass on the Yamato Group's DNA for the future.

If you look back in history, there were only 204 trucks in Japan in 1919, but Yamato was founded as a transport company with four trucks in the Ginza district of Tokyo. The first innovation came in 1929,



Masaki Yamauchi

Representative Director,  
President and Executive Officer

10 years after the Company was founded, when we commenced Japan's first fixed-route service that allowed us to load up and combine several goods shipments and transport them along a defined route at a scheduled time.

Then, in 1976, we started our second innovation, the *TA-Q-BIN* service. Regardless of whether the package was for a company or an individual, we were able to easily deliver goods at any time to the places people wanted to send them through the service. The service subsequently gave rise to a succession of innovative services to meet customer needs, including *Cool TA-Q-BIN*, *Golf TA-Q-BIN*, *Ski TA-Q-BIN*, and *Time Period Delivery*.

## Facing the Challenges of the Third Innovation

The Yamato Group is now engaged in its third innovation, the "*Value Networking*" design, the form of which is beginning to take shape. The "*Value Networking*" design will add a range of functions and value to logistics itself, and I am expecting the design will be able to bring to fruition a completely new logistics system of a kind that has never been created within the framework of conventional logistics. Furthermore, we will not confine ourselves merely to logistics reform being carried out by an individual company, as the design will enable the building of a logistics platform capable of analyzing industry-specific conditions, matching them to the Company's IT, logistics (LT), and financial settlement (FT) functions, and mobilizing industry. As a result, we will release our network to all our customers, including corporate customers that do not possess their own networks and corporate customers that would only want to use the network when needed, and support our customers' logistics reforms.





### Making Quantum Leaps in the Yamato Group's Competitiveness in Partnership with Our Customers

By creating services that evolve logistics from the act of carrying to a “means for generating new value,” and by actually making those services available to customers, I feel we are responding to the high expectations customers have of us better than ever before. Going forward, we will take charge of not only *TA-Q-BIN* services but also entire supply chains, as we begin to be viewed by our customers as a partner.

As a result, I will improve our profit structure. This move will be because the part that provides added value for our backbone Delivery Business also accumulates value-added profit. If one logistics platform is utilized by a large number of customers, economies of scale will be generated, and we will be able to hold transportation costs at lower levels than in the past. When the “*Value Networking*” design has evolved and displays its true value, the expectations are for increased profit from non-delivery businesses and a significant improvement in profit margin due to decreased transportation costs.

Cooperation among the engines driving this “*Value Networking*” design—*Haneda Chronogate*, *Atsugi Gateway*, *Okinawa International Logistics Hub*, and domestic as well as overseas *TA-Q-BIN* networks—is already initiating specific moves.

The challenge, however, is to enhance market penetration. In response, based on the speed of recent changes in the environment, I would like to approach external resources, such as business alliances with other companies and M&A, more proactively.

We will realize improvements in transport efficiency and same-day delivery to continue to grow exponentially under the next medium-term *DAN-TOTSU Three-Year Plan JUMP*. In addition to the construction of gateways (logistics terminals) at Chubu Centrair International Airport and Kansai International Airport and expanding and upgrading the functions of the *Okinawa International Logistics Hub*, we will unwaveringly continue the investments necessary for growth, such as promoting a full-scale revamp of the IT trunk systems that underpin the Yamato Group's logistics and services.

### Equally Displaying Our Presence Overseas

Set as a global strategy under the long-term *DAN-TOTSU Management Plan 2019* is the enhancement of distribution networks in Asia. *TA-Q-BIN* in Japan has brought to fruition a service that delivers important shipments quickly and reliably to customers all over the country, and the *TA-Q-BIN* “last mile” network has evolved into a form of lifestyle and social infrastructure. Our objective is to provide these types

When the “*Value Networking*” design has evolved and displays its true value, the expectations are for increased profit from non-delivery businesses and a significant improvement in profit margin due to decreased transportation costs.

of services to customers in other parts of Asia.

We are currently providing high-value-added services that combine *TA-Q-BIN*, logistics, and financial settlement service businesses in five Asian regions. In the years ahead, it is anticipated that borderless business will make further advances and that cross-border logistics, which do not remain in the intraregional flow of goods, will continue to increase.

To plan for further business expansion, the Company comprehensively covered each zone area, including Southeast Asia and East Asia, judged the necessity of implementing strategies—including the strengthening of corporate governance—and established a local regional supervisory company in Singapore in January 2014. The company is positioned to build the framework for further business expansion in Southeast Asia.

Actually, the “last mile” network delivery service is gradually gaining acceptance across Asia and will surely continue to give rise to delivery needs. Actually, the “last mile” network delivery service is gradually gaining acceptance across Asia and will surely continue to give rise to delivery needs. That path, however, is a sequence of trial and error, and introducing a Japanese success story unchanged overseas might not have been accepted in reverse when not respecting local culture and customs. As you would expect, an important aspect is the

creation of new value for people and society as a whole, and I would like to steadily increase the presence of Yamato while taking a close look at the customers resident in each region.

#### Converting Challenges Arising from Labor Shortages into Opportunities for Growth

In Japan, the population is in a gradual decline, and as the low birth rate continues and the proportion of elderly people grows, the working population will be diminished. We are quickly beginning to take steps against a potential risk of this kind, and I would like to overcome that risk by further improvements in productivity. In the collection and delivery setting, such factors exist as utilizing IT to calculate the shortest delivery route and new ways to communicate with customers, including the *Kuroneko Members* membership service aimed at reducing undelivered shipments due to the recipient not being present. We will also advance workplace environment maintenance services that will mobilize housewives and seniors.

At the latest logistics terminals like *Haneda Chronogate*, we will promote mechanization and automation that previously could not be fully depended upon for manual tasks.



### Targeting Double-Digit ROE

In the fiscal year ended March 31, 2015, purchase of treasury stock amounted to ¥30.0 billion and retirement of treasury stock amounted to ¥31.5 billion, with ROE subsequently at 6.7%. In concert with boosting operating income by the steady implementation of the value-added strategy, including the “Value Networking” design, I would like to achieve our ROE target for the fiscal year ending March 31, 2020 of more than 11.0% by continuing to implement capital policy measures awarding the return to shareholders ratio.

Our annual cash dividends were ¥25 per share, a year-on-year increase of ¥1 per share, for a payout ratio of 27.7%. Going forward, I will continue to meet the expectations of all shareholders by following the basic shareholder return policy of increasing the return to shareholders ratio through a combination of dividends and purchase of treasury stock.

### Forging a Robust Corporate Culture

Another pillar of our Medium-Term Management Plan is the forging of a robust corporate culture. For the customer trust that the Yamato Group has built up over many years to remain unshakeable, we are making greater efforts than ever in employee training, ingraining our corporate philosophy throughout the Group, and creating

a corporate culture that facilitates and encourages communication.

We deeply apologize for the great inconvenience caused to all users with regard to the problems of inconsistent temperature management that occurred in our handling of the *Cool TA-Q-BIN* service in 2013. In the previous fiscal year, improving the quality of *Cool TA-Q-BIN* was deemed a top priority issue, and the Company as a whole worked to rebuild the quality control system anew.

Compliance is neither more nor less than the foundation of management. We absolutely must not lose our awareness of that in keeping our promises and pursuing customer satisfaction, including with *TA-Q-BIN*, which is built on customer trust. The managerial decision to discontinue the *Kuroneko Mail* service was based on that awareness. To maintain society’s trust, I would like the Company to continue to be honest and sincere at all times. Essential elements in remaining honest are the visualization of Group management and the building of a highly transparent management structure, and I would like to actively convey the Company’s direction and my way of thinking to our many stakeholders, including shareholders and investors, as well as encourage dialogue.





# Always cherishing the innovation DNA that will continue to create new value, I will embody the management philosophy of “helping to enrich our society.”

## In Closing

My desk motto is a Japanese term that, literally translated, means “through sincerity to heaven.” If you do your best for another person in good faith, it is said that those thoughts will lead you to heaven or, in other words, customers and employees. Exercising your wisdom and taking action for people as well as making others happy can give you a sense of happiness, too. If employees of this type gather together, it is my belief that new services and ideas will arise from a variety of aspects.

Of the latest logistics terminals that have commenced operations, customer use of *Haneda Chronogate* is progressing at a faster rate than expected. Not pursuing expansion of scale alone now or ever, we will always cherish our innovation DNA that continues to give rise to new value and exemplify the Yamato Group’s management philosophy of helping to “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.”

The preparations to establish a new business model have been made. I am determined to vigorously lead the entire Yamato Group, including the employees who are active on the front line, and accelerate progress toward the Group becoming Asia’s No. 1 solution provider in distribution and lifestyle support. I am gratefully anticipating the ongoing understanding and support from all our shareholders and investors.

September 2015



Masaki Yamauchi

Representative Director,  
President and Executive Officer

## Background to the Discontinuation of *Kuroneko Mail* Service

With regard to the discontinuation of *Kuroneko Mail*, the decision was taken to avoid the risk, punishable by law, posed to customers using a delivery service to send “confidential documents” such as letters to specific parties.

Treating with all due seriousness the situation that customers, who were unaware that they were contravening the law, had sent confidential documents by *Kuroneko Mail* and were in violation of the law, the Company sent letters to recipients of confidential documents sent by customers via *Kuroneko Mail*, tightened receipt of goods procedures so they would not be subject to punishment under the law, and worked to raise awareness by sending out notifications.

In December 2013, the Company proposed at meetings of the Information and Communications Council and Postal Policy Subcommittee at the Ministry of Internal Affairs and Communications that the regulations pertaining to confidential documents be reformed by introducing an “External Standard”

that would enable anyone to judge the material being sent by not only by its content but also by its appearance. The Company had complained that even if confidential documents were sent, only the receiving transport business operator, not the customer sender, should be responsible for any crime.

However, the Company’s proposals were not accepted, and the situation remained that we were unable to avoid customer risk.

Having customers who were not aware of the law but at risk of committing a crime runs contrary to the Company’s corporate attitude and corporate responsibility. We determined that leaving the situation as it was would make it difficult for us to continuously balance a “safe and secure use environment” and “convenience” by the Company’s efforts alone. This led to the decision to discontinue *Kuroneko Mail* service.

On March 31, 2015, we ceased accepting items for *Kuroneko Mail* and from April 1 launched the *Kuroneko DM-Bin*.

# Message from the Chief Financial Officer

We are working to improve profitability and capital efficiency, while targeting ROE of 9.0% in the fiscal year ending March 31, 2017, the final year of the medium-term management plan, and ROE of more than 11.0% in the fiscal year ending March 31, 2020, the final year of the long-term management plan.

Kenichi Shibasaki

Managing Executive Officer  
Responsible for Financing and Accounting and Investor Relations



## Business Performance in Year Ended March 2015

In the fiscal year under review, operating income came in at a record-high level due to the implementation of cost optimization, yet fell somewhat short of the ¥70.0 billion target because of factors that included the adverse impact of recoiling demand following the pre-consumption tax hike surge in spending, lower-than-expected *TA-Q-BIN* and *Kuroneko Mail* service delivery volumes in March, and increases in costs (advertising expenses) involved in announcing our new service offerings. (*TA-Q-BIN Compact*, *Nekopos* and *Kuroneko DM-Bin*).

In the fiscal year ended March 31, 2015, despite a visible trend toward improvement in the overall economic environment in Japan amid higher corporate earnings, lagging recovery in personal consumption was evident as a result of a decline in demand that accompanied the consumption tax rate hike, rising prices in step with the weakening yen, and other factors. Moreover, the Yamato Group faced a harsh operating environment as tight labor market conditions persisted.

Against this background, we worked to achieve the objectives of the medium-term management plan *DAN-TOTSU Three-Year Plan STEP* and the long-term *DAN-TOTSU Management Plan 2019*. To this end, we focused our efforts on taking steps to create a business model for generating a high level of added value while pursuing greater sophistication of our existing businesses by fusing logistics networks that have been developed with the business resources of individual Group companies.

In the Delivery Business, delivery volumes were sluggish due in part to stagnating personal consumption and the effect of surging demand ahead of the consumption tax rate hike in the previous fiscal year. Nevertheless, revenue increased ¥2.0 billion amid gains in *TA-Q-BIN* unit prices as a result of our efforts to

promote the collection of adequate fees. With respect to profits, amid the tight labor market conditions and the deteriorating cost environment, income also increased due to factors that included thorough cost management in line with operating volumes encompassing personnel expenses, costs of outsourcing work, and other expenses. Having included the promotion of measures to improve productivity, cost optimization is determined to have been sufficiently beneficial.

In the non-delivery businesses, we took steps to expand our existing service offerings by enlisting the strengths of Group companies, while drawing on Groupwide ties as we continued to aggressively pursue solution sales geared toward addressing customers' business challenges. The BIZ-Logistics Business in particular acted as a driver of positive earnings results. Operating revenue increased substantially, in line with new orders in sales and logistics as well as in multi-maintenance. In contrast, the e-Business segment faced some difficulties. However, we expect the segment to recover in the current fiscal year, given that the poor performance was brought about by an accounting period mismatch between the timing of costs and revenues amid an increase in the amount of work in process related to the development of information systems. The Home Convenience Business achieved a profit for the second consecutive year by bringing about improvements in its weekday utilization rate. Having freed itself from deficit, the Home Convenience Business can be expected to contribute to the Group's overall profit.

As a result, operating revenues for the fiscal year ended March 31, 2015, increased ¥22.0 billion year on year, or 1.6%, to ¥1,396.7 billion, and operating income rose a record-high ¥5.9 billion, or 9.3%, to ¥68.9 billion. Net income for the fiscal year under review increased ¥2.7 billion, or 7.9%, to ¥37.5 billion.



### Year Ending March 2016 Forecasts

In the fiscal year ending March 31, 2016, which marks the second year of *DAN-TOTSU Three-Year Plan STEP*, our medium-term management plan, we will create services that will convert into more tangible forms our “*Value Networking*” design that targets B2B logistics. In conjunction with these efforts, I feel it will be necessary to continue toward the stage where more customers will be making easy use of our services. Furthermore, we will draw up growth strategies from a long-term perspective and accelerate our globalization efforts.

We forecast consolidated operating revenues will increase 2.4% year on year, to ¥1,430.0 billion, and operating income will rise 4.4%, to ¥72.0 billion. The forecast for operating income factors in the negative impact of approximately ¥1.5 billion increase in size-based business tax due to the government’s tax reform plan. As a result of ongoing implementation of thoroughgoing cost optimization, we are expecting the operating income margin to edge by up 0.1 of a percentage point, to 5.0%.

### Long-Term Management Plan and ROE

The entire Yamato Group is pushing forward in unison with a view to converting into more tangible forms its management philosophy of helping to “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.” To this end, the Yamato Group formulated *DAN-TOTSU Management Plan 2019* in January 2011 and took on the challenge of becoming Asia’s No. 1 solution provider in distribution and lifestyle support by the fiscal year ending March 31, 2020, which marks the 100th anniversary of the Company’s founding. Under this long-term plan, we aim to raise the levels of satisfaction of all our stakeholders, including shareholders, customers, society at large, and employees.

In addition to bringing about improvements in profitability by steadily carrying out the business plans, we are working to enhance capital efficiency by implementing capital measures that draw on our robust financial foundation. From this perspective, we have set ROE targets to serve as an indicator that will raise awareness toward an improvement in shareholder value, and in my view we will achieve the sum of business and financial strategies. Under the medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, which remains in effect until the fiscal year ending March 31, 2017 (fiscal year ended March 31, 2015, to the fiscal year ending March 31, 2017), we are aiming to achieve ROE of 9.0%, and under the long-term *DAN-TOTSU Management Plan 2019*, which remains in effect until the fiscal year ending March 31, 2020, we are aiming to achieve ROE of more than 11.0%.

### Agility and Flexibility of Financing Activities

The Yamato Group consistently and continually generates between ¥70.0 billion and ¥80.0 billion in cash annually to maintain the agility and flexibility of financial activities while sufficiently covering ordinary expenditures. As of March 2015, Yamato Holdings received the following credit rating from Rating and Investment Information, Inc. (R&I):

R&I AA-

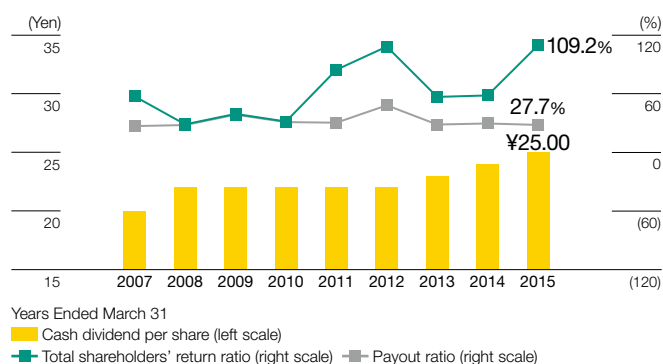
The Yamato Group will strive to remain aware of capital costs, while at the same time maintain the existing credit rating to facilitate smooth capital procurement.

### Implementation Status of Capital Policies to Enhance Financial Quality and Basic Policy on Shareholder Returns

The Yamato Group seeks to provide returns to shareholders based on the return to shareholders ratio of 50%, a combination of both dividends and purchase of treasury stock. Our basic policy is to pay dividends with a targeted consolidated dividend payout ratio of 30% of consolidated net income. During the fiscal year ended March 31, 2015, we purchased ¥30.0 billion in treasury stock and retired ¥31.5 billion of treasury stock. Although the negative impact of new tax reform amounted to approximately ¥3.5 billion, ROE edged up 0.3 of a percentage point compared with the previous fiscal year, to 6.7%, and the return to shareholders ratio, a combination of both dividends and purchase of treasury stock, exceeded 100%.

For the fiscal year ended March 31, 2015, dividends amounted to ¥25 per share, ¥1 higher than in the previous fiscal year. For the fiscal year ending March 31, 2016, we are planning a dividend of ¥26 per share for the fourth consecutive year and a consolidated dividend payout ratio of 25.2% and will take our earnings performance into consideration as we aim for a consolidated dividend payout ratio of 30%. With regard to treasury stock, we will be flexible in our considerations of its utilization for M&A as part of our capital policies.

### Change of Dividend



# Ten-Year Summary and Business Highlights

For the year ended March 31, 2015

Years ended March 31	2006	2007	2008	2009	2010	2011	2012
<b>RESULTS OF OPERATIONS:</b>							
Operating revenues	¥1,144,961	¥1,161,568	¥1,225,974	¥1,251,922	¥1,200,834	¥1,236,520	¥1,260,833
Delivery	908,228	934,607	981,142	997,898	966,480	995,651	1,014,564
Non-delivery	236,733	226,961	244,832	254,024	234,354	240,869	246,269
Operating costs	1,043,372	1,064,044	1,129,008	1,167,764	1,110,971	1,143,006	1,163,777
Selling, general and administrative expenses	32,868	30,363	28,786	28,437	28,474	29,200	30,405
Operating income	68,721	67,161	68,180	55,721	61,389	64,314	66,651
Income before income taxes and minority interests	7,712	66,825	67,596	48,996	60,434	61,836	45,817
Income taxes	31,276	32,470	31,447	23,349	28,096	28,491	26,059
Net income (loss)	(23,968)	33,813	35,353	25,523	32,282	33,208	19,787

## PER SHARE OF COMMON STOCK:

Basic net income (loss)	¥ (53.47)	¥ 75.59	¥ 79.80	¥ 57.60	¥ 71.84	¥ 73.42	¥ 46.00
Diluted net income		74.00	78.12	56.45	71.16	73.30	44.87
Cash dividends	20.00	20.00	22.00	22.00	22.00	22.00	22.00
Net assets per share	951.08	1,005.63	1,050.99	1,073.86	1,130.33	1,173.60	1,197.26
Stock price (closing), end of year	2,410	1,900	1,460	927	1,314	1,290	1,279

## FINANCIAL POSITION:

Working capital	¥ 123,483	¥ 140,377	¥ 125,355	¥ 159,937	¥ 165,890	¥ 185,922	¥ 182,111
Total shareholders' equity	423,690	445,263	465,801	475,815	512,910	515,602	514,996
Total assets	793,222	829,721	874,219	869,606	878,641	899,363	919,295
Capital expenditures	48,865	48,881	124,832	45,856	39,700	52,472	48,615
Depreciation and amortization	35,003	40,150	44,772	42,697	39,883	39,583	38,682
Net cash provided by operating activities	84,675	80,763	116,896	84,463	77,064	87,899	71,843

## KEY RATIOS:

Operating income margin (%)	6.00	5.78	5.56	4.45	5.11	5.20	5.29
Net margin (%)	(2.09)	2.91	2.88	2.04	2.69	2.69	1.57
Return on assets (ROA) (%)	(3.26)	4.17	4.15	2.93	3.69	3.74	2.18
Return on equity (ROE) (%)	(5.43)	7.78	7.76	5.42	6.53	6.46	3.84
Current ratio (%)	143.77	149.30	144.89	158.00	159.82	170.34	164.50
Shareholders' equity ratio (%)	53.41	53.66	53.28	54.72	58.38	57.33	56.02
Assets turnover (Times)	1.56	1.43	1.44	1.44	1.37	1.39	1.39
Interest coverage ratio (Times)	137.92	260.66	223.00	58.57	88.35	73.71	90.52
Price earnings ratio (PER) (Times)		25.1	18.3	16.1	18.3	17.6	27.8
Price book-value ratio (PBR) (Times)	2.5	1.9	1.4	0.9	1.2	1.1	1.1

## NON-FINANCIAL DATA:

Number of employees	152,787	157,653	169,836	170,662	167,555	171,642	177,301
Full-time	75,552	77,170	80,843	82,601	82,395	83,427	84,293
Part-time	77,235	80,483	88,993	88,061	85,160	88,215	93,008
TA-Q-BIN delivery volume (Millions of parcels)	1,128	1,174	1,236	1,232	1,262	1,348	1,423
Unit price (Yen)	653	647	644	646	624	609	600
Kuroneko Mail handling volume (Millions of units)	1,734	1,970	2,206	2,231	2,262	2,312	2,187
Unit price (Yen)	69	66	64	65	65	64	62

Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥120.17 to U.S.\$1.  
 Note: On March 31, 2015, we ceased accepting items for *Kuroneko Mail* and from April 1 launched the *Kuroneko DM-Bin*.

		Millions of Yen		Thousands of U.S. Dollars	
2013	2014	2015	2015		
¥1,282,374	¥1,374,610	<b>¥1,396,708</b>	<b>\$11,622,771</b>		
1,028,219	1,099,400	<b>1,101,439</b>	<b>9,165,671</b>		
254,155	275,210	<b>295,269</b>	<b>2,457,100</b>		
1,181,834	1,274,471	<b>1,290,715</b>	<b>10,740,742</b>		
34,337	37,043	<b>37,046</b>	<b>308,282</b>		
66,203	63,096	<b>68,947</b>	<b>573,747</b>		
64,284	65,882	<b>69,158</b>	<b>575,499</b>		
29,563	31,003	<b>31,555</b>	<b>262,584</b>		
35,144	34,776	<b>37,533</b>	<b>312,336</b>		

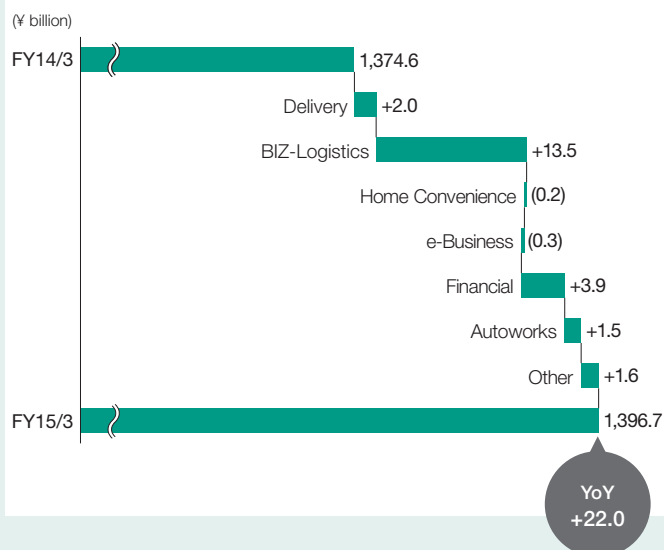
		Yen		U.S. Dollars	
¥	¥	¥	\$		
81.85	82.22	<b>90.41</b>	<b>0.75</b>		
79.84	80.18	<b>88.26</b>	<b>0.73</b>		
23.00	24.00	<b>25.00</b>	<b>0.21</b>		
1,261.35	1,316.12	<b>1,368.66</b>	<b>11.39</b>		
1,740	2,224	<b>2,772</b>	<b>—</b>		

		Millions of Yen		Thousands of U.S. Dollars	
¥	¥	¥	\$		
186,868	179,999	<b>209,172</b>	<b>\$1,740,632</b>		
534,451	551,379	<b>565,521</b>	<b>4,706,009</b>		
950,153	1,032,134	<b>1,082,531</b>	<b>9,008,333</b>		
48,052	79,531	<b>52,022</b>	<b>432,905</b>		
37,936	42,266	<b>46,058</b>	<b>383,277</b>		
73,950	80,075	<b>92,620</b>	<b>770,744</b>		

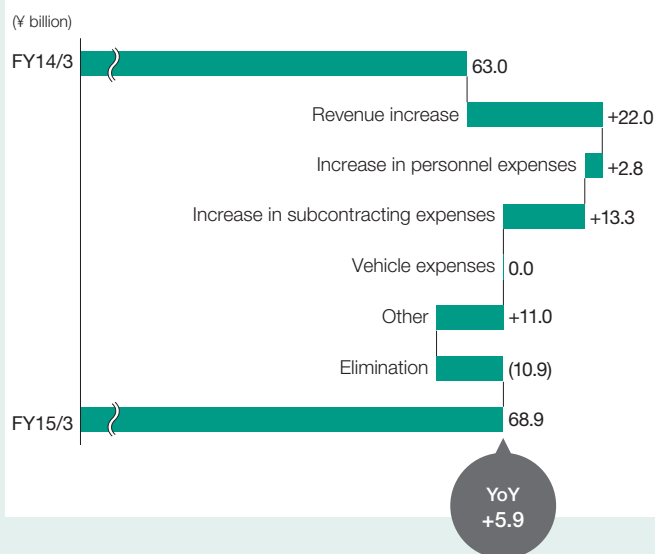
5.16	4.59	<b>4.94</b>
2.74	2.53	<b>2.69</b>
3.76	3.51	<b>3.55</b>
6.70	6.41	<b>6.75</b>
162.39	151.82	<b>158.59</b>
56.25	53.42	<b>52.24</b>
1.37	1.39	<b>1.32</b>
108.36	153.41	<b>173.45</b>
21.3	27.0	<b>30.7</b>
1.4	1.7	<b>2.0</b>

177,108	193,146	<b>197,056</b>
84,422	87,279	<b>88,247</b>
92,686	105,867	<b>108,809</b>
1,487	1,665	<b>1,622</b>
591	574	<b>595</b>
2,112	2,084	<b>1,901</b>
61	61	<b>61</b>

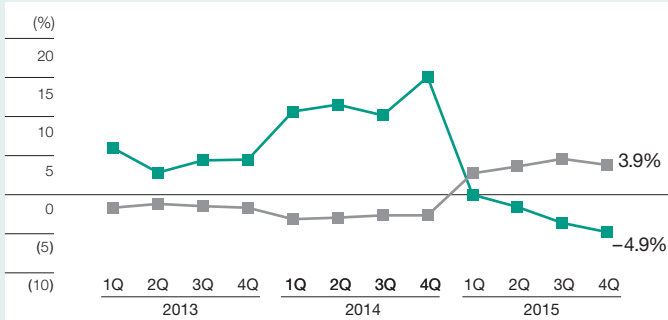
### Analysis of Operating Revenues



### Analysis of Operating Income



### Quarterly YoY Growth Rates of TA-Q-BIN Delivery Volume and Unit Price



■ TA-Q-BIN Delivery Volume Growth Rate ■ TA-Q-BIN Unit Price Growth Rate



# Innovation for Our Future

The Yamato Group's Unique Strategies toward Sustainable Development

1919  
Founded



1929  
First innovation



1976  
Second innovation



2013  
Third innovation

## SPECIAL FEATURE

Since its foundation in 1919, the Yamato Group has continued to create innovative services and value that have met society's needs. Underpinning that growth have been unique innovations in which the Company has been engaged over many years.

For the shipping line business of 1929, our first innovation, the Company succeeded in bringing more convenience to customers by transporting consolidated goods that were delivered to different customers by truck. The second innovation was the *TA-Q-BIN* business that was started in 1976. By updating the systems that had been utilized up until that time for transporting shipments between individuals and companies and, over and above that, by responding to the variety of customer needs,

the Company built up *TA-Q-BIN* services as a form of lifestyle infrastructure that cannot be done without, in the same way electricity and running water are needed. The Company is currently promoting "*Value Networking*" design, its third innovation.

In this section, we focus on the "*Value Networking*" design, which will drive the growth that will bring to fruition an improvement in the Yamato Group's medium-to-long-term corporate value. We will outline "*Value Networking*" design and explain its initiatives, the human resource training that will underpin those initiatives, and also the corporate image for which the Yamato Group is ultimately aiming.



# Toward an Innovative Infrastructure to Underpin Japanese Corporate Growth Strategies

By causing logistics to evolve into a “means for generating new value,” the Yamato Group will realize logistics reform

In July 2013, the Company commenced the “Value Networking” design. By implementing domestic and overseas network innovations, the Company will cause logistics to evolve into a “means for generating new value” not only through costs, contribute to Japan’s economic growth strategies, and engage in logistics reform.

Against this backdrop lies the issue of customers’ logistics costs and logistics associated with changes in the market environment. For distribution industry customers, logistics costs are increasing due to the high-frequency transportation of small lots arising from the burgeoning e-commerce market. In the case of manufacturing industry customers, increases in total distribution costs brought about by the separation of the manufacturing base and product shipment destination, and increases in inventory are being cited as a cost pressure issue. The Company launched its “Value Networking” design to address these very issues. While keeping down customers’ logistics costs, “Value Networking” design brings improvements in logistics speed, a dramatic rise in quality, and fulfills the aim targeted from the outset of the bottom-up growth of Japanese companies as a whole. Seamlessly integrating its nationwide “last mile” delivery networks in Japan and in other Asian countries—networks that boast the Company’s unique information technology (IT), logistics technology (LT), and financial settlement technology (FT) functions as well as core competencies—with the unparalleled speed provided by *Haneda Chronogate*, *Atsugi Gateway*, and the *Okinawa International Logistics Hub*—

the Company is promoting the provision of innovative solutions to raise the bar in all three areas: logistics speed, cost, and quality.

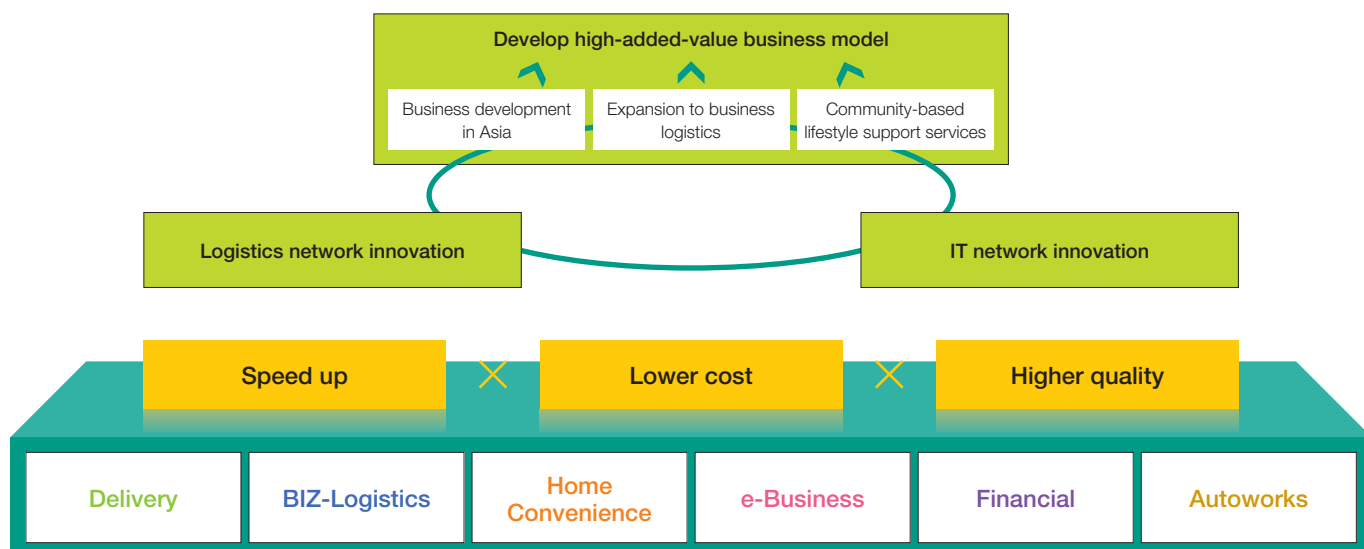
## Implementing “Value Networking” Design Plan Based on Five Engines of Reform

- 1. Non-stop logistics network**  
Full-scale operation of the multifunctional Haneda/Atsugi/Okinawa super-hubs that integrate speed and value-added features (Please refer to “Logistics Reform Case Studies” on pages 24 and 25.)
- 2. Cloud-based network**  
*FRAPS*\* rapidly and reliably “consolidates, controls, and optimizes while delivering to multiple locations,” interfaced via a cloud-based network
- 3. The world’s first integrated delivery network of international refrigerated packages**  
Start of *International Cool TA-Q-BIN* (Please refer to “Logistics Reform Case Study” on page 24.)
- 4. Logistics visualization**  
Seamless digital informatization enabling both senders and receivers to visualize logistics from shipment to arrival
- 5. Demand chain-perspective innovation**  
Satisfying the needs of both purchasers and suppliers

By completing *Haneda Chronogate*, Japan’s largest logistics terminal, in September 2013 as the core, the Company was able to build the foundation of a non-stop logistics network that will generate speed and added value. In the years to come, the Company will leverage and work on enhancing the networks that have been built up over many years and realize improvements in customer value by providing optimal solutions to a variety of customers that transcend the nature or scale of their businesses. Furthermore, the Yamato Group’s human resources that have developed over the years will be nurtured through logistics reform under the “Value Networking” design and efforts thereby made to improve the Company’s management resources and, going forward, corporate value.

\* *FRAPS* is an acronym for the *Free Rack Auto Pick System*, a cloud-based setup that can use “last mile” networks. This picking system uses proprietary flow-through racks.

### Overall Diagram of “Value Networking” Design







SPECIAL FEATURE 01

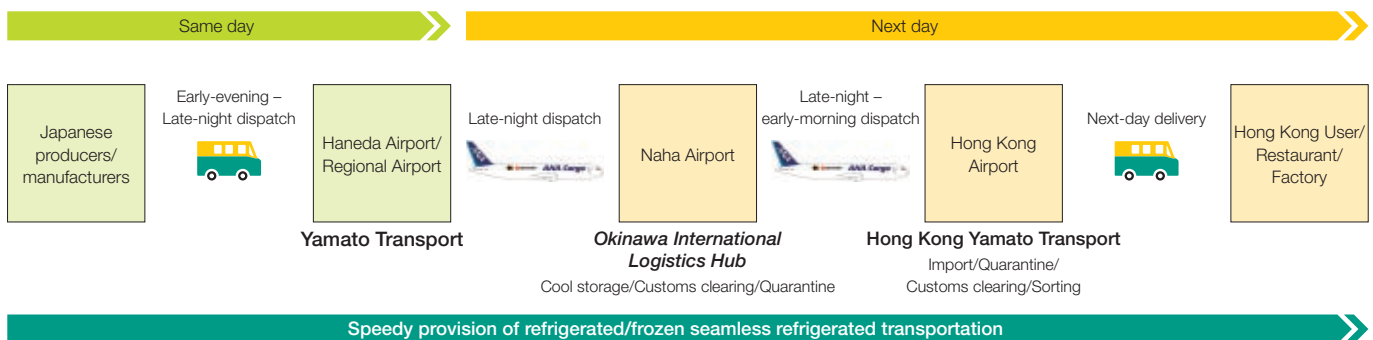
# Providing Optimal Solutions with “Value Networking” Design

Of the customers that utilize *Haneda Chronogate*, which forms the core of the “Value Networking” design, the backbone is formed by overseas companies. Here we outline case studies of the logistics reform provided by the Yamato Group.

## Case Study 1 *International Cool TA-Q-BIN* (Next-day delivery of fresh products to Asia)

Customer	Domestic primary industry/producers	Solution	Domestic producers in Japan are connected with the rest of Asia via the <i>Haneda Chronogate</i> and <i>Okinawa International Logistics Hub</i> operations. The shortened lead times and safe refrigeration technologies have enabled very fresh products to be delivered as they are to overseas customers.
Issue	Since international refrigerated transport services for small-lot shipments previously did not exist, domestic producers were limited to developing foodstuffs such as fresh products to be produced in overseas markets.	Added value	<b>Domestic Japanese producers:</b> Expansion of sales channels in Asia, no need for investment in logistics, quality maintained, logistics visualization <b>Purchasers:</b> Quality maintained, early receipt of orders, transportation visualization

### “International Cool TA-Q-BIN” Japan to Hong Kong Delivery





## Case Study 2 Parts Supply/Procurement

<b>Customer</b>	Machinery manufacturers developing business in Asia
<b>Issue</b>	In the case of the procurement of parts from suppliers scattered across Japan and other countries in Asia to manufacturers that have developed their business in Asia, time was lost due to customs clearance and the time needed for companies to send consignments to their own work sites.
<b>Solution</b>	The Company has established a Parts Center within the International Logistics Center adjoining the <i>Okinawa International Logistics Hub</i> . The Parts Center supports speedy parts supply and procurement for companies that have developed their businesses overseas by enabling daily, round-the-clock customs clearance and an extensive network of nighttime cargo flights serving points in the rest of Asia.
<b>Added value</b>	<b>Manufacturers:</b> Shortened lead times, procurement visualization, minimization of inventory and space taken up by inventory, negated need for logistics investment <b>Suppliers:</b> Reduction of operational pressures, extended production time, logistics visualization, ensuring of production lead times

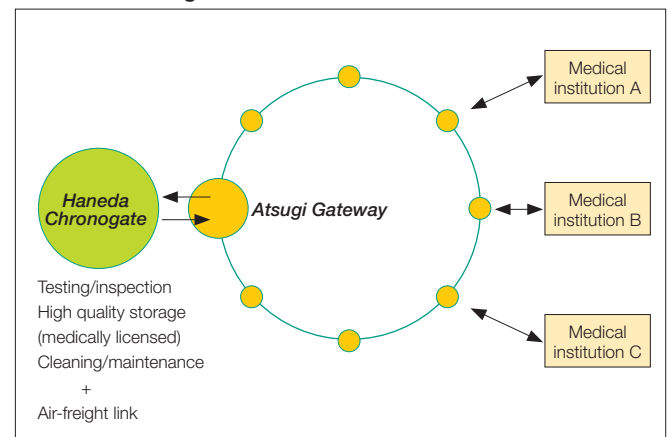
### Parts Supply/Procurement between Japan and Asia Utilizing *Okinawa International Logistics Hub*



## Case Study 3 Medical Device Cleaning/Maintenance

<b>Customer</b>	Medical device manufacturers
<b>Issue</b>	The lead times required for cleaning surgical medical devices used at medical institutions in Japan had become prolonged due to the need to transport the devices from the medical institutions and on occasion send them back and forth between cleaning/maintenance bases and storage locations.
<b>Solution</b>	The Company has enabled 24-hour cleaning, maintenance, and holding of inventory stock at its <i>Haneda Chronogate</i> facility. By eliminating the previous need for sending surgical medical devices to cleaning/maintenance bases, the number of movements have been reduced and improvements in inventory turnover realized.
<b>Added value</b>	<b>Manufacturers:</b> Inventory turnover improvement, inventory visualization, inventory reduction, logistic cost reduction from eliminating need for cleaning/maintenance base system <b>Medical institutions:</b> Procurement visualization, just-in-time (JIT) procurement, ensuring of safe and hygienic equipment

### Medical Device Cleaning/Maintenance Realized by *Haneda Chronogate*



### What Is *Haneda Chronogate* That Plays a Central Role in "Value Networking" Design?

Completed in September 2013, *Haneda Chronogate* is the largest logistics base in Japan and where the Yamato Group's functions have been consolidated. From its location, scale, and functions, *Haneda Chronogate* is of paramount importance for its central role in the "Value Networking" design.

Directly adjoining Haneda Airport, which serves international destinations, *Haneda Chronogate* serves as a hub connecting the domestic TA-Q-BIN network with the Asia next-day delivery network.

Also in the vicinity are a Japan Railway Company cargo container terminal as well as the ports of Tokyo and Yokohama. Affording excellent highway access, the special feature of *Haneda Chronogate* is that the facility

enables speedy transportation by land, sea, and air.

Shipments that arrive at *Haneda Chronogate* are quickly sorted by destination by means of state-of-the-art material handling equipment, which is capable of round-the-clock sorting, on the first and second floors of the facility. Shipments that require the value-added functions provided at *Haneda Chronogate* are transported via a conveyor belt to value-added-function areas on the third to the fifth floors. By providing customers, no matter the nature or scale of their businesses, with a wide range of value-added functions around the clock—including fast-track customs clearance; bonded storage/localization; cross-merging; medical device cleaning/maintenance, kitting, assembly, maintenance, and repair; and on-demand printing—the Company is bringing innovation to its customers' logistics.



# Training and Producing Human Resources Who Will Go Beyond the Boundaries of the Logistics Industry

To continue innovation that is in step with the times, the human resource strategies that raise the competitiveness of the Group as a whole are contributing to corporate value creation from a long-term perspective.

## Yamato Group Human Resource Strategies Evolve in Conjunction with Management Strategies

Human resources are needed for the Yamato Group to continue to grow sustainably. These are human resources who will create value in society unfettered by the frameworks known as transportation and gather a wide range of information and opinions.

In the past few years, amid increasing logistics volumes brought about by such factors as the expansion of the e-commerce market and the high-frequency transportation of small lots for B2B logistics, corporate customer logistics costs have been on an upward trend, and keeping costs in check has been cited as a problem area. I believe we will shift toward value-added competition at an early date, raising customer convenience by means of our delivery-plus-something-extra strategy or, more specifically, by achieving logistics reform in terms of cost, speed, and quality. To make this strategy more definite, it will be of the utmost importance that we train and retain



Tomoki Otani

Senior Executive Officer  
Responsible for Human Resources  
Strategy, Network Strategy, Legal  
Affairs, CSR and Audit

human resources who are capable of providing value that pushes the boundaries of the logistics industry in its conventional form.

## Acquiring Abilities to Fight to Fullest away from Base

There are two key expressions with regard to training the human resources we require: “ability to fight away from base” and “unchanged philosophy.”

First, by “ability to fight away from base” I mean displaying the capabilities of human resources to the fullest extent, even in situations in which they do not have any experience, while overlapping the Company’s management strategies with their own roles and responsibilities, since such capabilities will enable the accumulation of results that will lead the growth of the Company.

The Yamato Group is currently promoting its “Value Networking” design to offer a variety of added value during the process of carrying customer shipments. For example, medical device

manufacturer customers conventionally needed to transport surgical medical devices to several bases for each cleaning. Having the Company assume responsibility for the cleaning operation, however, has enabled the provision of added value from the aspects of speed, quality, and cost, and it has become unnecessary for the devices to pass through cleaning/maintenance bases.

This is just one example, but in the years to come the Company will provide added value to a variety of customers, no matter the nature or scale of their businesses. Marketing capabilities will be indispensable for broadening our customer base and enabling us to subtly detect changes in markets and needs, which will never be detected by remaining only on Company premises. In addition to personnel exchanges with Group companies, the Group is implementing transfers outside the Company, the aim being to acquire wide-ranging ways of thinking, from fields that are not bound by the Company's common practices and culture, by becoming acquainted with and absorbing the organizational cultures of other companies as well as the thoughts of those companies. As a result, I am expecting these moves to lead to the creation of new value that had not been considered previously.

In addition to in-house human resource training, we are focusing efforts on hiring from outside the Company to enhance our "ability to fight away from base." By enhancing the human resources capable of being active in management posts, including at the director level, or globally, we will bring diversity to the Company and create the fertile soil in which a row of seeds of new ideas will germinate and grow.

#### **Factor that Remains Constant Even amid Change**

Amid these management strategies and changes in human resource strategies, there is one factor that must remain constant. This is our corporate philosophy, which has been handed down in an unbroken line as our guiding compass of growth since the Company's foundation. In the Yamato Group, all employees, including drivers, collectively have an executive candidate awareness. Since the Company's foundation, the "all-employee management" philosophy of each and every person leading the Company toward the same goals has been passed down consistently. For this philosophy to continue to be passed down in the years to come, the Company has been implementing a job rotation system since 1987, through which employees briefly experience logistics center operations for two years immediately after joining the Company. By experiencing the logistics center on the front



There are two key expressions with regard to training the human resources we require: "ability to fight away from base" and "unchanged philosophy."

line at an early stage, young employees naturally understand the core elements of the Company's business model, the aim of which is to cultivate an "all-employee management" attitude that designates the customers as its starting point.

The sharing of the corporate philosophy will not remain solely in Japan. We are also working on ingraining the philosophy among our local employees overseas. As one part of these efforts, we brought together around 20 representatives from Europe, the United States, and Southeast Asia and conducted a training session related to the sharing of our philosophy. Previously, I had visited the sites and explained the philosophy, but it had taken a considerable amount of time for the explanation to be understood at an acceptable level. By gathering representatives from across the world in one place and having them share their similar thoughts and concerns, I believe that even if they are faced with a problem locally that they will immediately recall our philosophy and strive to overcome that problem. I feel there has been a favorable response upon hearing feedback from one training session participant, who said that, "Previously we had the sense of working for an overseas logistics company, but now, through this training, we have reached the stage where we have become more aware of a sense of pride as Yamato Group employees."

What has enabled the Yamato Group to grow to where it is today have been the efforts of each and every employee in Japan and overseas, including the Sales Drivers (SDs) on the frontline.

Amid the ongoing advance of globalization of society, we will aim to remain as ever a company in which our employees can take lasting pride. We will further raise the Group's competitiveness by accurate human resource strategies tailored to business strategies, and by the thorough cross-fertilization of our philosophy that will have remained a constant even in 100 or 200 years' time.

Training and producing human resources who will create value in society unfettered by the frameworks known as transportation and gather a wide range of information and opinions.







## SPECIAL FEATURE 03

# Ensuring Long-Term Corporate Growth through Accelerated Global Development

The Yamato Group is promoting global development to ensure its long-term growth over the next 20 to 30 years and beyond.



**Richard Chua Khing Seng**

Executive Officer,  
Yamato Holdings Co., Ltd.  
Managing Director,  
Yamato Asia Pte. Ltd.

### **Yamato Asia Pte. Ltd.: Assuming Command of Southeast Asia Strategy**

Established in Singapore in January 2014, Yamato Asia is an intermediate holding company in Southeast Asia responsible for supervising local subsidiaries that are deployed in the region. The reason for establishing a base in Singapore rather than in Japan was our belief that a system was necessary in the vicinity of our customers to enable rapid responses to diversifying needs. In addition to building networks predominantly in Southeast Asia, Yamato Asia's role is to manage in such a way that the subsidiaries' business management proceeds as planned. Our long-term vision calls for the building of a "last mile" network that covers all of Southeast Asia and the development of global, cross-border small parcel transportation that is connected with Europe and the Americas as well as East Asia and Japan.

A year and a half has passed since Yamato Asia's establishment, and our strategy has started to produce results. In April 2014, we

inaugurated the Singapore-Malaysia Cross-Border Delivery Service. Combining regular truck services between the two countries with *TA-Q-BIN* networks, customers can now conduct logistics operations between the two countries with ease thanks to the service's consistent performance, from collection to customs clearance and delivery. Furthermore, in July 2014 we acquired TIDIKI EXPRESS (Pte) Ltd., which owns a domestic emergency delivery network in Singapore. We believe this move will enable such services as emergency transportation within a matter of a few hours and large product delivery as well as the provision of more advanced services in the B2B field. In addition, in April 2015, in cooperation of the Singapore Economic Development Board, we established in-house R&D organizations with a view to creating a business model along industry lines in Southeast Asia and an Asia Business Model Innovation Centre within Yamato Asia. The pivotal base of the global strategy at the Yamato Group remains B2B services, but the "2B" can be said to be any



one of a wide range of industries, so it was necessary to create a sound business model through research by industry to know whether providing a particular solution would be the best for that industry. In the environment with which Singapore is blessed, we are working to make effective use of our resources by consolidating those resources that are distributed to each region. In this way, Yamato Asia spans nations and, in addition to putting in place the systems that will enable growth throughout the region, is creating plans to make business inroads in new countries and cities.

#### **An Asset in Overseas Development: “Last Mile” Networks**

As you may expect, it is the domestic “last mile” networks, such as *TA-Q-BIN* in Japan, that hold the key to the Yamato Group’s global development. It is our policy to accelerate growth using “last mile” networks as a lever. Why are “last mile” networks important? Despite many corporate customers who want to know reactions of consumers in a timely manner, there are fewer business operators who are experts in the logistics business that can connect corporate customers and consumers. This represents a major business opportunity for the Yamato Group. In an era when consumers select goods, corporate customers that include manufacturing companies, for example, will naturally verify for certain that their products have been delivered, but there is a growing need to instantly catch the reaction of customers (end-users). Possessing the know-how to enable a response to that need,



As you would expect, it is the “last mile” networks that hold the key to the Yamato Group’s global development.



Yamato Asia spans nations and, in addition to putting in place the systems that will enable growth throughout the region, is creating plans to make business inroads in new countries.

I believe the Yamato Group is working to set itself apart from other companies.

Familiar for its black cat brand logo in Japan, where the Company is also the market leader, the Yamato Group is recognized as having the smallest presence overseas. In terms of global development, we are very much aware of the necessity of speed to continue forging ahead in business.

#### **Human Resource Strategy to Accelerate Growth**

Language study is necessary to enable human resources at the Yamato Group to develop global business, and those human resources must fully understand local factors and have the courage to take risks. When a company makes inroads overseas, all types of risks may accompany such a move. Under such circumstances, I believe human resources need to eliminate all conceivable risks to determine how big of a risk is worth taking to bring about growth in business, and at times they must be able to judge when to take that type of risk. Moreover, in the sense of business management or operational management and in B2B management, they will need to elicit customer needs when on site, and thus we need human resources who possess the practical skills that will enable them to provide solutions.

I always want employees to give some additional thought as to what form the Yamato Group should take in 30 years’ time. In this time, as the population continues to decline in Japan, business growth is expected to slow. We should be asking ourselves whether we will be satisfied with being No. 1 when the overall market scale is shrinking, or whether we aim to be No. 1 in Asia, growing to where global business accounts for more than half of the Yamato Group’s overall profit in 20 or 30 years’ time, while maintaining our position in the domestic market. All employees are required to have a strong sense of urgency to take immediate action.

My mission is to continue establishing businesses in Southeast Asia according to plan, but I am Yamato Group’s first non-Japanese director. I point out the Yamato Group’s strong points and weak points from a non-Japanese point of view and recognize my own role of proposing enhancements and improvements. Going forward, I will devise strategies from a long-term perspective and promote strategies for Southeast Asia by constantly addressing issues with a sense of urgency.

# Creating Shared Value (CSV) Initiatives Make the Yamato Group Even Stronger

Rather than being passive with regard to various issues to be faced, we are linking those issues with improvements in Yamato competitiveness by actively addressing them.

## Yamato Group Risk/Issue Approach Policies

Risk/Issue	Yamato Group Approach Policies
Labor-intensive business model	<p>Deliveries to coincide with time bands in which a high proportion of customers are at home and raise labor productivity by customers by combining full-time Sales Drivers (SDs) and part-time field cast members (workers involved in pickup and delivery)</p> <p>Aim to combine increased pickup and delivery efficiency with improvements in customer convenience by renewing mission-critical IT systems</p>
Labor shortage	<p>Improve efficiency in work that does not depend on manual labor by digitization and state-of-the-art automated equipment at logistics terminals</p> <p>Develop and encourage diverse ways of working, endeavor to create workplaces in which each and every employee can feel actively engaged, irrespective of their gender, age or nationality</p>
Reduction of shipments due to Japanese population decline	Create business opportunities and plan monetization through the TA-Q-BIN network that is deeply rooted in local communities, such as addressing new needs brought about by an aging population
Convergence of mail order market expansion in Japan	Raise Asia-centric overseas presence and implement growth strategies
Diversification of customer needs	Ascertain the needs of local communities through customer networks that are deeply rooted in local communities, promote the development of new services in response to lifestyle changes
Increase in CO <sub>2</sub> emissions and waste material volumes	Aim to reduce CO <sub>2</sub> emissions and fuel consumption by promoting Ecodrive and by not using vehicles for pickups and collections





## Promotion of CSV in Collaboration with Local Communities

Based on its idea of CSV (Creating Shared Value), by which Yamato enterprises create common value with local communities through their main businesses, the Group is providing the networks and functions, including information, logistics, and financial settlement, that each Group company possesses to local people, such as local governments, residents, and NPOs. The Company is engaging in Project G (which stands for “government”) with the aim of revitalizing local communities by resolving issues in cooperation with others.

### Watch-Over Initiatives for Seniors Provided by Sales Drivers

Across Japan, the Yamato Group is engaging in lifestyle support, which includes confirming the well-being of seniors and shopping for them, and in sales promotion, such as expanding sales channels for special products. Since April 2013, the Company has been delivering monthly periodicals to seniors living alone in the city of Kuroishi, Aomori Prefecture, and making efforts by which a report is made to the local government if an elderly recipient has not been at home for a certain length of time. Yamato Transport has been able to create a mechanism by which a local governmental agency can detect anomalies reliably and at low cost. This has been achieved by having the fees borne by the city according to the number of deliveries, and limiting the work of the sales drivers (SDs) to the delivery and the reporting of absences to the city office. In April 2015, the Company began providing the service to roughly 550 targeted households where a person aged 70 or over was living alone in the town of Fukaura, which faces the same problem, and with which Yamato Transport signed an agreement. Anomalies discovered when delivering a periodical are reported to the town authorities, advancing an initiative that supports the safety of seniors living alone through collaboration between the town and social welfare workers.



### Regional Product Sales Channel Expanded Overseas

In July 2014, the Company constructed the Aomori Prefecture General Distribution Platform to support the expanded distribution of the prefecture’s agricultural, forestry, and fisheries products in Japan and overseas. Provision of the “A! Premium” service commenced in April 2015. This service enables agricultural, forestry, and fisheries products from Aomori Prefecture to be delivered to western Japan the following morning and to other Asian destinations, such as Hong Kong, via the shortest or next-day deliveries. As a new channel that even enables the sale of individual items of produce that will have a certain value to producers, offering shortened delivery times and undiminished freshness and quality, the Company is hoping this initiative will give rise to a new form of commercial distribution. Already attracting the attention of the Ministry of Agriculture, Forestry and Fisheries of Japan, I would like to see this developed into a direct delivery service aimed at the higher socioeconomic groups in Asia.



## Respect for Diversity

The employment of human resources from a variety of backgrounds develops a new sense of worth and will be linked to the creation of corporate value for the entire Group and the creation of social value for society as a whole. The Yamato Group endeavors to create workplaces in which each and every employee can feel actively engaged, irrespective of their gender, age, or nationality.

### Encouraging the Creation of Workplaces in which Women Can Be Active



About 70,000 women are engaged in business operations within the Yamato Group, which means about 35% of all Group employees are female. Each business company creates its own system and environment in which women can remain working. Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, Yamato System Development Co., Ltd. (2011), Yamato Logistics Co., Ltd. (2013), Yamato Transport Co., Ltd. (2014) and Yamato Management Service Co., Ltd. (2015) were accredited by the Ministry of Health, Labour and Welfare for their efforts in supporting child rearing. Centered on the Diversity Promotion Department set up within Yamato Holdings in August 2014, the Yamato Group is making proactive efforts in the creation of workplaces that fully utilize women’s abilities.

### Contributing to Employment Creation for People with Disabilities



As stated in its corporate stance, the Yamato Group “assists and advocates for persons with disabilities” and continues its efforts to create employment opportunities for them. One of those efforts is the operation of Swan Co., Ltd., which assists people with disabilities and supports their participation in society through the manufacture and sale of bread. Established in 1998 by Yamato Transport Co., Ltd., and the Yamato Welfare Foundation, Swan Bakery opened its first shop in Tokyo’s Ginza district and currently operates 28 shops nationwide, including directly managed and chain shops. The Yamato Group will continue to help in creating a society in which people with disabilities and able-bodied people can live together.





## Safety Measures toward Achievement of Zero Accidents

The Yamato Group deems community streets and roads as the places to carry out its business activities. Based on our corporate stance of thorough safety management that keeps respect for human life as its top priority, the Group thoroughly adheres to its philosophy of placing safety first and business second to maintain respect for human life priority at all times.

### Safety Management Disclosure Information

With ensuring the safety of transport business operators as its goal, the Yamato Group has built up a transport safety management system, based on the Transport Management Safety System stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, and remains actively involved in its implementation. Results for the fiscal year ended March 2015 and part of the goals for the fiscal year ending March 2016 are listed below.

### Transport Safety Goals and Achievement Status (Yamato Transport Co., Ltd.)

#### Traffic Accidents

Item	Results for the fiscal year ended March 2015	Goal numerical value for the fiscal year ending March 2016
No. of serious traffic accidents	3	0
No. of serious work-related accidents	0	0
No. of traffic accidents	Year-on-year improvement rate of 2.2%	Fewer than in previous fiscal year

### Budget/Results Relating to Transport Safety

#### Results for the Fiscal Year Ended March 2015

1. On-board *See-T Navi* system Installation expenses..... ¥229.0 million  
Maintenance fees..... ¥313.0 million
2. Long-running no accident commendation awardees amount..... ¥620.0 million
3. Expenses related to long-running no accident commendation ceremony.... ¥59.0 million
4. Expenses related to Nationwide Safety Meet..... ¥6.8 million

#### Budget Plan for the Fiscal Year Ending March 2016

1. On-board *See-T Navi* system maintenance fees..... ¥313.0 million
2. Long-running no accident commendation awardees amount..... ¥575.0 million
3. Expenses related to long-running no accident commendation ceremony.... ¥64.0 million
4. Expenses related to Nationwide Safety Meet..... ¥7.1 million

### Introduction of *See-T Navi* Supports Safe Driving

Yamato Transport Co., Ltd., pickup and delivery vehicles are equipped with a unique *See-T Navi* safety and ecological navigation system. This system creates data from SDs' driving and visualizes issues by acquiring and recording speed, distance, and time information. We evaluate driving skills based on such data and rank skills on a seven-step scale from A to G. For example, driving habits that present a low risk of accidents and low environmental impact, such as low-gear starts and the observance of safe driving speeds, raise the ranking. In conjunction with promoting the introduction of *See-T Navi*, we are implementing initiatives, which include sharing case studies at individual branch workshops, and actively supporting the safe driving of our SDs.



The *See-T Navi* system installed in a pickup and delivery vehicle

## Supporting Safety by Thorough Maintenance Management

Thorough vehicle maintenance management is indispensable for ensuring transportation safety. The regular checks and maintenance of all Yamato Group vehicles are undertaken by Yamato Autoworks Co., Ltd., which selects vehicles to purchase on the basis of past maintenance histories and conducts detailed checks at optimal times for replacement vehicles.

Covering the more than 4,000 pickup and delivery base locations of the Yamato Group, Yamato Autoworks is responsible for 50,000 vehicles and their maintenance inspections. Their major maintenance factories



Laden with tools, *Repair Works* vehicles are used to undertake roadside maintenance and diagnostic testing

are in operation around the clock throughout the year. Aside from naturally responding quickly in the event of an accident, they also support the mandatory periodic inspections carried out

on vehicles by collective management throughout the year. Furthermore, they perform preventive maintenance to carry out maintenance before failures occur by frequently checking the status of vehicles and gathering information. Of the approximately 880 mechanics, the number that hold automobile inspector qualifications, which enable them to carry out complete inspections to determine whether vehicles that meet safety standards once maintenance has been completed, has climbed to more than 650 (as at March 31, 2015). During maintenance, the accuracy of inspections is raised by double checks by another mechanic who carries out interim and maintenance completion inspections.





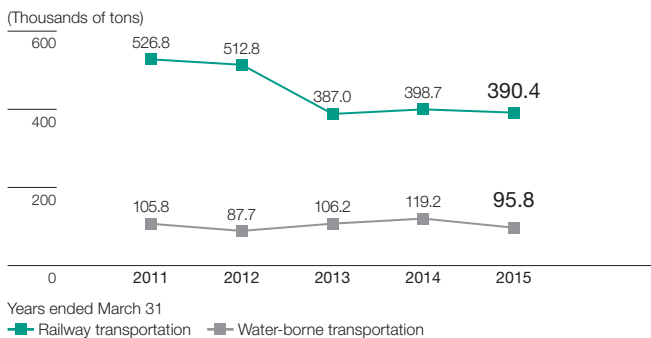
# A Thoroughly Ecological Approach to Transportation to Achieve Cost Reduction

The Yamato Group refers to its environmental conservation initiatives as “Necology.” Environmental conservation is a part of a corporation’s responsibility to society, and we encourage every individual employee to be constantly aware of environmental conservation as they conduct their daily tasks in addition to ensuring that our corporate activities remain environmentally friendly. We establish environmentally friendly logistics by thoroughly ensuring the environmental friendliness of all aspects, especially for “packaging,” “transportation” and “delivery.”

## Pursuit of Reasonably Priced, Environment-Friendly Transportation

Shifting medium-to-long-distance trunk transportation, which had previously mainly been by truck, to railway or water-borne transportation, Yamato Transport Co., Ltd., is promoting trucks and intermodal transport. Compared with trucks, railway and water-based transport are highly energy efficient, significantly reduce CO<sub>2</sub> emission volumes, help to curb air pollution and alleviate road congestion, and also have a major effect on cost reduction. Furthermore, with a view to reducing CO<sub>2</sub> emission volumes, the Company is engaged in expanding pickup and delivery services by a new trolley (a trailer towed by an electric bicycle) instead of vehicles. Mainly in urban and densely populated areas, we have set up satellite centers to undertake pickups and deliveries without using any vehicles at all, apart from the occasional use of a mini vehicle. At centers that require the use of vehicles for longer distances, the Company is working to reduce the number of vehicles by selecting the pickup and delivery method best suited to the area. For example, use is made of carts, the new trolleys, and mini vehicles for pickups and deliveries in nearby areas and a combination of vehicles and carts in areas further afield.

### Modal Shift Volume Trends (Yamato Transport Co., Ltd.)



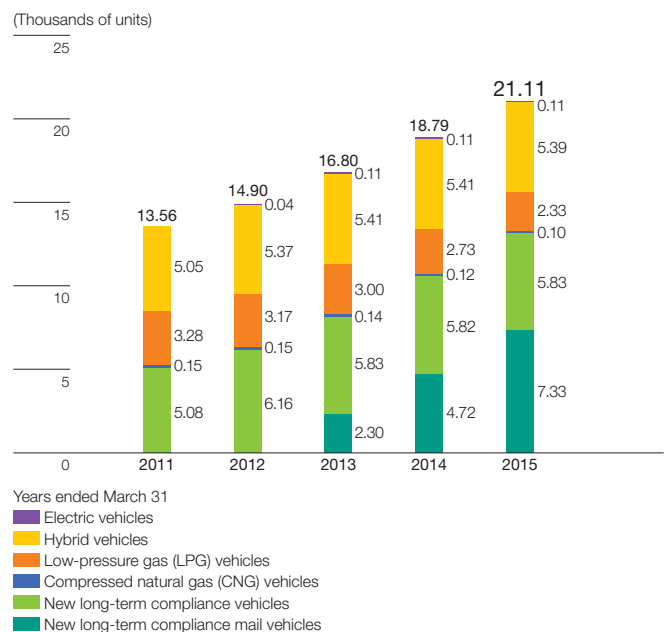
The new trolley, about 4,700 of which have been introduced

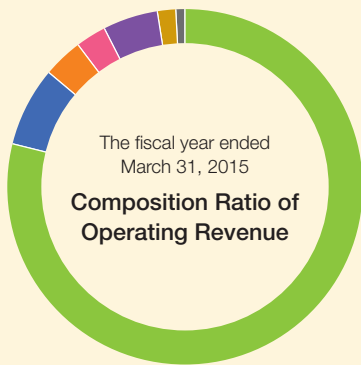
By working to reduce the number of vehicles through collaboration between Group companies, seamless transportation between railways and ferries, and utilization of carts and the new trolleys, the Company is endeavoring to combine various forms of environmental safeguards with logistics solutions.

## Development of Environment-Friendly Packaging Materials

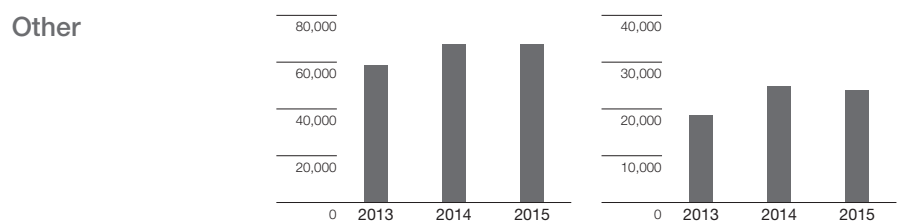
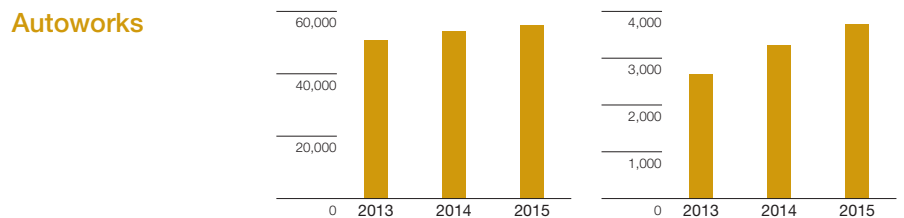
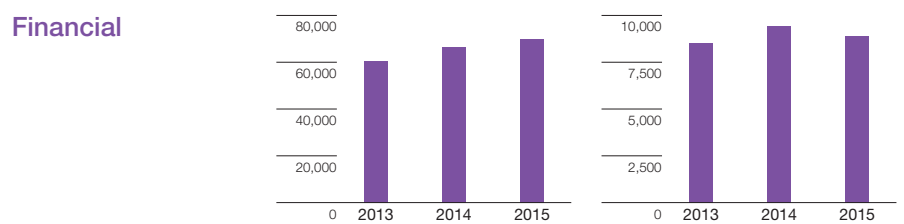
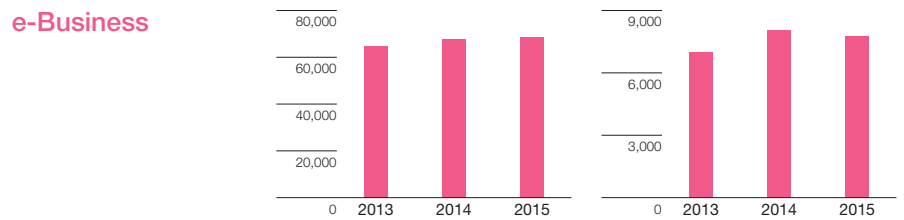
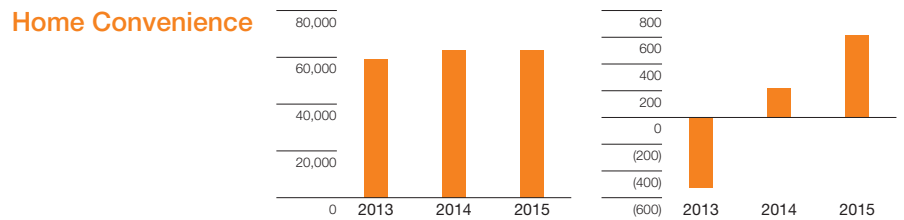
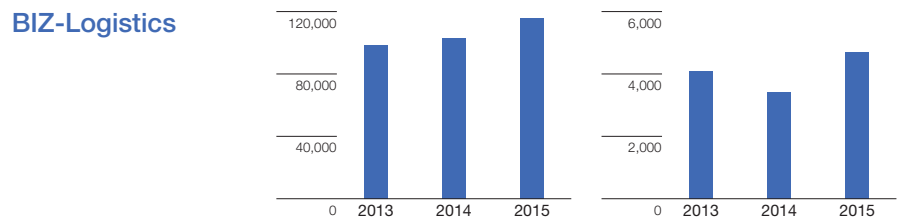
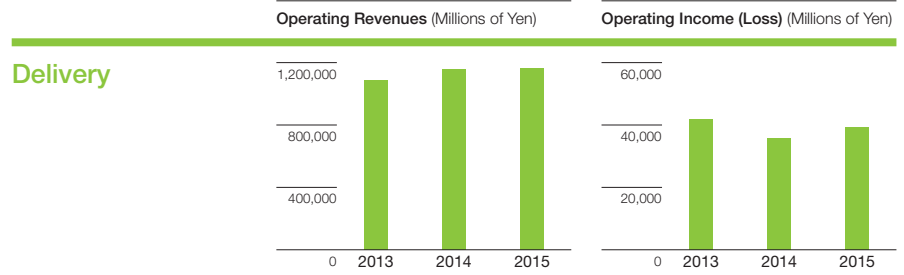
At the same time as protecting customers’ important shipments, Yamato Packaging Technology Institute Co., Ltd., is engaged in the development of packaging materials that are easy to use, have high load efficiency, and are themselves made from materials that are easily recyclable after use. Particularly in recent times, there has been a growing need to meet the requests from customers who want to ensure impact buffer capability with cardboard alone, without any of the foam cushioning material that had previously been used. In this regard, we are heat sealing cardboard with a special film in a method that holds a notebook computer securely between the cardboard and the film. In addition to enabling the packaging of PCs, which have different shapes depending on the model, with one type of material, with this method we succeeded in reducing logistics costs, including reducing the overall shipment volume by approximately 23%, while ensuring shock-absorbing properties equal to those of foam-cushioning material by overlapping the cardboard lid.

### Low-Emission Vehicle Introduction Patterns (Yamato Transport Co., Ltd.)





■ Delivery	78.9%
■ BIZ-Logistics	7.4%
■ Home Convenience	3.5%
■ e-Business	2.9%
■ Financial	4.8%
■ Autoworks	1.9%
■ Other	0.6%



Note: Operating income in Other includes dividends from Group companies.

# Overview of Operations by Segment

## Delivery

With the goal of being one of Japan's "most recognized and most endeared companies," the Delivery Business is engaged in business development centered on *TA-Q-BIN* services to help enrich society.

### Yutaka Nagao

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



#### Business Profile

As a form of social infrastructure, the Delivery Business is committed to living up to the trust society places in our operations while meeting society's expectations. With the goal of being one of Japan's most recognized and most endeared companies, the Delivery Business leverages the Yamato Group's management resources to realize a society that makes it possible for anybody to obtain the items they want, when they want and delivers a quality, convenient lifestyle regardless of where the consumer lives. The company also works to develop businesses that provide services designed to bring more convenience to the lives of its customers.

The environment in which the Delivery Business operates is entering a period of transition. In the Japanese market, the trend is toward increases in volume thanks to growth in both e-commerce (EC) and person-to-person trading markets as well as more frequent and smaller lots becoming the norm in B2B logistics.

Moreover, the population is becoming more concentrated in urban areas, and new entrants into the distribution market are emerging on the scene from different types of industry, such as mail-order

companies. On the other hand, coinciding with an increase in nuclear families and dual-income households, consumers have started to demand flexible services in line with their own lifestyles, and the need is growing for the acceptance of reasonable shipments tailored to hectic lifestyles.

At the same time, we must contend with the escalating effects of the personnel shortage due to Japan's aging and shrinking population as well as to the rural exodus. To maintain our *TA-Q-BIN* networks and high-quality services, the promotion of an environment that can respond to changes in society is becoming a major management issue.

Against this background, in the Japanese market we will bolster solution proposals for commercial distribution, further enhance products and services in response to the diverse needs of consumers, promote further evolution in our responses to the needs associated with the revitalization of local communities, and make improvements to customer convenience. In conjunction with these moves, we will make progress with reinforcing the systems necessary for maintaining and upgrading our high-quality services.

At the same time, in the overseas market, in step with the rapid economic

growth in developing countries in Asia, we intend to further expand the *TA-Q-BIN* business and promote the formulation of an integrated overseas and domestic delivery platform.

Through these initiatives under the "Value Networking" design, we will bring about evolution in logistics not in terms of cost but by generating value and realizing logistics reform whatever the customer's industry and regardless of the scale of their business.

#### Review of the Year Ended March 2015

In the fiscal year under review, the first year under our medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, we strengthened the foundation for further growth that had been built up to the end of the previous fiscal year. By ensuring functionality, we also undertook measures to demonstrate our commitment, as a form of social infrastructure, to live up to the trust society places in us while meeting its expectations.

I would like to provide three specific examples. The first example concerns the efforts made to reform the income structure to provide a consistent quality of

service amid the changing environment. As one part of the reform, with regard to profit structure we worked to increase revenue by steadily promoting measures for the collection of adequate *TA-Q-BIN* fees. Although the management environment in which the company operates continues to be challenging, we explained to customers the appropriate costs required to maintain and improve our services and were able to gain their understanding with regard to fees commensurate with those services. With regard to cost structure, however, we worked to strengthen vehicle dispatch planning and performance management on the basis of improvements in operational design accuracy that drew on operating volume forecasts.

Second, in keeping with the expansion of the EC market, we have made detailed service provision efforts to respond to customer needs for improved convenience in the receipt of goods. For

customers using our *Kuroneko Members* membership service, we worked to upgrade and expand our *TA-Q-BIN Receipt Location Selection Service* that enables customers to select a store directly managed by Yamato Transport, or a convenience store, when purchasing a mail-order item. In addition, there was favorable utilization of Yamato Transport's proprietary *Kuroneko Member Discount*, by which members can use *TA-Q-BIN* services at a discounted price by simply settling their accounts with an e-money card.

For the third and final example, in the promotion of our "Value Networking" design collaboration is specifically getting under way between *Haneda Chronogate*, *Atsugi Gateway*, *Okinawa International Logistics Hub*, and our domestic and overseas *TA-Q-BIN* networks, and we made enterprising efforts to expand and upgrade the network, including the launch of *International Cool*

*TA-Q-BIN* to Taiwan, following on from service to Hong Kong. At the present time, we are providing high-value-added services that combine *TA-Q-BIN*, logistics, and financial settlement business at five regional bases, and we expect that the borderless business world will continue to advance in the years ahead and cross-border logistics will not remain in the flow of items within a region.

As a result, the Delivery Business recorded increases in revenues and income. Despite sluggish transaction volume due to such factors as a drop in consumer confidence and the absence of the last-minute demand that had preceded the consumption tax rate hike in the previous fiscal year, operating revenues edged up 0.2% year on year, to ¥1,101,439 million. Operating income increased 9.6% year on year, to ¥39,205 million, as a result of cost control initiatives that included pursuing efforts to keep costs in line with operating volumes.





### Message from Top Management

With regard to the fiscal year ending March 31, 2016, the second year under our medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, we will continue to build a robust management foundation to respond to the changes in the market environment. Regarding such changes in the environment as a new business opportunity, we will build on our foundation and generate new value through further structural reforms and implement measures to realize our three management policies mentioned below.

Looking ahead to the fiscal year ending March 31, 2020, we will expand into innovative business domains, raise value added, and implement structural reforms to enhance our business growth capabilities.

#### Management Policy 1

### Promote full participation of employees in management with an emphasis on the front lines, raise the value of the Yamato brand

To transform into an entity with an unshakeable foundation of trust that underpins its corporate activities, and where each and every employee demonstrates his or her abilities and the Yamato brand value is raised through growth as a team, we will create overwhelming Yamato quality with the full participation of our employees. We will therefore work to improve frontline capabilities by strengthening our training systems and enhancing our team capabilities as well as further bolstering our “last mile” delivery network. In parallel with these initiatives, we will promote diversity, realign our organizational structure, and encourage the creation of environments in which employees are able to work in safety and comfort.

In addition, after deciding to rebuild the core products of the Delivery Business, with effect from March 2015 we ceased our *Kuroneko Mail* service to avoid

exposing customers to risk and launched *Kuroneko DM-Bin* as a new corporate service in April 2015. That same month, for greater convenience we also launched *TA-Q-BIN Compact* in-person delivery service and *Nekopos* mailbox posting service for small parcels in response to needs of people requiring more reasonable rates for the carriage of small packets. In the years ahead, we will review our large packet products, plan to expand and upgrade our points of customer contact, and provide society with new value.

#### Management Policy 2

### Reform the income structure and maintain sustained growth for the company and good quality of life for employees

By renovating our trunk network and making our “last mile” network for deliveries more sophisticated, we will create systems that will realize total optimization that encompasses the Group to bring about changes in the transportation and collection network structure. We will therefore undertake a strategic relocation of logistics terminal bases and full-scale operations of separate manufacturing and sales bases where parcel shipping and storage locations are not selected. In parallel with these initiatives, in targeting quality visualization we will increase the speed of full digitization with our *Eighth NEKO System*, our next-generation trunk system, improve collection and delivery efficiency, and reduce failures by efficient delivery approaches and accurately predicting delivery times, as we balance improvements in customer convenience and efficient management.

#### Management Policy 3

### Pursue “Value Networking” design and meet increasingly sophisticated customer needs

As the Delivery Business, we will realize

non-stop logistics to convert the “*Value Networking*” design concept into tangible forms. Upgrading infrastructure with the *Mikawa Gateway* joining the *Haneda Chronogate* and *Atsugi Gateway* and in the Kansai area, we will further expand same-day delivery between major Japanese cities and next-day delivery to Asia and next-day delivery within Asia through collaboration with the *Okinawa International Logistics Hub* and domestic and overseas *TA-Q-BIN* networks. In addition, we will shorten lead times without stopping items and bring about further evolution in logistics, from carriage to a “means for generating new value” by realizing high value added for our customers, including reductions in inventories. We therefore brought together the various functions of the Yamato Group and launched *Yamato Ec Solutions (YES!)* in June 2015 as a package service that provides EC business operators with total support. We will enterprisingly develop *YES!* in combination with omnichannel expansion in the years to come.

Moreover, we will promote the expansion in handling countries of *International Cool TA-Q-BIN* with a view to offering corporate management support through *Yamato Cloud Depot* and the growth of our sales channels.

We will advance these solutions, not only from the perspective of the sender (supply) side but also by emphasizing the perspective of the “demand chain” that captures the needs of the recipient (procurement) side.

To achieve the targets set in the medium-term management plan, we will steadily implement the plan while responding flexibly to changes in the operating environment with respect to the fiscal year ending March 31, 2016 measures centered on those mentioned above.

Guided by the slogan of “LOGINNOVATION,” which encapsulates its goal of achieving logistics innovation, the BIZ-Logistics Business devotes its efforts to satisfying and inspiring the Yamato Group’s corporate customers, as well as the consumers they serve, through the creation of innovative logistics solutions.

## Koji Homma

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



### Business Profile

The BIZ-Logistics Business provides innovative logistics systems by combining a variety of functions—including logistics, maintenance, and recall response as well as international transport functions—with the Group’s management resources, which include the *TA-Q-BIN* network.

In particular, at *Haneda Chronogate*, where we commenced operations in October 2013, we provide a new logistics model that integrates speed transport, leveraging a location directly connected to all three transport modes of land, sea, and air, with the value-added function of round-the-clock operations, 365 days a year.

### Review of the Year Ended March 2015

On the basis of the Yamato Group’s “*Value Networking*” design, we worked to expand our business domains in the year ended March 31, 2015 by putting innovation into effect.

At *Haneda Chronogate*, we leveraged our logistics functions and *TA-Q-BIN* network in launching a transport service

for vision care (disposable contact lens) products. By smoothly linking contact lens shipping operations and nationwide stores right up to deliveries to individual customers, we brought about improvements in logistical efficiency and transport speed.

At *Atsugi Gateway*, we leveraged our network capable of same-day delivery and advanced the provision of mail-order support services. By implementing our *Inventory-free Model* concept that has brought about both expansion of the next-day delivery area and logistical inventory optimization, small and medium-sized mail-order business operators were able to provide services of the same quality that are provided by major mail-order business operators. These services are now utilized by a large number of mail-order business operators.

Amid an increasing need for responses to voluntary food recalls and other product recalls, we worked to expand our recall support services that rapidly set up points of contact for users and assist in the processing of refunds. Faced with the heightened safety

awareness of customers using products, we leveraged our overall project coordination and *TA-Q-BIN* networks, with the result that our speedy product recall services have been highly rated, and we have been able to introduce the services to a large number of companies.

By these means, in B2B logistics that demand speed and multi-functionality, we worked to organically bring about collaboration with businesses and to strengthen and accelerate systems to reach the stage where we are able to provide optimal solutions.

As a result, the operating revenues of the BIZ-Logistics Business rose 15.0% compared with the previous fiscal year, to ¥103,821 million, and operating income increased 37.6% to ¥4,683 million.

### Message from Top Management

For Japan to remain a base that creates world-leading innovation, it is anticipated that the country will become more and more globalized.

In addition, looking ahead to the staging of the 2020 Summer Olympics and Paralympics in Tokyo, the movement of

people across borders and the overseas market penetration of corporations is accelerating, so I believe global capital and human resources will gather in Tokyo.

The timing of these changes in the conventional supply chain represents significant opportunities for each business in the BIZ-Logistics Business. Going forward, we will grasp the opportunity to show our leading-edge technology and culture to the people of the world and offer a variety of solutions.

The first of these solutions is to provide total distribution outsourcing services, covering trade, storage, delivery, recovery, and repair for overseas companies that do not possess distribution networks in Japan.

The second solution is the provision of lifestyle-related services from the user perspective so that the increasing number of foreign nationals coming to Japan will spend their time here conveniently and comfortably.

For the third solution, we will establish sales chains that complexly support the transfer of personnel, the transport of

equipment and furniture, goods procurement and trading, and local sales operations for corporations from Japan that are relocating overseas. By leveraging our expanding Group networks, we will also address the building of a platform to support the overseas development of Japanese corporations in a manner in keeping with the borderless economy.

To become Asia's No. 1 solution provider in distribution and lifestyle support, as cited in the *DAN-TOTSU Management Plan 2019*, the BIZ-Logistics Business will fulfill the role of the logistics front line between corporations.

We will thus accelerate the promotion of business structure reforms, which will broaden the area of the value chains that businesses have, and cost structural reforms that realize dramatic cost reductions.

In the years ahead, we will provide new value added and contribute to the realization of more abundant lifestyles by raising the sophistication of the baseline operations accumulated until now and by leveraging the resources of the Group.



FRAPS,\* installed in parallel inside a TA-Q-BIN terminal  
 \* FRAPS is an acronym for the Free Rack Auto Pick System, a cloud-based setup that can use "last mile" networks. This picking system uses proprietary flow-through racks.

### New Logistics Model for Haneda Chronogate

By collaborating with the home appliance repair and medical instrument cleaning functions, we shorten the collection, maintenance, and delivery lead times.



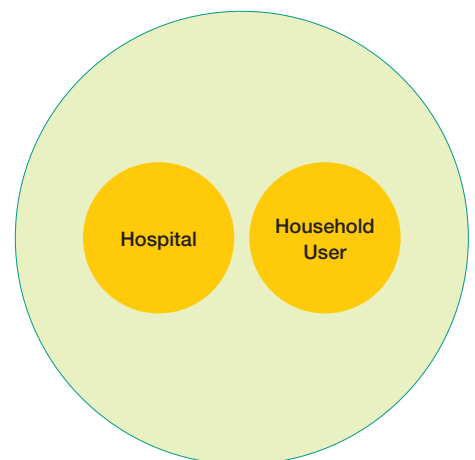
Home appliance repair



Medical instrument cleaning



TA-Q-BIN





# Home Convenience

In the Home Convenience Business, we provide lifestyle support services that help solve inconveniences at home, along with moving services and home furniture delivery, assembly, and installation services. In addition, leveraging our networks, we provide a range of solutions to corporate customers in both the private and public sectors to support sales growth and help reduce costs.

## Atsushi Ichino

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



### Review of the Year Ended March 2015

Recognizing the fiscal year ended March 2015 as the first year of *DAN-TOTSU Three-Year Plan STEP*, we addressed the strengthening of the management base toward creating value-added business models and the fostering of a sound corporate culture while endeavoring to enhance our management structure.

With regard to services for individual customers, we officially launched *Comfortable Lifestyle Support Service* in October 2014 to help customers resolve everyday inconveniences, such as house cleaning and the collection of unwanted items. We stepped up campaigns promoting our existing services while also engaging in nationwide sales. In addition, in our moving and furniture delivery service, we commenced sales in May 2014 of our *Raku Raku Household TA-Q-BIN E-commerce Total Support Service*, which can add value for mail-order business

operators at the time of delivery for discarded item transactions and the moving of furniture. Also, in September 2014, we carried out a complete overhaul so that we could add optional services, such as handing over product initial settings and instructions at the time of delivery. In addition, we continued pushing forward in promoting our traveling sales services, under which we offer furniture and household electrical appliances to customers in remote areas.

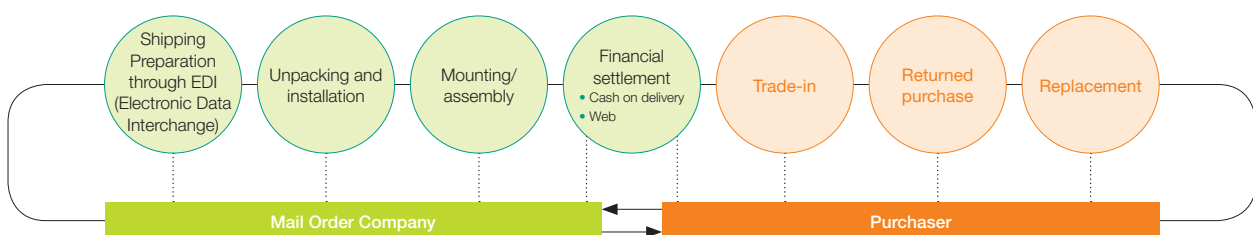
In services for corporate clients, we enhanced sales of our *Technical Network Business*, through which we provide one-stop support, ranging from the storage of household equipment, such as domestic power generation equipment and storage batteries, as well as business equipment, including copiers, multifunction copiers, and digital signage, to equipment delivery, set-up, installation, repair and maintenance. In addition, we leveraged our

procurement capabilities that have been built up in every region of Japan over many years to initiate a local produce procurement service that supports improvements in the ability of corporate client stores to attract customers and the enhancement of welfare programs.

Operating revenue grew in strategic growth products, such as *Comfortable Lifestyle Support Service* and *Technical Network Business*. However, as a result of a decrease in delivery volumes of consumer durables, such as furniture and home appliances, in part as a result of a pullback in demand following the consumption tax rate hike, operating revenues for Home Convenience edged down 0.5% compared with the previous fiscal year, to ¥48,475 million.

The Home Convenience Business recorded operating income of ¥613 million, an improvement of ¥396 million (181.9%) from the previous fiscal year. This

### Raku Raku Household TA-Q-BIN E-commerce Total Support Service





was attributable to stringent cost management involving personnel-related expenses and weekday productivity gains.

### Message from Top Management

As the second year of medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, in the fiscal year ending March 31, 2016, we will promote management that aims to combine developing business models that generate high added value with strengthening of the management base that aims to forge a robust corporate culture.

With regard to services for the individual, we will promote expansion of the *Comfortable Lifestyle Support Service* product lineup that was launched nationwide last year. In modern society, with the development of IT and distribution networks, a variety of processes and procedures can be carried out even at home, and it has become a simple matter to purchase goods. In homes, where privacy is protected, the trend will be for vitalization of consumer activities in the years to come, since more than the need to remove simple inconveniences I feel that consumption is progressing more and more with the aim of establishing lifestyles that meet individual preferences, which is referred to as spending comfortable time with yourself. Yamato Home Convenience is the only company that possesses a centralized nationwide network for dispatching two-person crews for both heavy and bulky items.

Furthermore, our frontline employees possess advanced skills and qualifications, including as electrical specialists, in the handling of antiques, and the collection and transportation of industrial waste. We can also provide precise services that draw on our moving and homemaker services that we have built up over many years. Furthermore, nothing is more reassuring than having the entrance of your home opened by

someone in a uniform bearing our black cat brand logo. Leveraging the *Kuroneko* brand, we will continue to promote the provision of services that both resolve inconveniences in the home and support individual self-realization.

In services for corporate clients, in addition to enhanced sales of our *Technical Network Business*, we will start our *Office Care Solution Service* that leverages the knowhow accumulated in our office moving and *Comfortable Lifestyle Support Service* and our two-man network. Centered on small- to medium-sized companies, we will promote a solutions business that, for example, supports improvements in asset efficiency through the cleaning of furniture and office equipment, supports cost reductions such as electricity charges, and supports procurement that offers benefits of scale.

We will also work to develop services in the "3R (Reduce, Reuse, Recycle) market." The company has been developing reuse, such as the rental reuse of the disused furniture and domestic appliances generated during moving operations, via the company's own recycle centers, the sale of items at open-air markets on remote islands where distribution is inconvenient and in depopulated rural areas. In addition, as part of our service development in the 3R market, 10 years will have elapsed since energy-related equipment such as Eco Cute and solar-powered equipment went on sale and, in the years to come, we will be acclaiming the service lives of these products. Each company in the Yamato Group will collaborate in this field and develop a one-stop service toward the recycling of resources, from simultaneous delivery and collection, construction to disassembly and sorting. Furthermore, from this year we are delivering large domestic appliances to mail order business operators and at the same time selling *Domestic Appliance Recycling*



Moving of furniture



Cleaning of extractor fans

*Support Services* that bring them to local assessment, recovery and specified recovery centers. At the same time as contributing to mail order business operator compliance management, we will strengthen promotion of these measures on the way to realizing a recycling oriented society.

Our management base will be strengthened in accordance with the YHC\* Code of Conduct we formulated as a guideline for enhancing the safety, compliance, and customer relations of Yamato Home Convenience Co., Ltd. In combination with backup support for business operations and cost structure reforms, this code will be applied to satisfy customers, society, and our employees.

Looking ahead, we will strive to raise our corporate value by developing services favored by customers and needed by society.

\* YHC: Yamato Home Convenience

## e-Business

Supported by information and communication technology (ICT), the e-Business will incorporate “Value Networking” design and provide optimal solutions that combine logistics functions with financial settlement functions—both management resources of the Yamato Group—to contribute to customers’ business development.

### Yoshihiko Hoshino

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



Administrative support for MVNO\* business operators

\* MVNO (Mobile Virtual Network Operator): An operator that does not have its own physical communication network, such as mobile phones and PHS, and provides under its own company brand communications services that are actually borrowed from other operators.

#### Business Profile

The e-Business is involved in a range of information services for corporate customers, including cloud-based (ASP/SaaS) services, and information system development and operation.

Utilizing ICT, the e-Business works in partnership with customers to enhance business process efficiency. Based on its services, the e-Business seeks to help resolve latent business issues and proactively propose solutions that result in sales growth and cost reductions for customers.

#### Review of the Year Ended March 2015

In the e-Business, we spent the year under review actively proposing solutions that integrate data with distribution and financial settlement functions to raise business process efficiency and help resolve the hidden business issues of our customers. Furthermore, we devoted ourselves to developing and operating ICT systems that were an integral part of business development for the Yamato Group as a whole.

In collaboration with the Financial Business in e-money services, we have been promoting the installation and operation of the *Multi e-money Settlement Terminal*, which is capable of processing multiple brands of e-money for financial settlement on a single platform. During the year under review, we saw the

full-scale deployment of the terminals in the amusement facilities market and their expanded installation and use.

In our e-Logistics Solution business, we offer a service that visualizes delivery flows and the locations of packages by applying the tracking know-how gained through our *TA-Q-BIN* business for customers, including telecommunications equipment and cable television companies in need of managing and keeping track of the individual terminals they install. In the year under review, the device setting and revitalizing service accelerated business development for companies that had entered the mobile virtual network operator (MVNO)\* market, in line with expansion in that market. This business became independent from the e-Logistics Solution business and is now managed as the Setup and Logistics Solution business.

In e-On Demand Solutions, business expanded in the fiscal year under review thanks to the development of services, particularly for the pharmaceutical industry, that support improved sales efficiency and inventory reductions for customers through the management, on-demand printing, and just-in-time delivery of sales promotion materials.

In Store ICT Solutions, we experienced business growth by developing ICT services for supporting the delivery of summer and year-end gift packages by

retailers, and product returns and exchanges by mail-order businesses.

Overseas, the Yamato Group provides ICT backup support in its steps to advance into the Asian market.

As a result, operating revenues edged down 0.8% year on year, to ¥40,487 million, due to factors such as a pullback in demand in IT-related investment associated with the consumption tax rate hike. Operating income decreased 3.7%, to ¥7,757 million, due in part to increased expenses associated with setting up new offices.

**Message from Top Management**

For our medium- to long-term strategies, we will accelerate the incorporation of our “Value Networking” design by means of ICT.

We will therefore create a high-value-added model and realize the steady growth of our baseline operations in conjunction with planning to strengthen our management practices so that they remain unaffected by the external environment.

Considering the creation of a high-value-added model, we will link Yamato Group management resources and develop an ICT solution for each market that will streamline customer administrative processes.

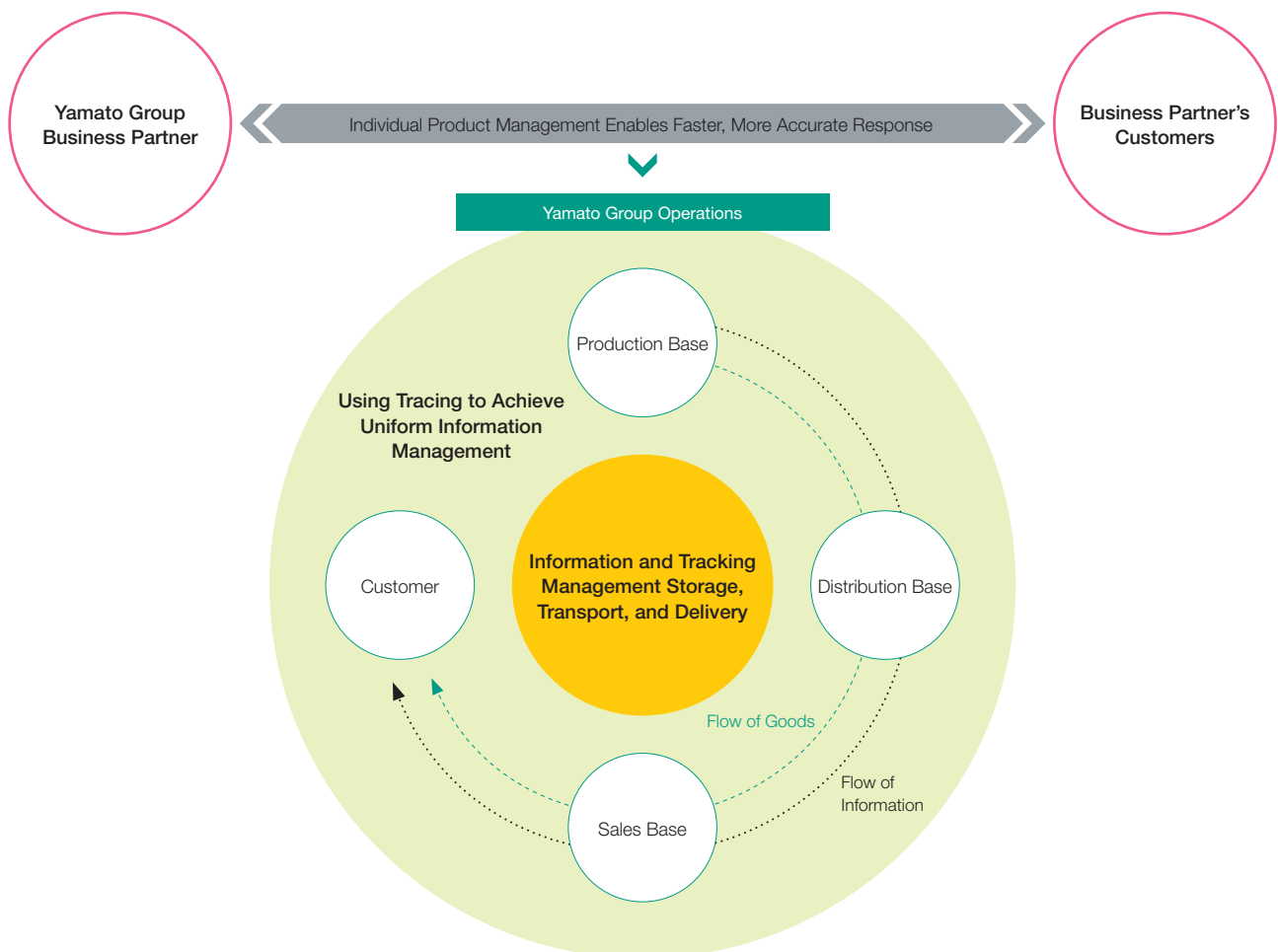
There are two strategies when considering the steady growth of our baseline operations. First, for businesses in which we have accumulated know-how, we will raise the sophistication of the business know-how in markets that will enable us to demonstrate our own strengths. Second, with regard to the main markets in which we have

clear-cut business, we will provide systems that will streamline the overall business processes of our customers so that we support peripheral environments and thereby expand our business domains.

For the Group’s IT strategy, we will participate in the upstream processes of each Group company and research and utilize innovative technologies as an IT strategy.

In addition to providing customers with optimal solutions that combine logistics functions and financial settlement functions, which are Yamato Group management resources that utilize ICT, the e-Business will support the continual business growth of each Group company and engage in the research and development of new technologies.

**e-Logistics Solution**





# Financial

Providing settlement and financial solutions in Japan and overseas, the Financial Business aims to become a cooperative partner that realizes consumer convenience and business operator logistics reform, while striving to respond to a variety of means of settlement.



## Toshizo Kurisu

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



E-money payment on delivery



Multi e-money Settlement Terminal

### Business Profile

The Financial Business aims to become a strong partner that provides convenience for consumers and helps business operators overhaul their distribution systems by providing settlement and other financial solutions in Japan and abroad. We are determined to offer a variety of settlement methods to fulfill customer requirements, such as collecting payment on delivery for mail-order companies and handling settlements between companies. Under our *DAN-TOTSU*

*Management Plan 2019*, we will strengthen strategies in the e-commerce market to command the No. 1 market share as a settlement provider for mail-order businesses in particular while working to promote solution proposals relating to financial settlement.

### Review of the Year Ended March 2015

Addressing the continued growth of online mail-order businesses, in the business-to-consumer (B2C) market we expanded services not only in *Kuroneko Web Collect*, a service package for mail-order businesses that helps integrate their sales processing from receiving payment to settlement, but also *Kuroneko Pay On Delivery Service*, which enables payment at convenience stores after confirmation that goods have been received, and we worked on active sales development. To give just some examples of the initiatives we promoted, we strengthened functions, including Continued Billing and Money Changing, to bring about improvements in convenience when a customer places an order, and we strengthened our alliance with e-commerce (EC) site construction companies. In adapting to the market for settling payments with e-money that has been burgeoning in terms of penetration rate and application, we leased the Group's *Multi e-money Settlement Terminal* to vendors and promoted proposals for total

solutions in which we packaged the means for accepting e-money as payment with assistance in sales promotion activities.

In the business-to-business (B2B) market in Japan, we helped sellers expand sales channels and buyers perform credit transactions through the *Kuroneko Anshin Kessai Service*. This service also provided the added value of improving business efficiency, enabling the management of trade receivables, and reducing the risk of those receivables going uncollected. Efforts were geared toward improving the service by allowing buyers to submit applications online and speeding up the screening for approving their credit.

In leasing, we fulfilled the needs of our customers and offered assistance and proposals for those searching for vehicles. By conducting proposals related to bringing down the repair costs by extending the service lives of vehicles and lowering leasing rates, we increased profit from our strategic products, *Three-Year Operating Leases*, and *Used Car Leasing*.

Overseas, we sought to differentiate ourselves from local competitors in the areas in which we operate (Shanghai, Singapore, Hong Kong, and Malaysia) and made proposals in line with local customs and customer needs. Furthermore, overseas purchasers could pay by credit card when using Japanese mail-order companies and, with regard to the



*Cross-border Settlement Service*, we held seminars on overseas mail-order business that targeted mail-order business operators who would like to expand their overseas sales channels.

As a result of the above, operating revenues in the Financial Business rose 6.3% year on year, to ¥66,658 million. This improvement was mainly due to an increase in contracts for truck leases in the lease services business and an expansion in the number of e-money settlement transactions. Operating income was ¥8,918 million, down 5.2% year on year, due to such factors as the lagging recovery in personal consumption.

#### Message from Top Management

In the B2C market, where further expansion centered on EC is expected in the mail-order market, we will provide mail-order operators with a range of settlement solutions. To that end, in addition to enhancing the functions of our strategic *Kuroneko Web Collect* product, we will implement innovative strategies, including the development of easy start-up packaged products for business operators who have newly decided to enter the mail-order business. Furthermore, we will proactively develop the area of promotion by, for example, revamping our

service websites, as we increase its appeal to mail-order business operators.

At the same time, for the benefit of consumers, we will respond flexibly to their diversifying needs by expanding convenience store financial settlement through the *Kuroneko Pay On Delivery Service* so that they can purchase the products they like safely, reliably, and conveniently.

Not remaining in providing the simple function of financial settlements in the years ahead, we will become more deeply engaged so that both mail-order business operators and consumers enjoy the convenience by proposing total solutions that leverage the Group's overall capabilities.

In the B2B market, in addition to leveraging the Group's marketing capabilities as a means to strengthen our marketing system for the *Kuroneko Anshin Kessai Service*, we will give added impetus to growth by solutions proposals that group target customers in segments. Moreover, we will actively take on the challenges of new strategies, such as collaborating on the financial settlement functions and deliveries in the procurement delivery market.

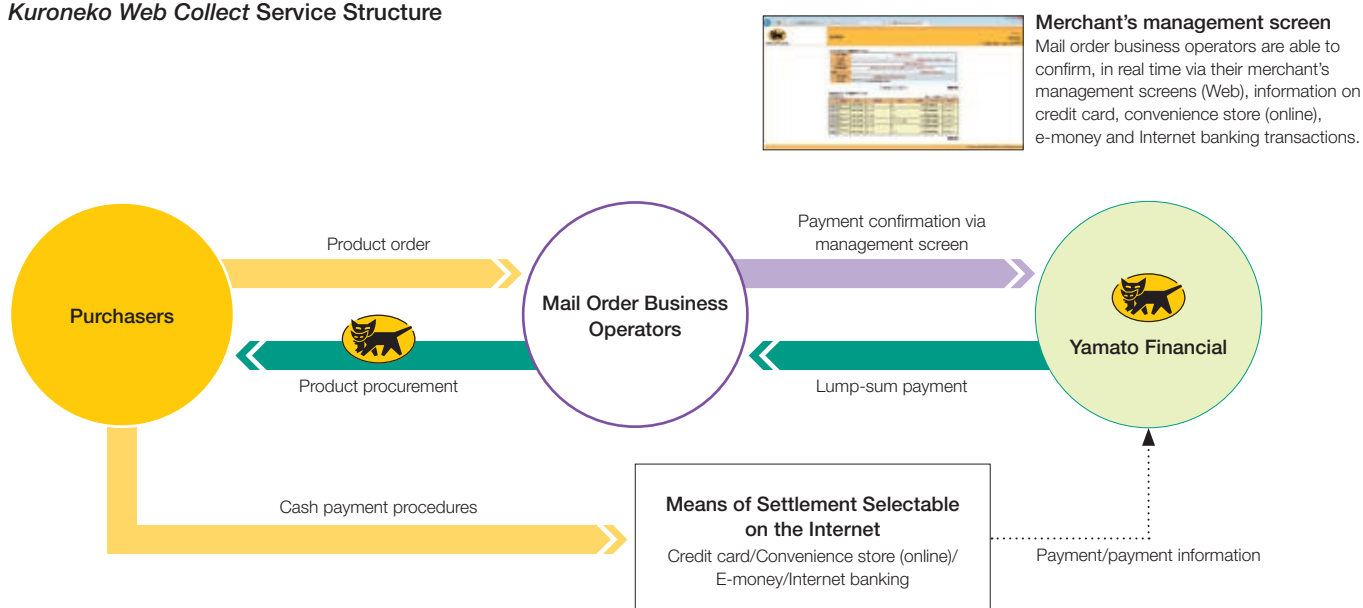
In addition to financial leases centered on large and new vehicles, in the leasing business we will work to improve

revenue growth and profit margins by total solution proposals related to Group networks and vehicles. These proposals include operating leases that enable the provision of cost-effective leasing rates, even for a new car, and used car leasing, through which we ascertain beforehand and offer quality vehicles that have expired leases.

In overseas markets, by positioning cash on delivery as one of our top priorities in value-added *TA-Q-BIN* services in the areas in which we already maintain a presence, we will support further quality improvements. Further, as an innovative revenue base in emerging countries, we will promote the deployment of new EC-related services tailored to consumer needs and engage in expanding the future payment business. As a precursor, we will promote financial settlement *Services* involving international trade, such as our *Global Procurement Support Service* in the B2B market.

In financial formation, we will propose solutions based on our "*Value Networking*" design and aim to remain a partner for customers by upholding consumer convenience and realizing distribution reform for business operators by continuing to offer higher value added from the position of financial settlement technology (FT).

#### Kuroneko Web Collect Service Structure





# Autoworks

Based on its vision to transform our vehicle maintenance services into the No. 1 autoworks for logistics and distribution business operators, the Autoworks Business is developing an around the clock, 365 days a year vehicle maintenance without downtime service. The business offers logistics and distribution operators value primarily in convenient vehicle maintenance and reduced maintenance and repair costs.



## Keishirou Sasaki

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

### Business Profile

The Autoworks Business is not satisfied with being a one-of-a-kind operation in Japan. Our vision is to transform our vehicle maintenance services into the No. 1 autoworks for logistics and distribution business operators. “Transform inconvenience into convenience from the customer’s standpoint” is the corporate DNA of the Yamato Group. Based on this perspective, the Autoworks Business functions as a vehicle maintenance plant chiefly for logistics and distribution companies. We have enhanced our operations in scope with groundbreaking services in the industry that go beyond vehicle maintenance to provide around-the-clock service 365 days a year, vehicle maintenance without downtime, mandatory inspections around tight time schedules, and road service for vehicles. We offer our customers the value of compliance with statutory vehicle inspections, convenient vehicle maintenance, and reduced maintenance costs.

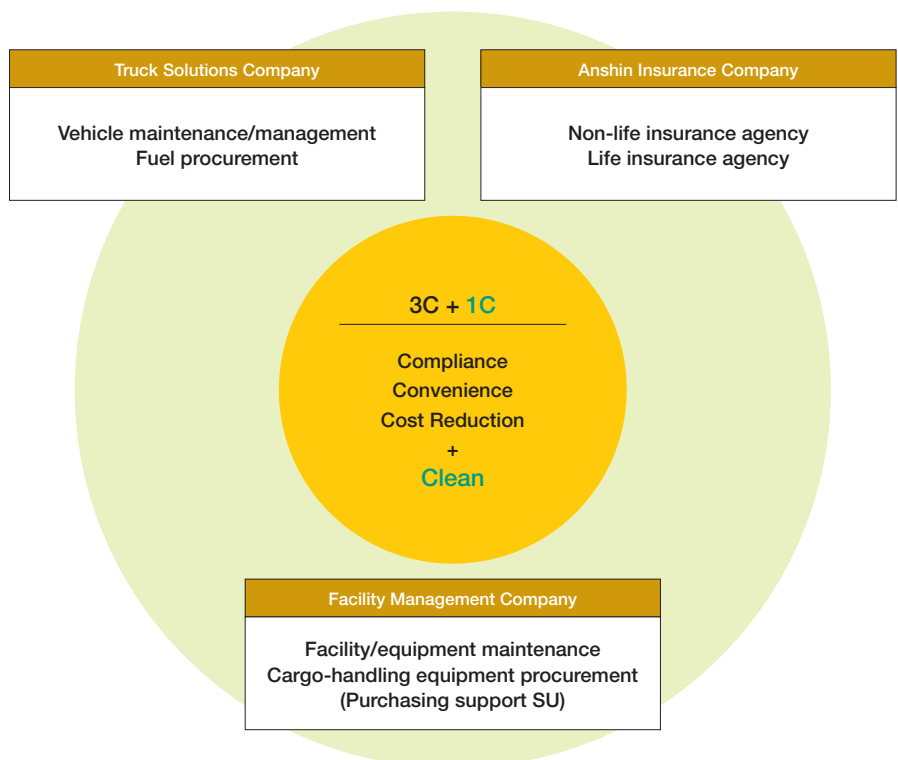
As an adjunct to the facility and risk management domains, to better provide one-stop service solutions geared toward customer business operations, we have added services for maintaining and safeguarding logistics facilities and equipment, along with auto and property insurance agency services through which we offer plans tailored to customer needs. We are currently focusing on further management

evolution and the realization of safe and secure logistics infrastructure.

### Basic Concept: 3C + 1C

The Autoworks Business provides one-stop services based on observing the three “Cs” underpinning management support for logistics and distribution business operators. The first “C” is Compliance, which is the foundation of management. In this regard, our

*Repairworks* road service has contributed to improving the completion rate for statutory vehicle inspections by our customers. Next, we have Convenience, where we pursue ever higher levels of convenience for our customers. Based on this concept, we aim to establish a framework that enables around-the-clock operations 365 days a year in order to carry out vehicle inspections when the vehicles are not in operation. Our third “C” stands for Cost Reduction, based on





A Repairworks purpose-built, with maintenance functions truck



Checks include tire tread depth and air pressure

helping to improve utilization rates for commercial vehicles while leveraging procurement capabilities. By promoting measures to limit the need for spare vehicles and increasing the completion rate for statutory vehicle inspections, we have made it possible to implement preventive maintenance, which helps limit occurrences of unexpected costs. We will harness our nationwide network to optimally procure parts and fuel so as to provide customers with high-quality products and services at low costs.

The last “C” stands for Clean. In keeping with the times, we have addressed environmental accountability by deploying solar power systems, energy-efficient LED lighting, and other facilities at *Superworks* facilities. Also, we have started to build a system to be able to handle new technologies in our maintenance operations, with an eye on the increasing use of electric vehicles. In addition, we are actively involved in recycling, such as in recommending the use of rebuilt and reused parts, in our efforts to support the environmental accountability of customers and society at large.

### Review of the Year Ended March 2015

We posted increases in both revenues and profit in the year under review. Our

#### Basic Strategy 1 Build Closer, Far-reaching Trust to Create New Value Together

##### 1. Build service networks closer in touch with customers

We will establish *Superworks* facilities in major Japanese cities and strengthen our road service equipped with vehicle diagnostics capabilities. This will be done to provide services closely in touch with our customers in each local market and to help maintain delivery infrastructure from the standpoint of BCP.

##### 2. Build far-reaching services providing management support

We will utilize IT to enhance our far-reaching repair and maintenance capabilities in support of procurement, management of logistics vehicles, facilities, equipment and machinery, and risk management. This will be carried out to upgrade the customer orientation of our services and create an enduring value cycle by eliminating customer down time.

##### 3. Create new value together

We will strengthen collaboration with business partner companies and expand our scope of services in vehicle, facility, and equipment maintenance. This will be done to help improve the quality of deliveries by logistics and distribution business operators so that we can create new value together.

#### Basic Strategy 2 Forge a Robust Corporate Culture

We will forge a robust corporate culture in line with the Yamato Group's corporate philosophy for the Autoworks Business. This will be accomplished by nurturing an environment of mutual trust that endorses a culture in which employees encourage one another in realizing their full potential. To this end, we will also enhance corporate governance while strengthening our legal compliance and financial structure.

operating revenues were ¥27,153 million, up 5.9% year on year. Operating income increased 14.1%, to ¥3,733 million.

Having launched the *Repair Network* as a standard service for vehicle members at 28 nationwide vehicle maintenance factory locations, we are undertaking the full gamut of services, such as oil changes and tire inspections, not only at our own factories but through periodic visits to customers of our *Repairworks* purpose-built trucks equipped with maintenance equipment. Furthermore, we are supporting planned maintenance and eradicating the problems associated with vehicle management by having our mechanics, who hold national qualifications, put questions to those in charge of maintenance at customer sites.

As a result of leveraging our network proposal capabilities in this way, mandatory inspections performed on vehicles outside the Yamato Group, a key performance indicator, increased 1,050 from the previous year, to approximately 79,600 vehicles.

#### Message from Top Management

In the fiscal year ending March 31, 2020, we are aiming to have become a management-efficient partner of distribution and logistics operators, to have brought about changes in our customers' business structures, and have grown to contribute to not only cost reductions but also the optimum circulation of goods, including consumption price reductions.

In addition, we will further enhance the all-in-one management functions in risk management, facilities, and equipment through procurement support and insurance, and we will aim to broaden our management domains. Working to create new markets within customer logistics operations, such as vehicle and logistic machinery tracking and disaster prevention as well as supporting the enhancement of business continuity planning (BCP), we will aim to capture new targets, including the making of inroads into the construction field and developing business overseas.

# Other

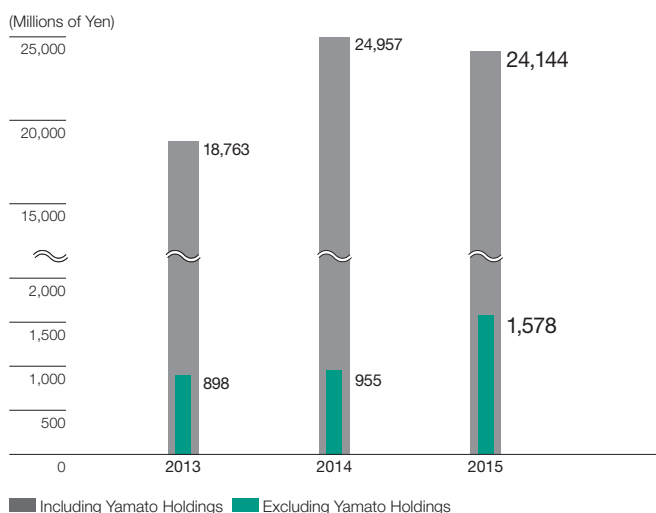
The *JITBOX Charter* service provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. In the fiscal year ended March 31, 2015, the service generated increased revenues as a result of developing information systems and improving service quality, and also due to favorable results from existing service offerings.

Operating income in Other excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies increased 65.2% from the previous year, to 1,578 million yen.

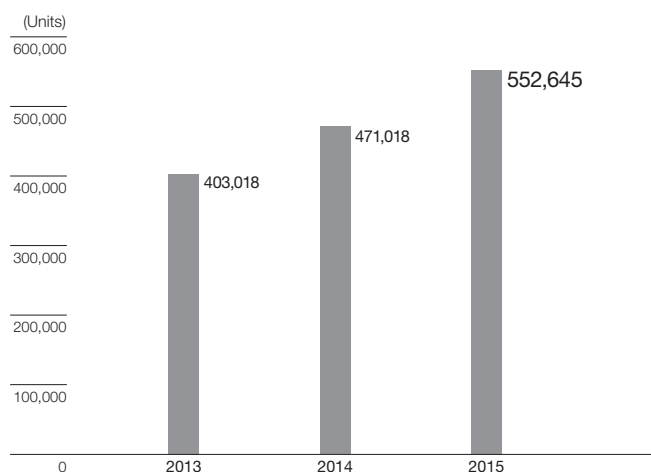


JITBOX Charter

## Operating Income



## Track Record of JITBOX Charter

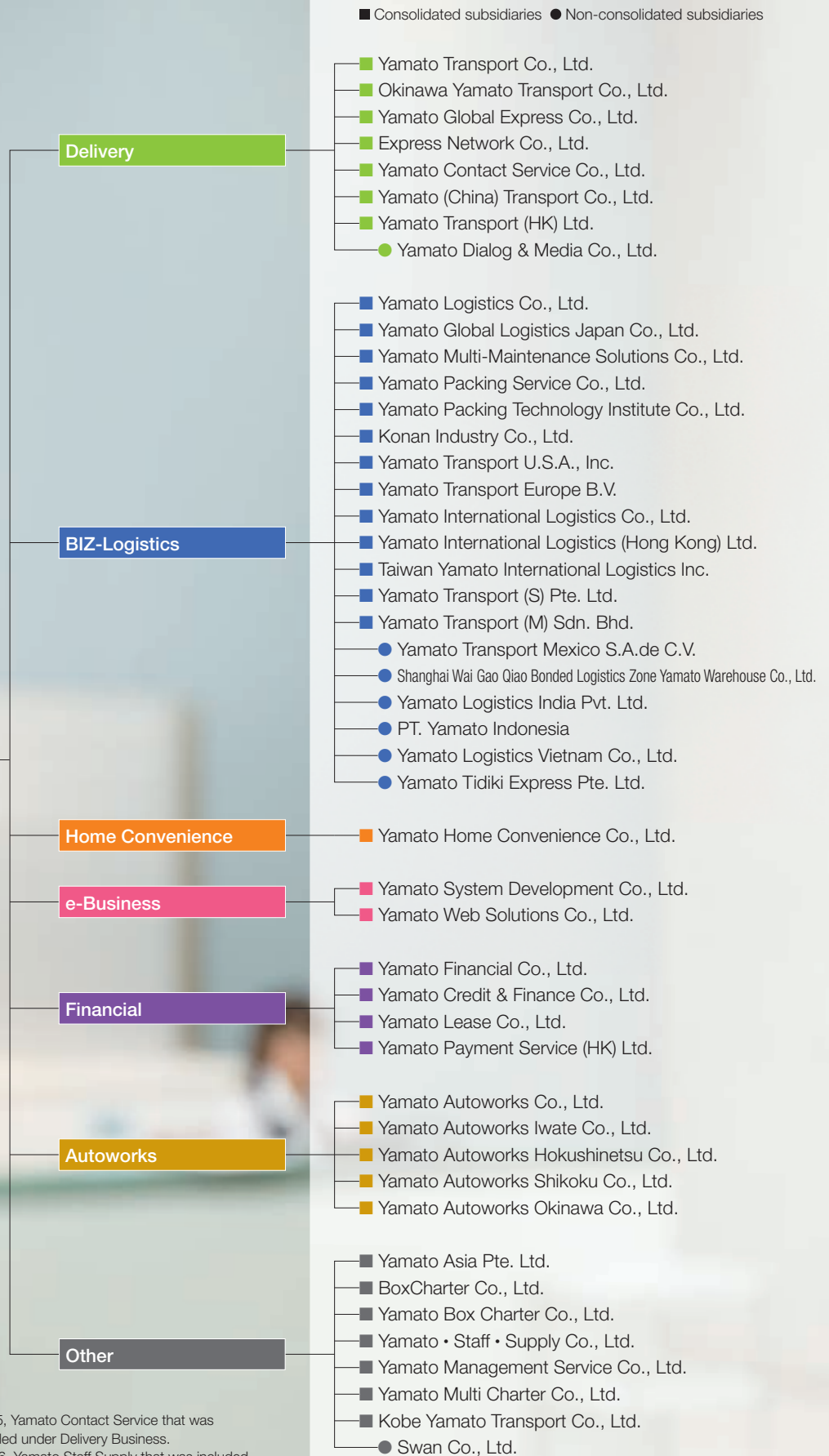




# Organization

As of March 31, 2015

Yamato Holdings Co., Ltd.



Note: (1) From the fiscal year ended March 31, 2015, Yamato Contact Service that was included under e-business are being included under Delivery Business.  
 (2) From the fiscal year ending March 31, 2016, Yamato-Staff-Supply that was included under Other segment is being included under Delivery Business.

# Corporate Governance

For the year ended March 31, 2015

## Basic Position on Corporate Governance

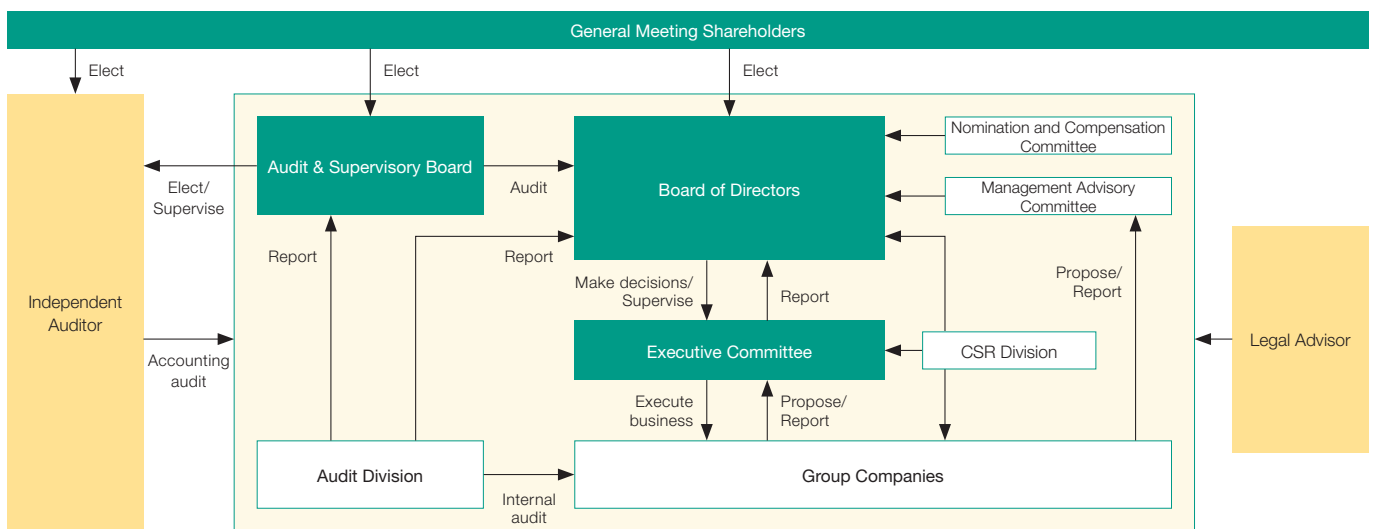
Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative.

## Characteristics of Corporate Governance System

(As of June 23, 2015)

System	Company with auditors
Number of directors	6
Of which, outside directors	2
Number of audit & supervisory board members	4
Of which, outside auditors	2
Term of directors	1
Executive officer system in place	Yes
Independent auditor	Deloitte Touche Tohmatsu LLC

## Corporate Governance Framework



## Concurrent Posts and Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Independent Officer	Concurrent Posts	Main Activities	Attendance at meetings of the Board of Directors and/or Audit & Supervisory Board during the fiscal year ended March 31, 2015
Outside Directors	Toshitaka Hagiwara	YES	Senior Adviser, Komatsu Ltd.	Director Toshitaka Hagiwara has ample experience and extensive knowledge as a businessperson. He comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 18 of 19 meetings
	Masakatsu Mori	YES	Vice Chairman, International University of Japan	Director Masakatsu Mori has ample experience and extensive knowledge as a businessperson. He comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 18 of 19 meetings
Outside Audit & Supervisory Board Members	Motoharu Yokose	YES	<ul style="list-style-type: none"> <li>Outside Audit &amp; Supervisory Board Member, Yamato Transport Co., Ltd.</li> <li>Corporate Advisor, of Asahi Tax Corporation</li> </ul>	Audit & Supervisory Board Member Motoharu Yokose has ample experience in finance and accounting through his professional experience as a certified public accountant. Furthermore, Mr. Yokose attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit and Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to finance and accounting.	Board of Directors: 19 of 19 meetings Audit & Supervisory Board: 14 of 14 meetings
	Hiroyuki Kanae	YES	Partner, Anderson Mori and Tomotsune LPC	Audit & Supervisory Board Member Hiroyuki Kanae has ample experience in finance and accounting through his professional experience as a lawyer. Furthermore, Mr. Kanae attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit and Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to overseas business risk.	Board of Directors: 19 of 19 meetings Audit & Supervisory Board: 14 of 14 meetings

## Compensation of Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board members	Total compensation and other remuneration (Millions of yen)	Total by compensation and remuneration category (Millions of yen)	Headcount of eligible directors and Audit & Supervisory Board members
		Basic compensation	
Directors (excluding outside directors)	243	243	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	20	20	2
Outside directors and Audit & Supervisory Board members	26	26	5

### ■ Policies related to methods for calculation and determination of director compensation

To ensure the objectivity and transparency of policies for determining director compensation, deliberations are conducted through the Nomination and Compensation Committee, more than half of whose members are outside directors, with the Board of Directors making resolutions.

Director compensation comprises fixed remuneration that reflects external standards and performance-based amounts. The compensation of Audit & Supervisory Board members and outside directors is fixed in keeping with the nature of their work.

## Compliance

### ■ Strengthening internal control for the Group overall

The Yamato Group has established an internal control system in order to promote sound corporate culture in the group as a whole, and to enable employees to perform their duties effectively and efficiently without any misbehavior or mistake.

Having stipulated its basic policy on the internal control system in accordance with the Companies Act, each Group company is working on strengthening internal controls.

In addition, in order to respond to the internal control report system pursuant to the Financial Instruments and Exchange Act, we are promoting reviews of business rules and the standardization of operations, checking whether operations have been effectively performed in accordance with the rules, and establishing a system to immediately put improvements in place should there have been any shortcomings.

Internal control over the financial reporting of the Yamato Group as of March 31, 2015 as considered valid, and a report was submitted to the Kanto Local Finance Bureau.

### ■ Concerning inappropriate temperature management in Cool TA-Q-BIN service

In October 2013, Yamato Transport received a report that sorting of parcels in violation of internal rules had been performed in the Cool TA-Q-BIN service. In addition to providing thorough direction on the operational rules, an investigation revealed that, despite the sorting rules having been thorough, there had been occasions in the peak shipment surge season in July when the rules had not been adhered to at 1,269 out of a nationwide total of 3,924 sites. We immediately launched a Cool TA-Q-BIN Service Quality

Improvement Headquarters with President Masaki Yamauchi as head, and drafted measures to discover the causes of the violations and prevent recurrence. Specifically, we created an action structure by establishing a Cool TA-Q-BIN Service Quality Improvement Department, assigning Quality Training Directors nationwide, and appointing Cool TA-Q-BIN Work Leaders at each site. In addition, we put in place personnel, equipment, and materials that are appropriate to the volume of arriving parcels, and are implementing controls over modes of transport. We also adopted of a "total volume management system" to assess in advance the total volume of Cool TA-Q-BIN parcels that can be handled each day, and to accept parcels within that scope of total volume.

See the Yamato Transport website for details.

[http://www.kuronekoyamato.co.jp/info/info\\_131128.html](http://www.kuronekoyamato.co.jp/info/info_131128.html)

## Business Continuity Plan (BCP)

### ■ Revisions and maintenance to prepare for unexpected, large-scale natural disasters and power outages, based on our experience in the Great East Japan Earthquake

The Yamato Group offers the TA-Q-BIN service as social infrastructure, and is expected to keep offering the steady service even under unforeseeable circumstances. In the wake of the emergence of novel influenza strain (H1N1) in May 2009, we formulated a business continuity plan (BCP).

Based on this BCP, formulated according to response guidelines focusing on maximum priority on human life and on continuation of the TA-Q-BIN business, we addressed the problems caused by the Great East Japan Earthquake that occurred in 2011. Our aim is to prepare for an earthquake occurring directly beneath the Tokyo Metropolitan Area and an earthquake along the Nankai Trough, which are likely to occur in the future and are expected to cause large-scale damage.

## Accountability

The Yamato Group considers the explanation of corporate and management data to shareholders, investors, and other stakeholders to be an important corporate governance issue and is committed to the speedy, accurate, and fair disclosure of information.

The main investor relations activities are listed below.

Item	Number of times	Content
Settlement of Accounts Meetings for analysts and institutional investors	4	Settlement of Accounts Meetings are held each quarter. The first-quarter meeting is held by telephone with managing executive officers responsible for finance and investor relations strategy. Meetings for the second, third, and fourth quarters are held with president.
Visits by the president to investors in the U.S., Europe, and Asia.	1 or more per year to each region	The president or chairman make regular overseas visits to investors in the United States, Europe, and Asia to explain management policies.
Small meetings and facility tours with the president	2 or more per year	Creating regular opportunities to promote understanding of business operations, in addition to opportunities for direct dialogue with management
Website for investor relations materials	-	Financial results, news releases, securities reports, and quarterly reports; materials pertaining to settlement of accounts meetings, convocation notices for the ordinary general meeting of shareholders, notices of resolution, and [disclosure of] voting results. Publication of most important information in two languages – Japanese and English – so that information can be communicated to foreign investors.
Establishment of IR department	-	Responsibility for IR strategy

# The responsibility of an outside director is to revitalize the Board of Directors

Toshitaka Hagiwara

Outside Director



### Governance of the Yamato Group

Governance is the system that a company establishes to secure the realization of sustained growth. The objective of governance should be not only continuity but also growth of business.

Corporate value represents the accumulation of trust that a company has built up with its shareholders, in addition to all other stakeholders. I consider corporate governance to be a mechanism to raise the value of each stakeholder to the Company, and to amplify this accumulation of trust. As an outside director at Yamato Group, I volunteer various opinions to the Board of Directors based on this way of thinking. I believe the responsibility of an outside director extends beyond simply supervising management to revitalizing the Board of Directors. I think this responsibility encompasses the discussion of bills that are introduced, as well as active discourse on the direction of the Group in regard to sustained growth and the appropriateness of its strategies. I am also engaged as an outside director at other companies, and I feel that the coordination of the Board of Directors and the awareness of each individual director at the Yamato Group compares very favorably in contrast.

Given that the objective of corporate governance is the realization of sustained corporate growth and the maximization of corporate value, governance must consider company growth while, at the same time, continuously seeking improvement. I consider the satisfaction that a company is already functioning well enough under its current system of governance to be rather presumptuous.

### Toward the Future Growth of the Yamato Group

I previously stated that the responsibility of an outside director is to revitalize the Board of Directors. However, each division has various ideas and opinions about future direction and growth strategies. I would like to see more people in these divisions refine their ideas and opinions into proposals to present to the Board of Directors, which, in turn, would lead to further revitalization of the Board of Directors.

I would like to consider our global strategy, which represents a significant management theme. I doubt there is a single employee within the Company who believes that our domestic success to date naturally extrapolates to success overseas. However, the issue of leveraging the know-how that we have nurtured domestically to build international business models adapted to local culture and regional differences is an important one. I anticipate a dynamic process where global strategies, such as our Asia strategy, are assessed based on information and data that has been obtained through careful investigation. Discussions will then be held by the Board of Directors to determine whether any problems exist with strategy direction and concrete, high-quality proposals will be introduced to the Board of Directors at the next step. The adoption of swift, powerful processes and proposals in this way will lead to further revitalization of the Board of Directors and the Company as a whole.

On the other hand, I feel that further reinforcement of our planning capabilities and strategy formulation expertise is going to be essential in ensuring the Company's sustained growth into the future. More specifically, we need to focus on refining our planning capabilities as a global corporation.

Moreover, although the cultivation of global human resources is important, the most pressing issue for us is how we need to change the attitude of our employees to promote globalization. In particular, it is important for head office, including upper management, and management and staff based at overseas locations to share strategies and problems that need to be addressed. Globalization does not simply denote the expansion of business overseas, and it is globalization at the head office that is most important. It takes five to ten years for businesses overseas to gain a foothold, and we have only just set out on our journey. At Yamato, strategies to support the success of globalization are directly linked to our growth strategy at once. I hope to see the Company work tenaciously toward its goals by formulating various proposals, discussing them and, on deciding a direction, working as a united whole to accomplish them.



# Recognizing the importance of evaluating managerial practices from an objective perspective

Masakatsu Mori

Outside Director

## Governance of the Yamato Group

The most important role of the Board of Directors is to reflect sound governance in the execution of corporate management. Governance is the process of building and operating frameworks to ensure sustained corporate growth while carefully evaluating whether management strategies are being executed correctly from the perspective of stakeholders outside the Company. In this respect, I feel that the governance of the Yamato Group is top class, even among Japanese corporations. For example, on the appointment of a new president, the most suitable candidate is elected following discussions, which highlight the expertise required to lead the Yamato Group forward, with sufficient information about each candidate. The process is extremely transparent and straightforward.

I believe my responsibility as an outside director extends beyond simply supervising management to actively offering advice based on my personal experiences. When giving advice, I appreciate that those most knowledgeable of managerial operations are the executive officers themselves. For this reason, I endeavor to abstain from commenting on small matters and instead try to consider matters from a long-term perspective, for example, by judging whether an investment decision fits in with the direction of business strategies. Furthermore, I recognize the importance of evaluating matters, such as whether executive officers engaged in management are suitable for their role, whether performance is being effectively improved, and whether

information is being disclosed to shareholders, investors, and other stakeholders, with transparency from an objective perspective.

As we push forward with globalization, the management risks that surround the Company naturally increase. The corporate governance framework at the Yamato Group is of a higher level than at other companies; however, to further reinforce this governance, a keen sense of urgency among the Board of Directors and the executive officers that serve it, coupled with the enhancement of our compliance structure, is going to be essential. Along with the Audit & Supervisory Board members, we, as outside directors, aspire to strengthen the oversight of management going forward.

## Toward the Future Growth of the Yamato Group

I feel the cultivation of global leaders is a crucial factor for the Yamato Group to achieve sustainable growth. It goes without saying that prestigious human resources are an invaluable asset to businesses engaged in the provision of services, and an expansion of business will not be possible if we are unable to secure a sufficient supply of these resources. So how can we nurture human resources that understand the Yamato philosophy and who can expand our business at their respective locations? When employing human resources to support the future of Yamato, we should consider their education as a strategic investment, rather than as a human resource cost. I believe the Yamato Group possesses the elements required to achieve growth overseas. If Yamato is able to build a foundation that expands across the globe by fully leveraging its world-class strengths, such as its employee education system and customer-oriented services, corporate spirit, and culture, it should be able to achieve continued growth on a global stage.

To assist the Yamato Group in realizing corporate growth through the cultivation of global leaders, I intend to contribute to the improvement of human resource strategy frameworks by assessing whether they are constructed and managed effectively in the same way that I would assess capital investments. Going forward, I aspire to support the Board of Directors in making timely, accurate management decisions while urging its members to consider growth strategies and human resource strategies as inseparable facets.



# Directors

As of June 23, 2015



Haruo Kanda

Makoto Kigawa

Masaki Yamauchi

Kaoru Seto

## Makoto Kigawa

Representative Director and Chairman

- Apr. 1973 Joined the Fuji Bank, Limited
- Apr. 2004 Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd.
- Apr. 2005 Joined the Company
- Jun. 2005 Managing Director
- Nov. 2005 Representative Managing Director
- Apr. 2006 Representative Director and Managing Executive Officer
- Jun. 2006 Representative Director and Senior Managing Executive Officer
- Mar. 2007 Representative Director and Executive Officer
- Mar. 2007 Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
- Jun. 2008 Director and Executive Officer of the Company
- Apr. 2011 Representative Director, President and Executive Officer
- Apr. 2015 Representative Director and Chairman (current)

## Masaki Yamauchi

Representative Director, President and Executive Officer

- Apr. 1984 Joined the Company
- Apr. 2005 Executive Officer
- Apr. 2005 President, Tokyo Branch
- Nov. 2005 Executive Officer of Yamato Transport Co., Ltd.
- Nov. 2005 General Manager of Human Resources and Administration
- Mar. 2007 Executive Officer of the Company
- Mar. 2007 Responsible for Human Resources Strategy
- May 2007 Responsible for Management Strategy
- Apr. 2008 Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.
- Apr. 2011 Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
- Jun. 2011 Director and Executive Officer of the Company
- Apr. 2015 Representative Director, President and Executive Officer (current)

## Haruo Kanda

Representative Director, Vice President and Executive Officer

- Jan. 1985 Joined the Company
- Apr. 2004 General Manager of Human Resources
- Aug. 2005 Executive Officer
- Nov. 2005 Executive Officer of Yamato Transport Co., Ltd.
- Jul. 2006 Managing Executive Officer
- Apr. 2008 Managing Executive Officer of the Company
- Jun. 2008 Representative Director and Managing Executive Officer
- Apr. 2013 Representative Director and Senior Managing Executive Officer
- Apr. 2014 Responsible for Human Resources Strategy, Network Strategy, Legal Affairs, CSR Strategy and Audit
- Apr. 2015 Representative Director, Vice President and Executive Officer (current)

## Kaoru Seto

Director and Advisor

- Apr. 1970 Joined the Company
- Jun. 1997 President, Chugoku Branch
- Jun. 1999 Director
- Jun. 1999 President, Kansai Branch
- Jun. 2004 Managing Executive Officer
- Jun. 2004 Responsible for Human Resources and Business Improvement
- Apr. 2005 Responsible for CSR Promotion Office and Human Resources and Information
- Apr. 2006 Responsible for Delivery, Home Convenience, and Group Support Businesses
- Jun. 2006 Representative Director, President and Executive Officer
- Apr. 2011 Representative Director and Chairman
- Apr. 2015 Director and Advisor (current)

# Outside Directors and Audit & Supervisory Board Members

As of June 23, 2015

## Outside Directors



**Toshitaka Hagiwara**

Outside Director

- Dec. 1969 Joined Komatsu Ltd.
- Jun. 1990 Director
- Jun. 1995 Managing Director
- Jun. 1997 Executive Managing Director
- Jun. 1999 Executive Vice President
- Jun. 2003 Chairman and Representative Director of the Board
- Jun. 2007 Councilor and Senior Adviser
- Jun. 2009 Director of the Company (current)
- Jul. 2011 Senior Adviser of Komatsu Ltd.
- Jul. 2013 Adviser (current)



**Masakatsu Mori**

Outside Director

- Apr. 1969 Joined Arthur Andersen & Co. (currently: Accenture Japan Ltd.)
- May 1972 Qualified as Certified Public Accountant
- Sep. 1981 Partner (business partner) of Arthur Andersen & Co. (currently: Accenture Japan Ltd.)
- Feb. 1989 President of Andersen Consulting (currently: Accenture Japan Ltd.)  
Board Member of Andersen Consulting (Global) (currently: Accenture)
- Apr. 2003 Representative Director and Chairman of Accenture Japan Ltd.
- Sep. 2007 Corporate Advisor of Accenture Japan Ltd.
- Oct. 2009 President of the International University of Japan (IUJ)
- Apr. 2013 Senior Advisor of IUJ
- Jun. 2013 Director of the Company (current)
- Nov. 2013 Vice Chairman of IUJ (current)

## Audit and Supervisory Board Members



**Kazuko Takahara**

Full-time Audit & Supervisory Board Member

- Apr. 1978 Joined Ministry of Labour (currently: Ministry of Health, Labour and Welfare)
- Aug. 2003 Director-general, Gunma Labour Bureau, Ministry of Health, Labour and Welfare
- May 2005 Deputy Director of Japan Advanced Information Center of Safety and Health, Japan Industrial Safety and Health Association
- Jul. 2006 Director of Compliance Department, Japan Industrial Safety and Health Association
- Jul. 2009 Director-general, Hokkaido Labour Bureau, Ministry of Health, Labour and Welfare
- Sep. 2012 Principal of Labour College, The Japan Institute for Labour Policy and Training
- Apr. 2014 Joined the Company
- Jun. 2014 Full-time Audit & Supervisory Board Member (current)



**Etsuo Ogawa**

Full-time Audit & Supervisory Board Member

- Nov. 1973 Joined the Company
- Jun. 2002 President, Chugoku Branch
- Jun. 2003 Director
- Apr. 2004 Responsible for Financing and Accounting
- Jun. 2004 Director and Managing Executive Officer
- Jun. 2005 Managing Executive Officer
- Oct. 2005 Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.
- Apr. 2008 Director and Chairman of the Board
- Jun. 2009 Audit & Supervisory Board Member of Yamato Home Convenience Co., Ltd.
- Jun. 2014 Audit & Supervisory Board Member of Yamato Transport Co., Ltd.
- Jun. 2015 Full-time Audit & Supervisory Board Member of the Company (current)



**Motoharu Yokose**

Audit & Supervisory Board Member

- Jan. 1972 Joined Asahi & Co. (currently: KPMG AZSA LLC)
- Oct. 1975 Registered as Certified Public Accountant
- May 1995 Representative Partner of KPMG AZSA LLC
- May 2001 Executive Partner of KPMG AZSA LLC
- Jun. 2006 Outside Audit & Supervisory Board Member of Yamato Transport Co., Ltd. (current)
- Jul. 2006 Corporate Advisor of Asahi Tax Corporation (current)
- Jun. 2009 Audit & Supervisory Board Member of the Company (current)



**Hiroyuki Kanae**

Audit & Supervisory Board Member

- Apr. 1979 Registered as lawyer (Daini Tokyo Bar Association)
- Sep. 1987 Joined Coudert Brothers LLP (New York)
- Jul. 1988 Registered as lawyer in New York State
- Sep. 1988 Joined Nishi, Tanaka & Takahashi Law Office
- Apr. 1992 Partner of Nishi, Tanaka & Takahashi Law Office
- May 2001 Joined Shin-Tokyo Law Office as partner
- Oct. 2007 Joined Bingham McCutchen Murase, Sakai Mimura Aizawa, Foreign Law Joint Enterprise as partner due to consolidation
- Jun. 2012 Audit & Supervisory Board Member of the Company (current)
- Apr. 2015 Through the consolidation of law offices, name change to Anderson Mori & Tomotsune LPC (Partner) (current)

# Executive Officers

As of June 23, 2015



**Kenji Minaki**

Senior Managing Executive Officer  
Responsible for East Asia regional  
Headquarters



**Hitoshi Kanamori**

Senior Managing Executive Officer  
Responsible for Corporate Strategy,  
Information Technology Strategy, US  
and European Regional Headquarters



**Kenichi Shibasaki**

Managing Executive Officer  
Responsible for Financing and  
Accounting and Investor Relations



**Hideo Tanzawa**

Senior Executive Officer  
Responsible for Corporate Strategy,  
Public Relations Strategy



**Tomoki Otani**

Senior Executive Officer  
Responsible for Human Resources  
Strategy, Network Strategy, Legal  
Affairs, CSR and Audit



**Toshizo Kurisu**

Executive Officer  
Representative Director and President,  
Yamato Financial Co., Ltd.



**Atsushi Ichino**

Executive Officer  
Representative Director and President,  
Yamato Home Convenience Co., Ltd.



**Keishirou Sasaki**

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



**Yoshihiko Hoshino**

Executive Officer  
Representative Director and President,  
Yamato System Development Co., Ltd.



**Yutaka Nagao**

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



**Koji Homma**

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



**Richard Chua Khing Seng**

Executive Officer  
Responsible for Southeast Asia  
Regional Headquarters  
Managing Director, Yamato Asia Pte. Ltd.



**Hiromitsu Aikawa**

Executive Officer  
Responsible for Corporate Strategy



## Financial Section

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# Consolidated Balance Sheet

March 31, 2015

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 2.d and 15)	¥ 247,398	¥ 220,148	\$ 2,058,737
Notes and accounts receivable (Note 15):			
Trade	187,834	188,145	1,563,066
Installment (Note 5)	42,008	39,480	349,570
Lease (Note 14)	44,948	35,329	374,039
Allowance for doubtful accounts	(1,338)	(1,591)	(11,139)
Inventories (Note 6)	3,336	3,237	27,760
Deferred tax assets (Note 13)	15,687	16,548	130,542
Prepaid expenses and other current assets	26,333	26,063	219,133
Total current assets	566,206	527,359	4,711,708
<b>PROPERTY, PLANT AND EQUIPMENT—At cost:</b>			
Land	187,964	188,344	1,564,152
Buildings and structures	334,120	329,289	2,780,392
Vehicles	194,198	187,882	1,616,027
Machinery and equipment	123,025	121,422	1,023,757
Leased assets (Note 14)	24,029	23,944	199,957
Construction in progress	16,025	7,895	133,353
Others	17,795	11,662	148,088
Total	897,156	870,438	7,465,726
Accumulated depreciation	(477,055)	(453,310)	(3,969,837)
Net property, plant and equipment	420,101	417,128	3,495,889
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 7 and 15)	33,843	25,577	281,630
Investments in and advances to unconsolidated subsidiaries and affiliates	724	644	6,024
Long-term loans	1,040	961	8,655
Software	12,646	12,343	105,236
Lease deposits	17,902	18,468	148,971
Deferred tax assets (Note 13)	21,978	21,687	182,889
Other assets (Note 10)	8,091	7,967	67,331
Total investments and other assets	96,224	87,647	800,736
<b>TOTAL</b>	<b>¥1,082,531</b>	<b>¥1,032,134</b>	<b>\$ 9,008,333</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 9 and 15)	¥ 17,766	¥ 19,256	\$ 147,842
Current portion of long-term debt (Notes 9, 15 and 16)	29,071	21,941	241,920
Notes and accounts payable (Note 15):			
Trade	157,480	172,463	1,310,476
Other	10,470	21,942	87,126
Income taxes payable	20,024	20,908	166,632
Employees' savings deposits	4,944	4,723	41,138
Accrued expenses	61,295	61,535	510,070
Deferred profit on installment sales (Notes 5 and 15)	5,655	5,349	47,061
Other current liabilities (Note 11)	50,329	19,243	418,811
Total current liabilities	357,034	347,360	2,971,076
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 9, 15 and 16)	88,532	66,646	736,724
Liability for employees' retirement benefits (Notes 2.j, 3 and 10)	53,024	47,224	441,237
Deferred tax liabilities (Note 13)	3,948	1,808	32,853
Other long-term liabilities (Note 11)	8,794	8,924	73,180
Total long-term liabilities	154,298	124,602	1,283,994
<b>COMMITMENTS LIABILITIES</b> (Note 14)			
<b>EQUITY</b> (Notes 12 and 20):			
Common stock—authorized, 1,787,541,000 shares in 2015 and 2014; issued, 435,564,792 shares in 2015 and 454,684,992 shares in 2014	127,235	127,235	1,058,790
Capital surplus	70,209	100,863	584,249
Retained earnings	395,353	371,965	3,289,947
Treasury stock—at cost, 22,370,985 shares in 2015 and 35,742,057 shares in 2014	(43,008)	(56,079)	(357,891)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	13,848	8,770	115,234
Foreign currency translation adjustments	1,169	342	9,728
Remeasurements of defined employees' retirement benefit plans (Notes 2.j and 10)	715	(1,717)	5,952
Total	565,521	551,379	4,706,009
Minority interests	5,678	8,793	47,254
Total equity	571,199	560,172	4,753,263
<b>TOTAL</b>	¥1,082,531	¥1,032,134	\$9,008,333

# Consolidated Statement of Income

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>OPERATING REVENUES</b>	<b>¥1,396,708</b>	¥1,374,610	<b>\$11,622,771</b>
<b>OPERATING COSTS AND EXPENSES:</b>			
Operating costs	1,290,715	1,274,471	10,740,742
Selling, general and administrative expenses	37,046	37,043	308,282
Total operating costs and expenses	1,327,761	1,311,514	11,049,024
Operating income	68,947	63,096	573,747
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	674	622	5,604
Interest expense	(398)	(412)	(3,312)
(Loss) gain on sales and disposal of property, plant and equipment—net	(2)	1,461	(13)
Loss on impairment of long-lived assets (Note 8)	(1,792)	(217)	(14,910)
Gain on sales of marketable and investment securities (Note 7)	7	1	58
Loss on valuation of investment securities (Note 7)		(3)	
Other—net	1,722	1,334	14,325
Other income—net	211	2,786	1,752
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>69,158</b>	65,882	<b>575,499</b>
<b>INCOME TAXES</b> (Note 13):			
Current	29,815	32,604	248,106
Deferred	1,740	(1,601)	14,478
Total income taxes	31,555	31,003	262,584
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	<b>37,603</b>	34,879	<b>312,915</b>
<b>MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES</b>	<b>70</b>	103	<b>579</b>
<b>NET INCOME</b>	<b>¥ 37,533</b>	¥ 34,776	<b>\$ 312,336</b>

	Yen		U.S. Dollars (Note 1)
	2015	2014	2015
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.r and 18):			
Basic net income	¥90.41	¥82.22	\$0.75
Diluted net income	88.26	80.18	0.73
Cash dividends applicable to the year	25.00	24.00	0.21

See notes to consolidated financial statements.



# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	<b>¥37,603</b>	¥34,879	<b>\$312,915</b>
<b>OTHER COMPREHENSIVE INCOME</b> (Note 17):			
Unrealized gain on available-for-sale securities	5,371	2,938	44,693
Foreign currency translation adjustments	826	1,408	6,878
Remeasurements of defined employees' retirement benefit plans	2,443		20,328
Total other comprehensive income	8,640	4,346	71,899
<b>COMPREHENSIVE INCOME</b>	<b>¥46,243</b>	¥39,225	<b>\$384,814</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥45,878	¥38,825	\$381,774
Minority interests	365	400	3,040

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2015

	Thousands		Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
<b>BALANCE, APRIL 1, 2013</b>	423,714	¥127,235	¥111,291	¥347,358	¥(56,496)	¥ 6,095	¥(1,032)	¥ -	¥534,451	¥ 8,464	¥542,915
Net income				34,776					34,776		34,776
Cash dividends, ¥24 per share				(10,169)					(10,169)		(10,169)
Purchase of treasury stock	(4,771)				(10,012)				(10,012)		(10,012)
Disposal of treasury stock					1				1		1
Retirement of treasury stock			(10,428)		10,428						
Net change in the year						2,675	1,374	(1,717)	2,332	329	2,661
<b>BALANCE, MARCH 31, 2014</b>	418,943	127,235	100,863	371,965	(56,079)	8,770	342	(1,717)	551,379	8,793	560,172
Cumulative effects of changes in an accounting policy (Note 3)				(4,080)					(4,080)	(18)	(4,098)
<b>RESTATED BALANCE</b>		127,235	100,863	367,885	(56,079)	8,770	342	(1,717)	547,299	8,775	556,074
Net income				37,533					37,533		37,533
Cash dividends, ¥24 per share				(10,065)					(10,065)		(10,065)
Purchase of treasury stock	(12,235)				(30,588)				(30,588)		(30,588)
Disposal of treasury stock	5,590		(405)		10,746				10,341		10,341
Retirement of treasury stock			(31,507)		31,507						
Change in equity related to transaction with non-controlling shareholders (Notes 3 and 4)	896		1,258		1,406				2,664		2,664
Net change in the year						5,078	827	2,432	8,337	(3,097)	5,240
<b>BALANCE, MARCH 31, 2015</b>	413,194	¥127,235	¥ 70,209	¥395,353	¥(43,008)	¥ 13,848	¥ 1,169	¥ 715	¥565,521	¥ 5,678	¥571,199

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
<b>BALANCE, MARCH 31, 2014</b>	\$1,058,790	\$839,341	\$3,095,325	\$(466,668)	\$ 72,980	\$2,850	\$(14,289)	\$4,588,329	\$ 73,169	\$4,661,498
Cumulative effects of changes in an accounting policy (Note 3)			(33,954)					(33,954)	(143)	(34,097)
<b>RESTATED BALANCE</b>	1,058,790	839,341	3,061,371	(466,668)	72,980	2,850	(14,289)	4,554,375	73,026	4,627,401
Net income			312,336					312,336		312,336
Cash dividends, \$0.20 per share			(83,760)					(83,760)		(83,760)
Purchase of treasury stock				(254,537)				(254,537)		(254,537)
Disposal of treasury stock		(3,369)		89,420				86,051		86,051
Retirement of treasury stock		(262,189)		262,189						
Change in equity related to transaction with non-controlling shareholders (Notes 3 and 4)		10,466		11,705				22,171		22,171
Net change in the year					42,254	6,878	20,241	69,373	(25,772)	43,601
<b>BALANCE, MARCH 31, 2015</b>	\$1,058,790	\$584,249	\$3,289,947	\$(357,891)	\$115,234	\$9,728	\$ 5,952	\$4,706,009	\$ 47,254	\$4,753,263

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 69,158	¥ 65,882	\$ 575,499
Adjustments for:			
Income taxes—paid	(30,362)	(35,437)	(252,657)
Depreciation and amortization	46,078	42,284	383,443
Loss (gain) on sales and disposal of property, plant and equipment—net	2	(1,461)	13
Loss on impairment of long-lived assets	1,792	217	14,910
Gain on sales of marketable and investment securities	(7)	(1)	(58)
Loss on valuation of investment securities		3	
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(11,898)	(38,786)	(99,010)
(Increase) decrease in inventories	(47)	401	(388)
(Decrease) increase in notes and accounts payable	(14,666)	33,411	(122,043)
Increase in liability for employees' retirement benefits	2,796	6,278	23,265
Other—net	29,774	7,284	247,770
Total adjustments	23,462	14,193	195,245
Net cash provided by operating activities	92,620	80,075	770,744
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment	2,539	4,238	21,124
Purchases of property, plant and equipment	(54,308)	(65,212)	(451,927)
Proceeds from sales of marketable and investment securities	14	2	118
Purchases of marketable and investment securities	(1,021)	(11)	(8,498)
(Increase) decrease in investments in and advances to unconsolidated subsidiaries and affiliates	(127)	375	(1,059)
Collection of loans	1,210	1,120	10,068
Payment of loans	(1,292)	(1,154)	(10,748)
Other	(5,500)	(4,294)	(45,767)
Net cash used in investing activities	(58,485)	(64,936)	(486,689)
<b>FINANCING ACTIVITIES:</b>			
Repayments of short-term debt—net	(6,757)	(1,681)	(56,225)
Proceeds from long-term debt	60,400	27,007	502,621
Repayments of long-term debt	(19,392)	(14,145)	(161,369)
Dividends paid	(10,146)	(10,235)	(84,433)
Purchase of treasury stock—net	(30,592)	(10,013)	(254,570)
Other	(682)	34	(5,680)
Net cash used in financing activities	(7,169)	(9,033)	(59,656)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	690	648	5,742
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	27,656	6,754	230,141
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	219,395	212,641	1,825,707
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> (Note 2.d)	¥247,051	¥219,395	\$2,055,848
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Decrease in capital surplus due to exercise of stock acquisition rights	¥ (405)	¥ —	\$ (3,370)
Decrease in treasury stock due to exercise of stock acquisition rights	10,745		89,415
Decrease in zero coupon convertible bonds due to exercise of stock acquisition rights	10,340		86,045

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended March 31, 2015

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2014 consolidated financial statements to conform them to the classifications and presentations used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Holdings Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 39 significant (41 in 2014) subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The unconsolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

There were no affiliates accounted for by the equity method in 2015 or 2014.

Investments in the unconsolidated subsidiaries and affiliates are stated at cost, less a valuation allowance representing possible losses on the investments that are deemed to be other than temporary. If the equity method of accounting had been applied to the investments in such companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

**c. Recognition of Operating Revenues**—The Group recognizes freight charge income as operating revenue at the time when freight has been received from the shipping customer for transportation.

Fees from customers based on installment sales contracts are recognized by the equal installment method.

**d. Cash Equivalents**—Cash equivalents in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents in the consolidated statement of cash flows include time deposits, certificates of deposit, and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.



The difference between cash and cash equivalents in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash and cash equivalents presented in the consolidated balance sheet	¥247,398	¥220,148	\$2,058,737
Time deposits due beyond three months	(36)	(445)	(300)
Bank overdraft	(311)	(308)	(2,589)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥247,051	¥219,395	\$2,055,848

**e. Inventories**—Inventories are stated at the lower of cost determined by the first-in, first-out method or net selling value.

**f. Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2015 and 2014.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**g. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment excluding leased assets of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

The depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed by the straight-line method over the estimated useful lives of the assets. The range of useful lives is principally as follows:

Buildings and structures	7–60 years
Vehicles	2– 7 years
Machinery and equipment	2–20 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

**h. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**i. Other Assets**—Amortization of intangible assets is computed by the straight-line method.

Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

**j. Retirement and Pension Plan**—The Company and consolidated subsidiaries mainly have a contributory trusted pension plan and an unfunded retirement benefit plan. In addition, a defined contribution retirement plan was introduced along with these defined benefit pension plans.

In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to service performed up to the end of the current fiscal year. Past service costs are recognized in profit or loss in full in the fiscal year in which it arises. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period of the eligible employees on and after the fiscal year following the fiscal year in which it arises.

In May 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the former standard and the other related practical guidance.

Under the revised accounting standard, actuarial gains and losses are recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status is recognized as a liability or asset.

In addition, the Company changed its accounting policy for “Retirement and Pension Plan” from the beginning of the fiscal year ended March 31, 2015 (see Note 3).

**k. Asset Retirement Obligations**—In March 2008, the ASBJ issued ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as reconciliation to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**l. Leases**—For a lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

For a lessor, all finance leases that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

**m. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**n. Appropriations of Retained Earnings**—Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements for the following year upon shareholders’ approval.

**o. Foreign Currency Transactions**—All short and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

**p. Derivative Financial Instruments**—Certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the consolidated subsidiaries to reduce interest rate risks. The consolidated subsidiaries do not enter into derivatives for trading or speculative purposes.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

**q. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

**r. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

**s. Accounting Changes and Error Corrections**—In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

### 3. ACCOUNTING CHANGE

**Accounting Standard for Retirement Benefits**—The ASBJ revised ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” in May 2012, and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits” in March 2015.

The accounting standard revised calculation methods for defined benefit obligation and service cost.

The Company applied the revised accounting standard effective from the beginning of the fiscal year ended March 31, 2015. In applying of the revised accounting standard, the Company reviewed the calculation method of retirement benefit obligations and service cost and amended the determination of discount rate from one that is based on the period of years approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In applying the accounting standard, the effect of the review described above has been added to or deducted from retained earnings as of the beginning of the fiscal year ended March 31, 2015.

As a result of this change, as of the beginning of the fiscal year ended March 31, 2015, liabilities for employees' retirement benefits increased by ¥6,262 million (\$52,110 thousand), deferred tax assets increased by ¥2,215 million (\$18,430 thousand), and retained earnings decreased by ¥4,080 million (\$33,954 thousand).

In addition, the effects of this change on operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015, are immaterial. Net assets per share decreased by ¥9.87 (\$0.08).

**Accounting Standards for Business Combinations**—In September 2013, the ASBJ revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements,” ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and related standards and implementation guidance.

The accounting standards revised mainly as follows: (a) accounting treatment of transactions with non-controlling interest; (b) accounting treatment of acquisition-related costs; and (c) provisional accounting treatments for a business combination.

The Company early applied the above revised accounting standards for (a) and (b), effective from the beginning of the fiscal year ended March 31, 2015, and for (c), effective for a business combination occurring on or after the beginning of the fiscal year ended March 31, 2015.

As a result, changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions, and acquisition-related costs shall be accounted as expenses in the periods in which the costs are incurred and the services are received. Furthermore, adjustments to items recognized in the original accounting for a business combination, for a maximum of one year after the acquisition date, are made retrospectively as if those adjustments had been made at the acquisition date when new information about facts and circumstances existing at the acquisition date is obtained.

The revised accounting standards are applied prospectively to business combinations for which the business combination date is on or after the beginning of the fiscal year ended March 31, 2015.

As a result of this change, as of March 31, 2015, capital surplus increased by ¥834 million (\$6,942 thousand). In addition, the effects of this change on operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015, are immaterial. Net assets per share increased by ¥2.02 (\$0.02).

## 4. BUSINESS COMBINATION

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### *Transactions under common control*

#### *(1) Outline of business combination*

On September 1, 2014, the Company conducted a share exchange to make two consolidated subsidiaries wholly owned subsidiaries in order to further strengthen the Group management and construct a more effective consolidated management structure by accelerating decision-making and increasing mobility and flexibility of the Group management.

#### *Name and main business of the companies involved in the business combination*

##### *Combining entity (wholly owning parent company through share exchange)*

Name: Yamato Holdings Co., Ltd. (the "Company")

Main business: Management control of Group companies and incidental operations thereof, on the basis of Group companies share holdings

##### *Combined entities (wholly owned subsidiaries through share exchange)*

Name: Yamato Global Express Co., Ltd. ("YGX")

Main business: Domestic air cargo transport business

Name: Yamato Global Logistics Japan Co., Ltd. ("YGL")

Main business: International air cargo service, handling of marine cargo, import/export customs clearance services

#### *Date of business combination*

September 1, 2014 (effective date)

#### *Legal form of business combination*

Share exchange with the Company as a wholly owning parent company and YGX and YGL ("YGX & YGL") as wholly owned subsidiaries

#### *(2) Outline of accounting treatment applied*

The Company early applied ASBJ Statement No. 21, "Accounting Standard for Business Combinations," and ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and accounted for the business combination as a transaction with non-controlling shareholders under common control.

#### *(3) Additional acquisition of subsidiaries' share*

##### *Acquisition cost*

YGX ¥1,093 million (\$ 9,097 thousand) Consideration: Common stock of the Company

YGL ¥737 million (\$ 6,132 thousand) Consideration: Common stock of the Company

Total acquisition cost ¥1,830 million (\$15,229 thousand)



*Share exchange ratio, calculation method for exchange ratio and number of shares delivered*

*Share exchange ratio*

Type of Stock: Common Stock

	Wholly owning parent company	Wholly owned subsidiary	
	The Company	YGX	YGL
Share exchange ratio	1	41.297	5.621

*Calculation method for exchange ratio*

The Company requested KPMG FAS Co., Ltd., a third-party institution that is independent from the Company and both YGX & YGL, to carry out the calculation of the share exchange ratios in order to ensure the fairness and validity of the calculation. KPMG FAS Co., Ltd. carried out the calculations of the share exchange ratios by using the average market share price method for calculating the Company's stock value, taking into consideration the Company's status as a listed company, and using the discounted cash flow method for calculating YGX & YGL's stock values, taking into consideration their status as unlisted companies. The Company's stock value was calculated based on the closing share price on the calculation base date (July 30, 2014) and the respective average closing price for the one-month period, three-month period and six-month period up to the calculation base date. The Company conducted careful negotiation and discussion about the share exchange ratios with YGX & YGL, and decided the share exchange ratios in reference to the result of the calculation by the third-party institution.

*Number of shares delivered*

896,425 shares

The Company applied treasury stock to the consideration of the share exchange and did not issue new stock.

**(4) Change in equity related to transaction with non-controlling shareholders**

*Increase in capital surplus by transaction with non-controlling shareholders*

¥1,559 million (\$12,972 thousand)

*Main reason for the change*

The change was resulted from a difference between cost of additional acquisition of the subsidiaries' shares and the decrease of non-controlling interest caused by the additional acquisition.

## 5. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in both 2015 and 2014.

Annual maturities of notes and accounts receivable—installment at March 31, 2015, and related amortization of deferred profit on installment sales are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2016	¥20,655	¥2,199	\$171,885	\$18,299
2017	10,482	1,544	87,229	12,852
2018	5,906	966	49,146	8,035
2019	2,921	518	24,307	4,313
2020	1,421	276	11,823	2,301
2021 and thereafter	623	152	5,180	1,261
Total	¥42,008	¥5,655	\$349,570	\$47,061

## 6. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise	¥ 722	¥ 780	\$ 6,006
Work in process	512	235	4,265
Raw materials and supplies	2,102	2,222	17,489
<b>Total</b>	<b>¥3,336</b>	<b>¥3,237</b>	<b>\$27,760</b>

## 7. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Noncurrent:			
Marketable equity securities	¥33,017	¥24,796	\$274,750
Nonmarketable equity securities	730	685	6,076
Other	96	96	804
<b>Total</b>	<b>¥33,843</b>	<b>¥25,577</b>	<b>\$281,630</b>

Information regarding each category of the securities classified as available-for-sale at March 31, 2015 and 2014, was as follows:

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥13,794	¥19,261	¥38	¥33,017

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥12,777	¥12,038	¥19	¥24,796

	Thousands of U.S. Dollars			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$114,786	\$160,279	\$315	\$274,750

Information for available-for-sale securities, which were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2015			
Available-for-sale:			
Equity securities	¥14	¥7	¥-
Other			
<b>Total</b>	<b>¥14</b>	<b>¥7</b>	<b>¥-</b>
March 31, 2014			
Available-for-sale:			
Equity securities	¥2	¥1	¥-
Other			
<b>Total</b>	<b>¥2</b>	<b>¥1</b>	<b>¥-</b>

March 31, 2015	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$118	\$58	\$-
Other			
<b>Total</b>	<b>\$118</b>	<b>\$58</b>	<b>\$-</b>

Loss on valuation of available-for-sale equity securities for the year ended March 31, 2014 was ¥3 million.

## 8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2015 and 2014. As a result, the Group recognized an impairment loss of ¥1,792 million (\$14,910 thousand) as other expense for the asset groups of Yamato (China) Transport Co., Ltd. and ten other asset groups for the year ended March 31, 2015, and ¥217 million as other expense for the asset groups of the Tomakomai Maintenance Factory of Yamato Autoworks Co., Ltd. and eleven other asset groups for the year ended March 31, 2014, due to continuous operating losses of those units or significant declines in market prices. The carrying amounts of the relevant asset groups were written down to the recoverable amounts. In the case where net selling prices were used as recoverable amounts, the relevant asset groups were evaluated mainly based on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices. In the case where the recoverable amounts were measured at its value in use, the discount rates used for computation of present value of future cash flows were 5.65% to 6.15%.

## 9. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2015 and 2014, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2015 and 2014, were approximately 0.755% and 0.450%, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
0.120% to 6.400% loans from banks due 2015 to 2019	¥100,554		\$ 836,763
0.150% to 6.900% loans from banks due 2014 to 2017		¥ 59,422	
Lease obligations	7,389	9,165	61,494
Zero coupon convertible bonds due in March 2016	9,660	20,000	80,387
<b>Total</b>	<b>117,603</b>	<b>88,587</b>	<b>978,644</b>
Less current portion	(29,071)	(21,941)	(241,920)
<b>Total</b>	<b>¥ 88,532</b>	<b>¥ 66,646</b>	<b>\$ 736,724</b>

Annual maturities of long-term debt at March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 29,071	\$241,920
2017	34,210	284,676
2018	42,868	356,728
2019	10,911	90,795
2020	441	3,674
2021 and thereafter	102	851
<b>Total</b>	<b>¥117,603</b>	<b>\$978,644</b>

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2015. If all the outstanding convertible bonds had been exercised at March 31, 2015, 5,221,621 shares of common stock would have been issued.

The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events. Each stock acquisition right may be exercised at any time during the period from March 22, 2011 to February 22, 2016.

## 10. RETIREMENT AND PENSION PLANS

The Group has defined benefit pension plans and defined contribution retirement plans for employees.

The defined benefit pension plans provide, under most circumstances, that employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

### (1) Defined Benefit Pension Plans

The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥119,136	¥112,493	\$ 991,394
Cumulative effects of changes in an accounting policy	6,312		52,527
Restated balance	125,448	112,493	1,043,921
Service cost	9,704	8,910	80,749
Interest cost	1,098	1,443	9,135
Actuarial loss arising during the year	1,917	744	15,955
Retirement benefits paid	(5,041)	(4,458)	(41,945)
Past service cost arising during the year		4	
Balance at end of year	¥133,126	¥119,136	\$1,107,815

The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥72,079	¥64,927	\$599,807
Expected return on plan assets	721	649	5,998
Actuarial gain arising during the year	5,269	4,516	43,848
Contributions from the employer	4,137	3,881	34,431
Retirement benefits paid	(1,848)	(1,894)	(15,377)
Balance at end of year	¥80,358	¥72,079	\$668,707

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Defined benefit obligation of funded plan	¥ 53,415	¥ 50,035	\$ 444,494
Plan assets	(80,358)	(72,079)	(668,707)
	(26,943)	(22,044)	(224,213)
Defined benefit obligation of unfunded plan	79,711	69,101	663,321
Net liability arising from defined benefit obligation	¥ 52,768	¥ 47,057	\$ 439,108

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for employees' retirement benefits	¥53,024	¥47,224	\$441,237
Asset for employees' retirement benefits	(256)	(167)	(2,129)
Net liability arising from defined benefit obligation	¥52,768	¥47,057	\$439,108

The amount of liability and asset for employees' retirement benefits that are offset individually by the Company and subsidiaries are combined.



The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 9,704	¥ 8,910	\$80,749
Interest cost	1,098	1,443	9,135
Expected return on plan assets	(721)	(649)	(5,998)
Recognized actuarial loss	399	3,047	3,318
Past service cost		4	
Others	(13)	(6)	(102)
Net periodic benefit costs	¥10,467	¥12,749	\$87,102

Amount recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the year ended March 31, 2015, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Actuarial gain and (loss)	¥3,751	\$31,211
Total	¥3,751	\$31,211

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial gain and (loss)	¥1,067	¥(2,683)	\$8,881
Total	¥1,067	¥(2,683)	\$8,881

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
General accounts	31%	34%
Debt investments	24	26
Equity investments	24	21
Others	21	19
Total	100%	100%

Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.9%	1.3%
Expected rate of return on plan assets	1.0%	1.0%

The expected rate of return on plan assets is determined on the basis of the distribution of plan assets, past performance of respective assets that make up investments of plan assets, and market trends.

## (2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 2015 and 2014, were ¥2,136 million (\$17,775 thousand) and ¥2,089 million, respectively.

## 11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥4,789	¥4,459	\$39,849
Additional provisions associated with the acquisition of property, plant and equipment	170	355	1,413
Reconciliation associated with passage of time	93	90	776
Reconciliation associated with changes in accounting estimates	2	(1)	20
Reduction associated with settlement of asset retirement obligations	(80)	(110)	(670)
Others	6	(4)	50
Balance at end of year	¥4,980	¥4,789	\$41,438

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year, which resulted from certain events such as obtaining new information. A reconciliation has been prepared for the change, which resulted in an increase and decrease of the asset retirement obligation for the years ended March 31, 2015 and 2014, by ¥2 million (\$20 thousand) and ¥1 million, respectively.

## 12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity.

### 13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of 35.6% and 38.0% for the years ended March 31, 2015 and 2014.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Current:			
Accrued expenses	¥ 9,711	¥ 10,463	\$ 80,814
Enterprise tax	1,769	1,747	14,716
Allowance for doubtful accounts	216	196	1,799
Legal welfare expense	1,818	1,660	15,130
Other	2,466	3,067	20,519
Less valuation allowance		(273)	
Deferred tax assets—current	¥ 15,980	¥ 16,860	\$ 132,978
Noncurrent:			
Liability for employees' retirement benefits	¥ 17,728	¥ 16,998	\$ 147,520
Investment securities	1,992	2,199	16,579
Loss on devaluation of land	21,898	24,163	182,228
Loss on impairment of long-lived assets	4,188	4,225	34,853
Loss on devaluation of telephone subscription rights	495	546	4,118
Unrealized profit	1,914	1,840	15,923
Other	10,693	10,764	88,984
Less valuation allowance	(33,122)	(35,505)	(275,630)
Deferred tax assets—noncurrent	¥ 25,786	¥ 25,230	\$ 214,575
Deferred tax liabilities:			
Current—other	¥ (293)	¥ (312)	\$ (2,436)
Deferred tax liabilities—current	¥ (293)	¥ (312)	\$ (2,436)
Noncurrent:			
Unrealized gain on available-for-sale securities	¥ (4,740)	¥ (2,871)	\$ (39,443)
Other	(3,016)	(2,480)	(25,096)
Deferred tax liabilities—noncurrent	¥ (7,756)	¥ (5,351)	\$ (64,539)
Deferred tax assets—net	¥ 33,717	¥ 36,427	\$ 280,578

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014 is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Per capita levy of local taxes	4.2	4.3
Valuation allowance	(0.2)	1.2
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate	5.0	1.8
Other—net	1.0	1.8
Actual effective tax rate	45.6%	47.1%

On March 31, 2015, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 35.6% to 33.1%, effective for the fiscal year beginning on April 1, 2015 and to 32.3% for the fiscal year beginning on or after April 1, 2016.

The effects of the reform were to decrease deferred tax assets (after subtraction of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2015, by ¥3,277 million (\$27,271 thousand), of which ¥2,912 million (\$24,236 thousand) is the effect of the change in tax rates, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥3,753 million (\$31,232 thousand), of which ¥3,388 million (\$28,197 thousand) is the effect of the change in tax rates.

## 14. LEASES

### (1) Lessee

The Group leases certain machinery, computer equipment and other assets.

Future rental payments under noncancelable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ 85	¥ 76	\$ 707
Due after one year	65	123	540
Total	¥150	¥199	\$1,247

### (2) Lessor

The net investments in lease as of March 31, 2015 and 2014, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross lease receivables	¥44,580	¥35,645	\$370,975
Unguaranteed residual values	4,207	2,948	35,007
Unearned interest income	(3,839)	(3,264)	(31,943)
Investments in leases—current	¥44,948	¥35,329	\$374,039

Maturities of lease receivables for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2015, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥13,829	\$115,078
2017	12,081	100,534
2018	9,662	80,400
2019	6,365	52,972
2020	2,331	19,398
2021 and thereafter	312	2,593
Total	¥44,580	\$370,975

The minimum rental commitments under noncancelable operating leases at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥2,812	¥2,069	\$23,397
Due after one year	5,846	4,385	48,649
Total	¥8,658	¥6,454	\$72,046

## 15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, in order to expand its business based on its investment plan to expand its network. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to interest fluctuation risk. Certain consolidated subsidiaries conduct leasing or installment sales operations.

### (2) Nature and Extent of Risks Arising from Financial Instruments and the Risk Management for Financial Instruments

Receivables such as notes and accounts receivable and installment sales receivable are exposed to customer credit risk.

Therefore, the Group maintains customers' credit risk by monitoring collections and accrued receivables at due dates.

Marketable and investment securities are mainly equity securities of the companies with which the Group has business relationships or capital alliances. Such securities are exposed to the risk of market price fluctuations.

Most payment terms of payables such as notes and accounts payable are less than one year.

Short-term bank loans and long-term bank loans are mainly related to a financial business. Although a portion of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives such as interest rate swaps. In addition, such interest rate swaps are contracted in accordance with internal rules, which prescribe the authority over derivative transactions.

Accounts payable and bank loans exposed to liquidity risks are managed by each company of the Group, such as through fund settlement, bookkeeping, monitoring of the balances outstanding, and managing cash flows.

### (3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The value could vary depending on the technique used.

Fair values of financial instruments at March 31, 2015 and 2014, were as follows:

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥247,398	¥247,398	
Trade notes and accounts receivable	187,834		
Allowance for doubtful accounts	(122)		
	187,712	188,298	¥ 586
Installment sales receivable	42,008		
Allowance for doubtful accounts	(802)		
Deferred profit on installment sales	(5,655)		
	35,551	40,979	5,428
Investment securities	33,017	33,017	
Trade notes and accounts payable	157,480	157,480	
Short-term loans	34,443	34,515	72
Long-term loans	83,877	83,834	(43)
Derivatives			



March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥220,148	¥220,148	
Trade notes and accounts receivable	188,145		
Allowance for doubtful accounts	(131)		
	188,014	188,519	¥ 505
Installment sales receivable	39,480		
Allowance for doubtful accounts	(933)		
Deferred profit on installment sales	(5,349)		
	33,198	38,320	5,122
Investment securities	24,796	24,796	
Trade notes and accounts payable	172,463	172,463	
Short-term loans	36,412	36,493	81
Long-term loans	42,266	42,334	68
Derivatives			

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$2,058,737	\$2,058,737	
Trade notes and accounts receivable	1,563,066		
Allowance for doubtful accounts	(1,012)		
	1,562,054	1,566,931	\$ 4,877
Installment sales receivable	349,570		
Allowance for doubtful accounts	(6,674)		
Deferred profit on installment sales	(47,061)		
	295,835	341,011	45,176
Investment securities	274,750	274,750	
Trade notes and accounts payable	1,310,476	1,310,476	
Short-term loans	286,626	287,215	589
Long-term loans	697,979	697,630	(349)
Derivatives			

#### **Cash and cash equivalents**

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

#### **Trade notes and accounts receivable**

The fair values of receivables are measured at the amount to be received at maturity discounted at the Group's assumed corporate discount rate. A portion of these receivables is determined by discounting the cash flows related to the receivables at the rate of government bonds.

#### **Installment sales receivable**

Allowances for doubtful accounts and deferred profit on installment sales are deducted from the fair values of installment sales receivable, which are determined by discounting the cash flows related to the installment sales receivable at the market interest rate.

#### **Marketable and investment securities**

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 7.

#### **Trade notes and accounts payable**

The fair values of payables, all of which are substantially paid within one year, are measured at the amount to be paid.

### Short-term loans and long-term loans

The fair values of short-term bank loans and long-term loans are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

The current portion of long-term bank loans is included in short-term loans in the above table in addition to short-term bank loans on the consolidated balance sheet. Lease payments are not included in long-term loans in the above table.

### Derivatives

Fair value information for derivatives is included in Note 16.

### (4) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥1,551	¥1,324	\$12,904

### (5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
March 31, 2015			
Cash and cash equivalents	¥247,398		
Trade notes and accounts receivable	174,738	¥12,915	¥181
Installment sales receivable	20,655	20,730	623
Total	¥442,791	¥33,645	¥804
March 31, 2014			
Cash and cash equivalents	¥220,148		
Trade notes and accounts receivable	177,095	¥10,975	¥ 75
Installment sales receivable	19,688	19,154	638
Total	¥416,931	¥30,129	¥713

	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
March 31, 2015			
Cash and cash equivalents	\$2,058,737		
Trade notes and accounts receivable	1,454,092	\$107,469	\$1,505
Installment sales receivable	171,885	172,505	5,180
Total	\$3,684,714	\$279,974	\$6,685

**(6) Maturity Analysis for Long-term loans, Lease obligations and Convertible bonds**

Year Ending March 31	Millions of Yen		
	Long-term loans	Lease obligations	Zero coupon convertible bonds
2016	¥ 16,677	¥2,734	¥9,660
2017	32,328	1,882	
2018	41,549	1,319	
2019	10,000	911	
2020		441	
2021 and thereafter		102	
<b>Total</b>	<b>¥100,554</b>	<b>¥7,389</b>	<b>¥9,660</b>

Year Ending March 31	Thousands of U.S. Dollars		
	Long-term loans	Lease obligations	Zero coupon convertible bonds
2016	\$138,784	\$22,749	\$80,387
2017	269,016	15,660	
2018	345,747	10,981	
2019	83,216	7,579	
2020		3,674	
2021 and thereafter		851	
<b>Total</b>	<b>\$836,763</b>	<b>\$61,494</b>	<b>\$80,387</b>

Please see Note 9 for annual maturities of long-term debt.

**16. DERIVATIVES**

Certain consolidated subsidiaries use derivative financial instruments to manage their exposure to fluctuations in interest rates. Interest rate swaps are utilized by the consolidated subsidiaries to reduce interest rate risk. The consolidated subsidiaries do not enter into derivatives for trading or speculative purposes.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

***Derivative Transactions to Which Hedge Accounting Is Applied***

March 31, 2015	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥38,582	¥26,376	*
March 31, 2014				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥44,050	¥29,050	*
March 31, 2015		Thousands of U.S. Dollars		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	\$321,062	\$219,489	*

\* The fair value of interest rate swaps is included in that of hedged items (see Note 15).

## 17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 7,258	¥3,784	\$ 60,399
Reclassification adjustments to profit or loss	(7)	(1)	(58)
Amount before income tax effect	7,251	3,783	60,341
Income tax effect	(1,880)	(845)	(15,648)
Total	¥ 5,371	¥2,938	\$ 44,693
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 826	¥1,408	\$ 6,878
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	¥ 3,352	¥ –	\$ 27,893
Reclassification adjustments to profit or loss	399		3,318
Amount before income tax effect	3,751		31,211
Income tax effect	(1,308)		(10,883)
Total	¥ 2,443	¥ –	\$ 20,328
Total other comprehensive income	¥ 8,640	¥4,346	\$ 71,899

## 18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥37,533	415,131	¥90.41	\$0.75
Adjustment in net income—Administrative fee (net of tax)	5			
Effect of dilutive securities—Convertible bonds		10,187		
Diluted EPS—Net income for computation	¥37,538	425,318	¥88.26	\$0.73
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥34,776	422,941	¥82.22	
Effect of dilutive securities—Convertible bonds		10,811		
Diluted EPS—Net income for computation	¥34,776	433,752	¥80.18	

## 19. SEGMENT INFORMATION

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### *(1) Description of Reportable Segments*

The Group identifies operating segments as components of entity for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to make decisions about resources to be allocated to the segments and assess their performance.

The Company, as a pure holding company, forms six reportable segments classified according to business content and manages them based on these reportable segments. Therefore, the Group has the following six reporting segments; "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business," "Financial," and "Autoworks" based on the above policy.

The Group defines the reporting segments as follows:

Delivery:	Small-parcel delivery services such as TA-Q-BIN (door-to-door parcel delivery) and Kuroneko Mail (posting service)
BIZ-Logistics:	Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience:	Lifestyle support services intimately connected with the needs of local markets, such as moving and household effects delivery services
e-Business:	Information services targeted at the business market, including ASP services and the development of information systems
Financial:	Financial services targeted at business customers and consumers, such as settlement and collection
Autoworks:	Vehicle maintenance services and fuel supply targeted at transport companies

### *(2) Methods of Measurement for the Amounts of Segment Revenues, Segment Income, Segment Assets, and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."



### (3) Information about Segment Revenues, Segment Income, Segment Assets, and Other Items

	Millions of Yen									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,101,439	¥103,821	¥48,475	¥40,487	¥ 66,658	¥27,153	¥ 8,675	¥1,396,708	¥ -	¥1,396,708
Intersegment revenues	63,411	12,151	14,546	28,253	3,402	28,558	59,229	209,550	(209,550)	
<b>Total segment revenues</b>	<b>¥1,164,850</b>	<b>¥115,972</b>	<b>¥63,021</b>	<b>¥68,740</b>	<b>¥ 70,060</b>	<b>¥55,711</b>	<b>¥67,904</b>	<b>¥1,606,258</b>	<b>¥(209,550)</b>	<b>¥1,396,708</b>
Segment income	¥ 39,205	¥ 4,683	¥ 613	¥ 7,757	¥ 8,918	¥ 3,733	¥24,144	¥ 89,053	¥ (20,106)	¥ 68,947
Segment assets	660,296	61,508	20,242	40,377	239,044	24,794	12,849	1,059,110	23,421	1,082,531
Other:										
Depreciation and amortization	34,792	1,818	557	3,761	3,437	768	261	45,394	664	46,058
Increase of tangible and intangible fixed assets	33,832	3,201	711	4,965	8,397	455	220	51,781	241	52,022

	Millions of Yen									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,099,400	¥ 90,255	¥48,723	¥40,831	¥ 62,728	¥25,650	¥ 7,023	¥1,374,610	¥ -	¥1,374,610
Intersegment revenues	61,095	12,462	14,154	27,104	3,568	28,067	60,664	207,114	(207,114)	
<b>Total segment revenues</b>	<b>¥1,160,495</b>	<b>¥102,717</b>	<b>¥62,877</b>	<b>¥67,935</b>	<b>¥ 66,296</b>	<b>¥53,717</b>	<b>¥67,687</b>	<b>¥1,581,724</b>	<b>¥(207,114)</b>	<b>¥1,374,610</b>
Segment income	¥ 35,784	¥ 3,404	¥ 217	¥ 8,057	¥ 9,406	¥ 3,272	¥24,957	¥ 85,097	¥ (22,001)	¥ 63,096
Segment assets	633,427	54,551	19,017	38,635	233,495	23,412	11,169	1,013,706	18,428	1,032,134
Other:										
Depreciation and amortization	31,849	1,561	575	3,712	2,721	907	285	41,610	656	42,266
Increase of tangible and intangible fixed assets	64,479	4,250	700	3,366	5,493	380	564	79,232	299	79,531

	Thousands of U.S. Dollars									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	\$9,165,671	\$863,953	\$403,387	\$336,912	\$ 554,699	\$225,959	\$ 72,190	\$11,622,771	\$ -	\$11,622,771
Intersegment revenues	527,683	101,111	121,047	235,109	28,304	237,647	492,874	1,743,775	(1,743,775)	
<b>Total segment revenues</b>	<b>\$9,693,354</b>	<b>\$965,064</b>	<b>\$524,434</b>	<b>\$572,021</b>	<b>\$ 583,003</b>	<b>\$463,606</b>	<b>\$565,064</b>	<b>\$13,366,546</b>	<b>\$(1,743,775)</b>	<b>\$11,622,771</b>
Segment income	\$ 326,250	\$ 38,969	\$ 5,102	\$ 64,549	\$ 74,213	\$ 31,065	\$200,912	\$ 741,060	\$ (167,313)	\$ 573,747
Segment assets	5,494,681	511,840	168,443	336,004	1,989,219	206,326	106,921	8,813,434	194,899	9,008,333
Other:										
Depreciation and amortization	289,520	15,130	4,636	31,302	28,606	6,390	2,169	377,753	5,524	383,277
Increase of tangible and intangible fixed assets	281,537	26,633	5,919	41,319	69,876	3,785	1,826	430,895	2,010	432,905

Notes: Effective from the fiscal year ended March 31, 2015, the Delivery Business segment includes the contact service business, previously included in the e-Business, due to changes involving business segment categories made in accordance with actual circumstances related to management and administration. The segment information for the fiscal year ended March 31, 2014 has been prepared and presented according to the new classification.

"Other" includes JITBOX charter services, staffing services, and shared services.

Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2015 and 2014, of ¥21,910 million (\$182,328 thousand) and ¥24,105 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

- (1) Reconciliations of segment income for the years ended March 31, 2015 and 2014, of ¥20,106 million (\$167,313 thousand) and ¥22,001 million, respectively, are intersegment eliminations and others.
- (2) Reconciliations of segment assets at March 31, 2015 and 2014, of ¥23,421 million (\$194,899 thousand) and ¥18,428 million, respectively, include intersegment eliminations of assets and liabilities of ¥166,006 million (\$1,381,424 thousand) and ¥143,010 million, and corporate assets which are not allocated to each reporting segments of ¥189,427 million (\$1,576,323 thousand) and ¥161,438 million, respectively.
- (3) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2015 and 2014, of ¥241 million (\$2,010 thousand) and ¥299 million, respectively, include the Company's capital investment.

Segment income is reconciled with the consolidated statement of income.

The ASBJ revised ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" in May 2012, and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" in March 2015. The accounting standard revised calculation methods for defined benefit obligation and service cost. The Company applied the revised accounting standard effective from the beginning of the fiscal year ended March 31, 2015. In applying of the revised accounting standard, the Company reviewed the calculation method of retirement benefit obligations and service cost and amended the determination of discount rate from one that is based on the period of years approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. The effect of this change on segment income for the fiscal year ended March 31, 2015 is immaterial.

**[Related Information about Reporting Segments]**

**(1) Information about products and services**

Operating revenues from customers for the years ended March 31, 2015 and 2014, are as follows:

2015				2014			
TA-Q-BIN	Kuroneko Mail	Other	Total	TA-Q-BIN	Kuroneko Mail	Other	Total
¥912,563	¥111,885	¥372,260	¥1,396,708	¥906,057	¥120,800	¥347,753	¥1,374,610

Millions of Yen

2015			
TA-Q-BIN	Kuroneko Mail	Other	Total
\$7,593,934	\$931,058	\$3,097,779	\$11,622,771

Thousands of U.S. Dollars

**(2) Information about geographical areas**

Operating revenues for the years ended March 31, 2015 and 2014, are as follows:

2015				2014			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,368,793	¥10,261	¥17,654	¥1,396,708	¥1,349,718	¥10,461	¥14,431	¥1,374,610

Millions of Yen

2015			
Japan	North America	Other	Total
\$11,390,474	\$85,390	\$146,907	\$11,622,771

Thousands of U.S. Dollars

Property, plant and equipment at March 31, 2015 and 2014, are as follows:

2015				2014			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥418,202	¥442	¥1,457	¥420,101	¥415,013	¥386	¥1,729	¥417,128

Millions of Yen

2015			
Japan	North America	Other	Total
\$3,480,089	\$3,677	\$12,123	\$3,495,889

Thousands of U.S. Dollars

**(3) Information about loss on impairment of long-lived assets by reporting segments**

Loss on impairment of long-lived assets by reporting segments for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥1,404	¥91	¥297					¥1,792		¥1,792

	Millions of Yen									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets						¥217		¥217		¥217

	Thousands of U.S. Dollars									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	\$11,682	\$755	\$2,473					\$14,910		\$14,910

## 20. SUBSEQUENT EVENT

### *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's Board of Directors meeting held on May 14, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13.00 (\$0.11) per share	¥5,372	\$44,699

# Independent Auditor's Report

# Deloitte.

Deloitte Touche Tohmatsu LLC  
Shinagawa Intercity  
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*To the Board of Directors of  
Yamato Holdings Co., Ltd.:*

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### *Convenience Translation*

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 10, 2015

Member of  
Deloitte Touche Tohmatsu Limited

# Corporate Data/Stock Information

As of March 31, 2015

## Company Name

Yamato Holdings Co., Ltd.

## Head Office

16-10, Ginza 2-chome, Chuo-ku, Tokyo  
104-8125 Japan  
Telephone: 81-3-3541-4141  
Facsimile: 81-3-5565-3427

## Established

November 29, 1919

## Registered

April 9, 1929

## Paid-in Capital

127,234,791,077 yen

## Website

<http://yamato-hd.co.jp/english/>



## Fiscal Year

From April 1 to March 31

## Common Stock

Authorized: 1,787,541,000 shares  
Issued: 435,564,792 shares

## Stock Exchange Listing

Tokyo Stock Exchange

## Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.

## General Meeting of Shareholders

Held in June

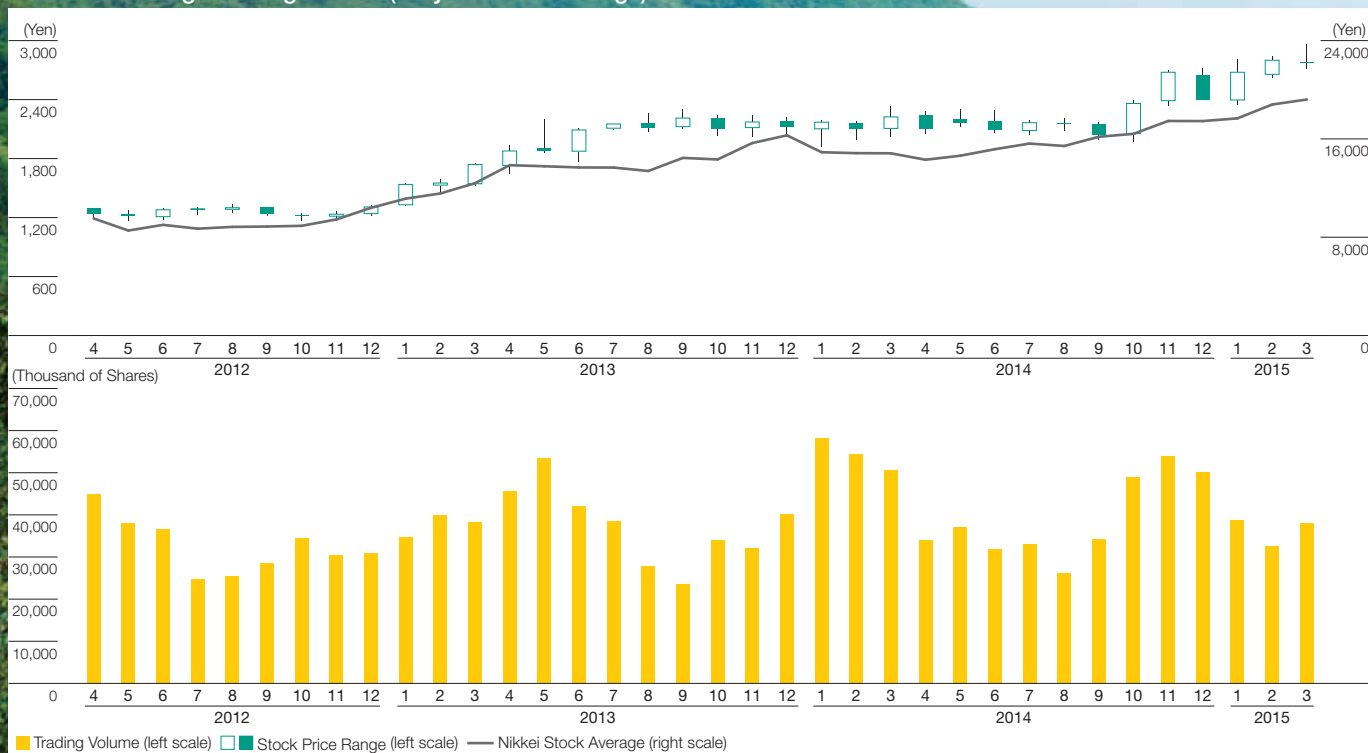
## Auditor

Deloitte Touche Tohmatsu LLC

## Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.37%
State Street Bank and Trust Company 505223	6.28%
Yamato Employees' Shareholding Association	4.08%
Japan Trustee Services Bank, Ltd. (Trust Account)	3.82%
Mizuho Bank, Ltd.	3.55%
Nippon Life Insurance Company	3.28%
Meiji Yasuda Life Insurance Company	2.82%
Yamato Trading-Partner Shareholding Association	2.08%
The Bank of New York Mellon SA/NV 10	1.73%
Sompo Japan Insurance Inc.	1.39%
Total	36.38%

## Stock Price Range/Trading Volume (Tokyo Stock Exchange)







**YAMATO HOLDINGS CO., LTD.**

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Facsimile: 81-3-5565-3427

