

Business Performance Overview

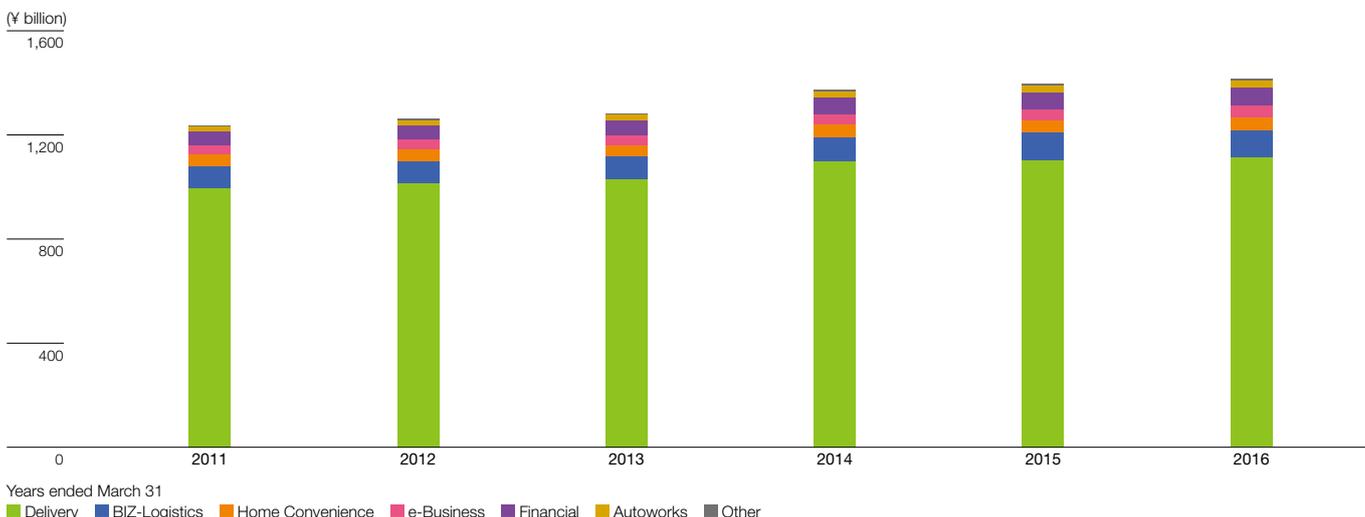
Year Ended March 31, 2016

Under the “Value Networking” design concept that leverages the “last mile” network of the Delivery Business, several businesses are realizing steady growth. While there has been an impact from the discontinuation of the *Kuroneko Mail* service, efforts are being made to raise the profitability of the Group as a whole by expanding into new *TA-Q-BIN* services and accelerating the creation of a high-value-added business model.

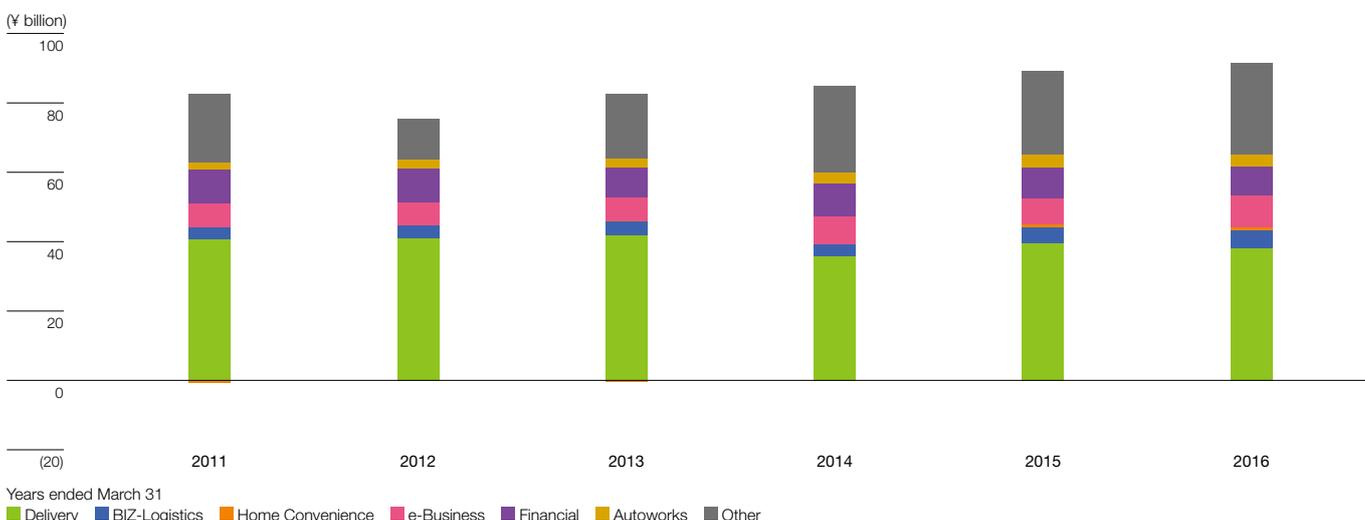
With regard to the growth investments that will drive efforts to raise profitability, the Group is deciding on policies that will lead to a focus on accelerating the creation of a high-value-added

business model, the expansion of business model domains based primarily on the “Value Networking” design, and on strengthening overseas businesses through network expansion. At the same time, the Group is looking primarily into alliances and also M&A, depending on the situation. In the case of its overseas businesses, while continuing to regard ASEAN as its priority region, the Group will focus its efforts on activating cross-border transportation between five pivotal areas: North America, Europe, East Asia, ASEAN, and Japan.

Operating Revenues by Business



Operating Income (Loss)*

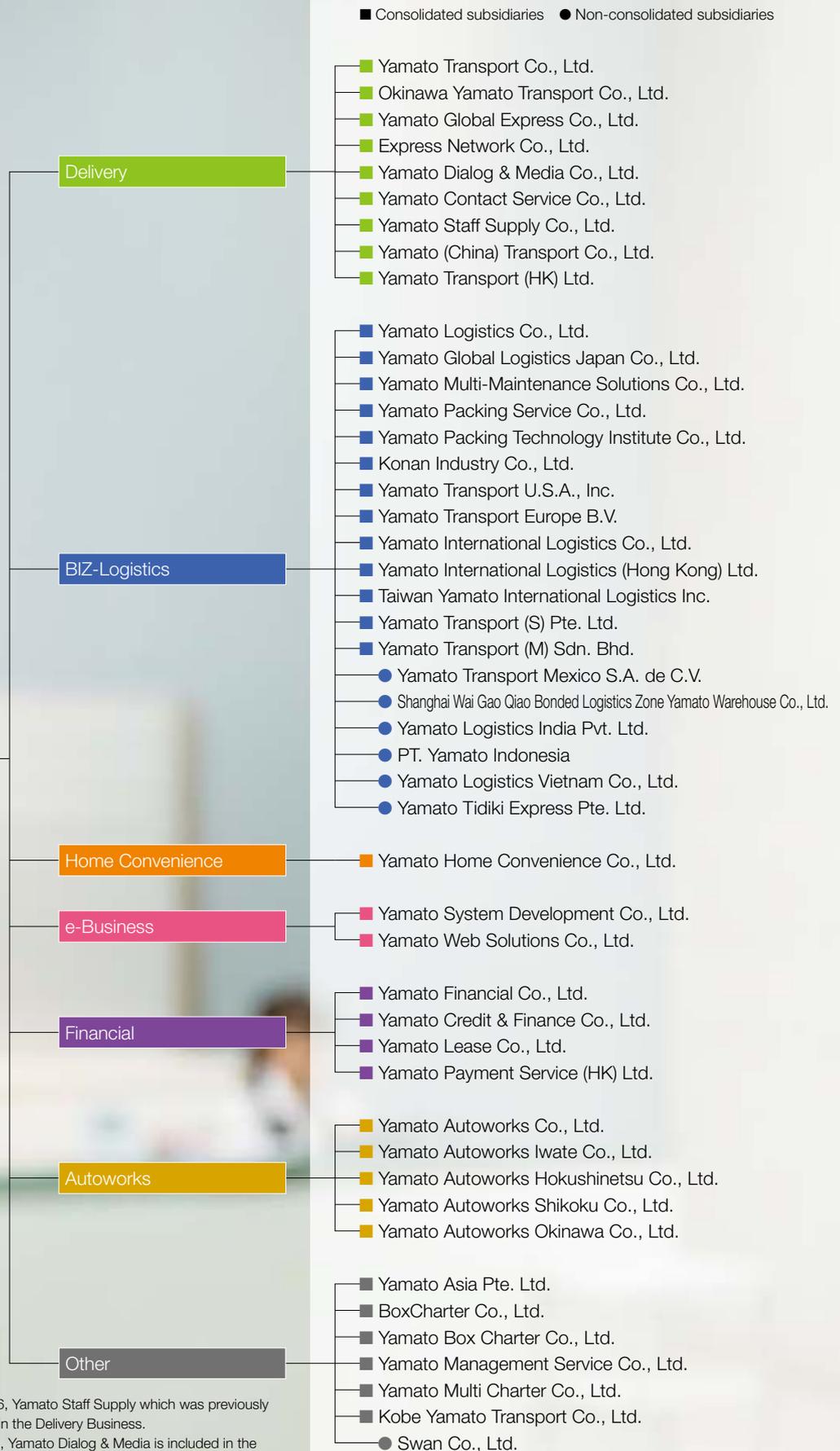


* Before consolidation adjustments

Organization

As of March 31, 2016

Yamato Holdings Co., Ltd.



Notes: 1. From the fiscal year ended March 31, 2016, Yamato Staff Supply which was previously included in the Other segment is included in the Delivery Business.
 2. From the fiscal year ended March 31 2016, Yamato Dialog & Media is included in the scope of consolidation.
 3. In June 2016, Yamato Transport (HK), Yamato International Logistics (Hong Kong), and Yamato Payment Service (HK) merged to establish Yamato Logistics (HK).

Overview of Operations by Segment

Delivery

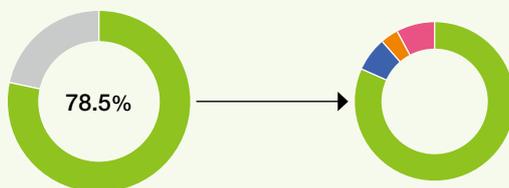
With the goal of being one of Japan's "most recognized and most endeared companies," the Delivery Business is engaged in business development centered on *TA-Q-BIN* services to help enrich society.



Yutaka Nagao

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

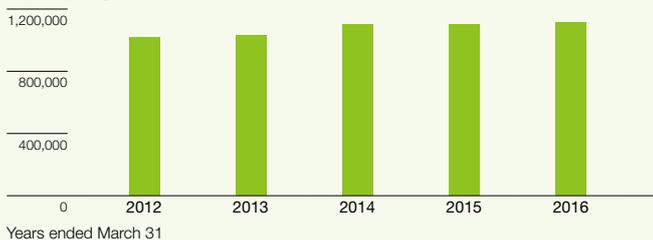
Composition Ratio of Operating Revenues (%)



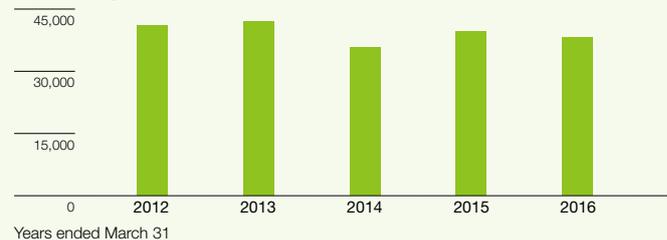
Breakdown of the Composition Ratio of Operating Revenues

■ <i>TA-Q-BIN</i>	71.0%
■ <i>Kuroneko DM-Bin</i>	6.2%
■ Express	3.0%
■ Others	6.7%

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Delivery volume firm due to an increase in primarily large-lot shipments for e-commerce (EC) business operators and growth in the new *TA-Q-BIN Compact* and *Nekopos* services
- Launched *Kuroneko DM-Bin* to replace the *Kuroneko Mail* service that was discontinued in the fiscal year ended March 31, 2015
- Despite implementing thorough cost controls, growth from new services not enough to compensate for the impact from having discontinued the *Kuroneko Mail* service. Thus while revenues increased in comparison with previous fiscal year, income decreased

Initiatives for Fiscal Year Ending March 31, 2017

- Regarding revenues and income, we will strengthen sales of the *TA-Q-BIN Compact* and *Nekopos* services launched in the fiscal year ended March 31, 2016, and accelerate the creation of a high-value-added business model by strengthening Groupwide proposal-based sales.
- In terms of cost, despite the expansion of social insurance coverage and changes to the system for imposing size-based enterprise tax, we will transform our structure into one that adjusts costs that are not linked to growth in business volume through such means as establishing a "last mile" network that responds efficiently to customer needs and optimizing the overall main network, including the utilization of the *Chubu Gateway*.



Business Environment Forecasts and Strengths to Be Displayed

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.

The environment in which the Delivery Business operates is undergoing major and rapid change. In the Japanese market, the trend is toward increases in volume, due to growth in both EC and markets for transactions between individuals as well as more frequent and smaller lots in B2B logistics. On the other hand, consumers have started to demand services that respond flexibly to their own lifestyles, and the need is growing for the rationalization of receiving shipments tailored to hectic lifestyles. At the same time, in addition to the escalating effects of the personnel shortage due to Japan's decreasing birthrate as well as its aging and shrinking population, new entrants have emerged in the logistics market due to the different industries that own EC businesses and possess cutting-edge technologies.

Against this background, while sensitively identifying these changes, we will bring about further evolution of our strongpoint nationwide "last mile" and

main line networks, which combine high response capabilities and quality; review existing services and systems from the bottom up and from every conceivable angle; and work to improve customer convenience.

Efforts toward Realization of "Value Networking" Design

As the Delivery Business, we will realize "non-stop logistics" to convert the "Value Networking" design concept into tangible forms. In addition to upgrading infrastructure in the Chubu and Kansai areas to join the *Haneda Chronogate* and *Atsugi Gateway*, we are working to expand and upgrade same-day deliveries between major Japanese cities and next-day deliveries within Asia through collaboration between the Okinawa global logistics center *Southern Gate* and our overseas *TA-Q-BIN* networks. Moreover, we will pursue the creation of added value, including the reduction in inventories through the shortening of lead times.

As part of these efforts, in June 2015 we launched "YES! (*Yamato Ec Solutions*)," which is a package service that provides full support for EC business operators. We will proactively develop new services such as YES! to contribute to growth in the EC market. Moreover, we will



promote support for corporate management with *Yamato Cloud Depot*, while encouraging an increase in the number of destinations for *International Cool TA-Q-BIN* with the aim of expanding the sales channels for fresh agricultural and fishery products from Japan.

In the meantime, we established Packcity Japan, a joint venture with the Neopost Group, of France, which maintains delivery lockers, in response to diversifying shipment receipt needs and to address both a reduction in "recipient not present" re-deliveries with delivery streamlining. Also, to address problems faced by local and regional communities, we will expand support in four areas—support for product exports, safe lifestyles, tourism, and at times of natural disasters—that involve coordination with regional government agencies.

FOCUS

Expanding New *TA-Q-BIN Compact* and *Nekopos* Services

From corporate customers, there was a need for a high-quality service at a price appropriate for compact mail-order shipments. From individual customers, there was a growing need for speedy and trustworthy services for exchanges of small shipments through auction and flea market websites as well. To respond to these needs, we commenced new services in 2015: *TA-Q-BIN Compact*, by which small packages can easily be shipped in a special box, and *Nekopos*, by which thin, small packages are shipped to recipients' mailboxes. In the case of *TA-Q-BIN Compact*, high-value-added services, such as payment settlement, will be added primarily for EC business operators from time to time, and we are progressively expanding the customer contact points that can handle the service. In the

meantime, for *Nekopos*, we enhance coordination with flea market websites and other users. Without the seller and successful bidder having to exchange personal information, such as their addresses, we have established a mechanism for "anonymous delivery" that enables the delivery arrangements to be communicated solely within the site. We will continue to assist by means of logistics so that transactions between individuals can be more convenient than ever and the service can be used with even greater peace of mind.



Fixed-form box specialized for *TA-Q-BIN Compact*



TA-Q-BIN Marks Its 40th Anniversary

Thanks to the support of its customers, *TA-Q-BIN* celebrated its 40th anniversary on January 20, 2016. While initial sales came from delivering 1.7 million items in its first fiscal year, *TA-Q-BIN* has now grown to handling 1,000 times that figure: more than 1.7 billion items in a year. In this section, we look back on the history of *TA-Q-BIN*, which has achieved such significant growth.



TA-Q-BIN manual

Birth of TA-Q-BIN

The principle of “*service first, profit later.*” Thinking and acting from the position of its customers, the Yamato Group has been developing products and services from the particular perspective of the recipient. The father of *TA-Q-BIN*, then President Masao Ogura, believed that while the unit price per kilogram for small-lot shipments is expensive, revenue would be high if handled in large numbers. With this belief, Mr. Ogura announced the “Main Points of *TA-Q-BIN* Development” for the Company in the summer of 1975.

Using these points as a compass, a working group comprising primarily young employees advanced new product development. Under the principles of “pickup with a single phone call and pickup of even just one item from a private residence; next-day delivery; inexpensive and clear rates; and easy packing,” *TA-Q-BIN* was launched on January 20, 1976.

Main Points of TA-Q-BIN Development

- (1) Consider aspects from the consumer's point of view
- (2) Regard *TA-Q-BIN* as a lasting and developmental system
- (3) Maintain a uniform standard of service that is better than others
- (4) Target an unspecified number of shippers or cargo
- (5) Rationalize thoroughly

TA-Q-BIN's Evolution

Ski TA-Q-BIN

Ski TA-Q-BIN, launched in December 1983, was the first added-value *TA-Q-BIN* service. *Ski TA-Q-BIN* originated in the apple-producing area of Nagano, where the volume of shipments was extremely small after the apple season was over. A local employee's attention was attracted by a group of skiers walking while carrying bulky skies—this was a time in Japan when the number of skiers was increasing. From the local employee's idea for new shipments that would allow customers to enjoy time at the ski resorts unencumbered by their skis, *Ski TA-Q-BIN* started as the first service to link *TA-Q-BIN* and a leisure activity.



Ski TA-Q-BIN

Cool TA-Q-BIN

Cool TA-Q-BIN, launched in 1987, is an added-value service through which parcels are delivered with their freshness and taste reliably maintained in two temperature zones, refrigerated and frozen. *Cool TA-Q-BIN* is a representative example of creating demand from the recipient's standpoint. In addition to the sender, Yamato has come to place the utmost emphasis on the convenience of the receiver, which in turn has led to the satisfaction of the sender. In this way, rather than chasing demand, *Cool TA-Q-BIN* has realized the creation of demand. Yamato's constant awareness of the need to improve convenience for the recipient is a point that sets the Company apart from its competitors.



The Company launched its international small-lot refrigerated transportation service, *International Cool TA-Q-BIN*, in 2013 in response to calls from overseas customers who had said they would like to eat fresh Japanese food as well as from Japanese operators and producers who expressed interest in extending their sales channels overseas.

Challenge Undertaken with TA-Q-BIN

The Company is confronting the challenges of developing services that meet needs when receiving packages that are diversifying in accordance with changes in lifestyles. The key is to increase the number of channels for communication with customers. As a typical example, the *Kuroneko Members* service allows members to use convenient services when they send or receive parcels. In addition to receiving package delivery schedules and notifications if away from home, members have the option to change the date, time, or location of delivery. The *Kuroneko Members* service is actively collaborating with the services and apps of other companies. From January 2016, the services have been working with the communications app LINE. Members are now able to receive delivery notifications and change the date, time, or location of delivery via LINE.

While strengthening communications with *TA-Q-BIN* users in these ways, the Company is focusing on diversifying the act of receiving a parcel. In addition to the more than 4,000 *TA-Q-BIN* offices throughout Japan, receiving points such as collaborating convenience stores have become a significant strength in the receiving process, and efforts are being made to utilize and expand parcel lockers even further. In May 2016, the France-based Neopost Group and the Yamato Group established the joint venture Packcity Japan and commenced the operation of open-type parcel lockers that can be used jointly by numerous operators. In addition to reducing the number of re-deliveries, which is a social issue, it is anticipated that this venture will contribute to a trend in responding to the needs of customers for not only Yamato Transport but also the entire industry.

The services that are evolving in response to changes in people's lifestyles are not confined to receiving services alone. In recent years, opportunities for the exchange of small packages among both professionals in the mail-order industry and individuals are increasing with the expansion of the mail-order market, as well as flea market and auction markets. Not only is the Company responding to the needs of customers to send small packages at more reasonable prices with *TA-Q-BIN Compact* and *Nekopos*, it is also further evolving its services in such ways as commencing an anonymous delivery service in collaboration with certain flea market sites, which allows sellers and successful bidders to complete exchanges of goods without exchanging personal information.

Positioning *TA-Q-BIN*'s 40th anniversary as a new departure point, amid the changes that are rapidly occurring around the world, we will continue to listen to customer requests and further evolve our *TA-Q-BIN* services.



International Cool TA-Q-BIN

 Please see also p.43 about the recent initiatives of TA-Q-BIN.



Open-type express delivery parcel lockers

Nationwide Network Completion: Struggles with Regulations

In 1980, four years after the launch of *TA-Q-BIN*, the service was growing to the stage where it was being used by a large number of people.

However, Yamato received feedback from customers such as "since you only operate in areas with a high population density, we cannot send packages to rural locations. As a parcel delivery product, *TA-Q-BIN* is incomplete." From that time on, the Company began to regard the establishment of a nationwide network as a significant issue.

However, the problem of route licenses stood in the way of establishing such a network. Even though Yamato Transport submitted license applications to the former Ministry of Transport, due to the negative reactions of local transport companies, a delay in the

ministry's review of the applications, and a hesitancy by the ministry to issue licenses, the Company struggled to receive these licenses.

Then President Ogura continued to make appeals for the services, stating: "*TA-Q-BIN* will benefit consumers. It is not a product that will take work away from local transport companies."

After creating a door-to-door delivery service from the ground up with a focus on being constantly aware of customer requests and, at times, struggling with regulations, the *TA-Q-BIN* nationwide network gradually expanded and was completed in November 1997 with the commencement of *TA-Q-BIN* in the Ogasawara Islands.

BIZ-Logistics

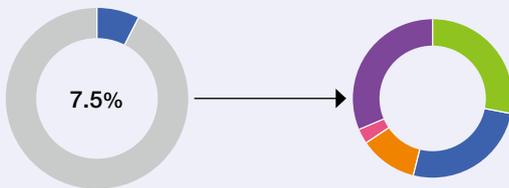
Guided by the slogan of “LOGINNOVATION,” which encapsulates its goal of achieving logistics innovation, the BIZ-Logistics Business devotes its efforts to satisfying and inspiring the Yamato Group’s corporate customers, as well as the consumers they serve, through the creation of innovative logistics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



Koji Homma

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

Composition Ratio of Operating Revenues (%)

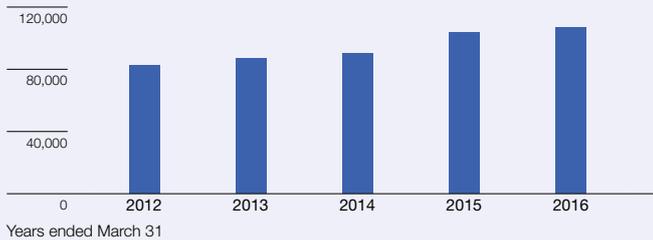


Breakdown of the Composition Ratio of Operating Revenues

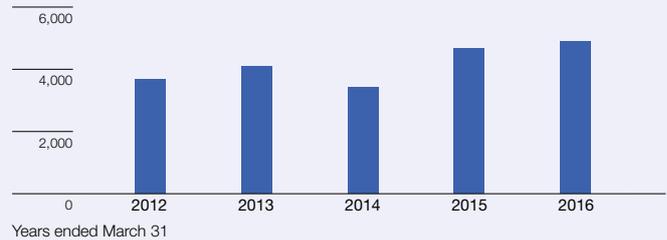
Trading logistics service	2.7%
Sales and Logistics	2.5%
Multi maintenance	1.1%
Export Factory*1	0.3%
Others	3.0%

*1. Starting with fiscal year ending March 31, 2017, the name of “Export Factory” has been changed to “Products Logistics.”

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Progress made in extending sales for e-commerce (EC)-related services
- Firm results with business involving logistics for medical service providers, such as the services commenced for Johnson & Johnson Services, Inc., in January 2015
- As a result of the above, both revenues and income increased compared with previous fiscal year

Initiatives for Fiscal Year Ending March 31, 2017

- Centered on the Medical Business Strategy Department, formulate business strategies to create innovative distribution in the medical/ pharmaceutical product domains
- Realize value-added logistics model through building an innovative reverse logistics network in the Kyushu area
- In association with the opening of *Chubu Gateway*, build an inventory-free model that balances the holding down of dispersed inventory and overall inventory volumes
- For seamless logistics connecting Japan with other countries, develop marketing activities relating to the forwarding business and implement innovative logistics value proposals for specific growth targets, including the cross-border EC and medical fields



Business Environment Forecasts and Unique Strengths to Be Displayed

With the reversing trend from a weak yen to a strong yen, the sense of uncertainty pervading the outlook for the market environment hangs primarily over manufacturers. In contrast, it is anticipated that, due to the development of EC, there will be an ongoing speeding up of moves aimed at shortening distribution that directly connects manufacturers and consumers.

In this business environment, the strength of the BIZ-Logistics Business lies in its ability to provide more highly responsive logistics services without placing a heavy strain on the existing supply chains utilized by each of its customer companies. From the shipper's perspective, we provide non-stop logistics as a cloud-based network that can utilize the Company's network regardless of shipping volume or location. It is precisely these keywords in the "Value Networking" design concept that express our strengths.

At present, few of our customer companies' supply chains are configured to remain within Japan, and borderless business is advancing. We recognize that

the issues that the BIZ-Logistics Business is confronting will continue to develop on a global scale and not remain confined to the "Value Networking" concept within Japan.

Efforts toward Realization of "Value Networking" Design

BIZ-Logistics fulfills the role of creating and providing new added value in accordance with the expansion of the domestic and overseas networks that are advancing the Yamato Group as a whole. This business is already recording achievements in the domestic electrical appliance repair and medical fields. In addition to further expanding its value chain targets in the years to come, the business will leverage the gateways that are being progressively expanded in order to face the challenges of making inroads into new business domains.

For example, besides making it possible to minimize inventory without compromising service quality by leveraging the networks that the Yamato Group has put in place, the business is capable of seamlessly responding to both delivery logistics for the business-to-business



Repair of domestic electrical appliances



Cleaning of medical equipment

(B2B) market and mail-order logistics for business-to-consumer (B2C) businesses. By making its many customer companies aware of the provision of this new logistics value, the business is targeting the processes for setting up platforms for logistics bases in Japan and overseas.

FOCUS

Augmenting the High-Value-Added Model in Logistics Services

Nippon Becton Dickinson Company started logistics operations in Japan covering the reagent products and parts for the equipment used in life science research from *Haneda Chronogate* in July 2015. Having the Yamato Group undertake all the inspection, storage, picking, packing, and shipping of imported reagents has enabled the customers who purchased the products to receive them sooner than was previously possible. Moreover, by making use of the Yamato Group's *Haneda Chronogate*, which is linked to the *TA-Q-BIN* network, customers who ship in Japan have been able to extend the deadline time for same-day orders and offer more rapid emergency responses.

In January 2016, KDDI Corporation installed and commenced the operation of a cloud-based *Free Rack Auto Pick System (FRAPS)** provided by Yamato Logistics inside its newly built, large-scale logistics base of KDDI, which is located near

Tokyo. Linking *FRAPS* with the Yamato Group's know-how and rapid transportation network, merging multiple orders destined for the same stores, and delivering them in bulk to these stores has eased each store's workload, reduced distribution costs, and improved customer satisfaction levels.



FRAPS,** installed in parallel inside a *TA-Q-BIN* terminal

*2. *FRAPS* is an acronym for the *Free Rack Auto Pick System*, a setup that can leverage the Company's network regardless of shipping volume or location and can also use "last mile" networks. This picking system uses proprietary flow-through racks.

Home Convenience

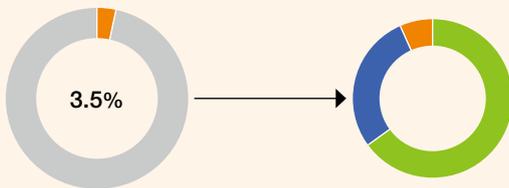
We provide lifestyle support services that help solve inconveniences at home. In addition, leveraging our networks, we provide a range of solutions to corporate customers in both the private and public sectors to support sales growth and help reduce costs.



Atsushi Ichino

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

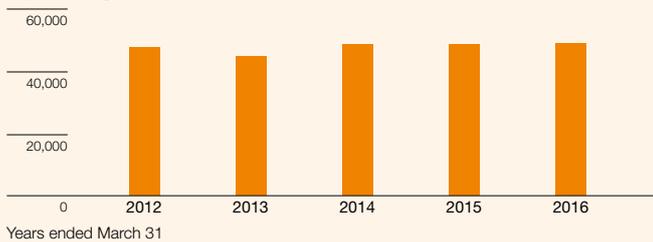
Composition Ratio of Operating Revenues (%)



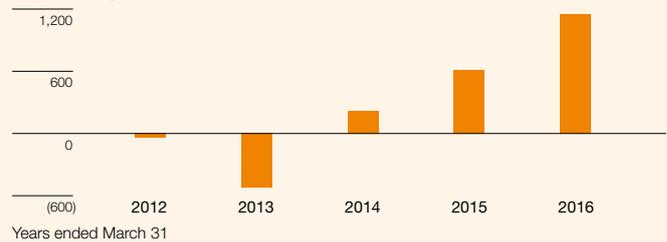
Breakdown of the Composition Ratio of Operating Revenues

Home convenience	3.0%
Business convenience	1.3%
Technical Network	0.3%

Operating Revenues (¥ million)



Operating Income (Loss) (¥ million)



A Look Back at the Year Ended March 31, 2016

- Robust performance from office-related services, procurement services, and other operations
- Despite a decrease in the number of large-scale electrical appliance deliveries and installations handled due to electric power supply and demand regulations, there was an improvement in profitability and a contribution made to increased income thanks to gains in weekday capacity utilization rates.
- As a result of the above, both revenues and income increased compared with previous fiscal year.

Initiatives for Fiscal Year Ending March 31, 2017

- The Home Convenience Business plans to expand and upgrade the product lineup in its *Comfortable Lifestyle Support Service* and raise levels of awareness.
- The Business Convenience Business will expand its local government assistance, such as the hometown tax payments, as well as the business support extended to small and medium-sized enterprises.
- In addition to residential equipment and commercial-use equipment, the *Technical Network Business* will extend its communications-related domain centered on digital signage.
- The Home Convenience Business will bolster efforts toward improved productivity by enhancements in weekday income ratio, cost structure reform, and strengthened governance.



Business Environment Forecasts and Unique Strengths to Be Displayed

In modern society, due to 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. Since homes are spaces where privacy is protected, the trend will be for a vitalization of consumer activities in the years to come. And, more than removing simple inconveniences, we feel that consumption that aims toward realizing a lifestyle that meets individual preferences where you can comfortably spend time in a way that best suits you will progress even more going forward. Considering that further progress is being made in the social advancement of women and the elderly, in association with the declining birthrate and aging of the population, we think that there will be a growing need for “services inside the home.”*

Yamato Home Convenience is the only company in Japan that possesses a centralized nationwide network for dispatching two-person crews for both heavy and bulky items. Furthermore, our front line employees possess advanced skills and qualifications, including as electrical work 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 we have built up over many years. Furthermore, the *Kuroneko* brand gives customers peace of mind in opening the entrances to their homes. Leveraging these resources, we will continue to promote the provision of services that both resolve inconveniences in the home and support individual self-realization.

Efforts toward Realization of “Value Networking” Design

We will promote the building of models that generate high added value toward the realization of the “Value Networking” design.

In addition to advancing product development for services inside the home along the lines of the *Comfortable Lifestyle Support Service*, the Home Convenience Business will make progress with platform building to realize lifestyle support businesses that were the systems with existing products. We will also proactively engage in services offering even higher added value, such as amalgamating the services inside the home and recycling services with existing delivery and installation services for the e-commerce (EC) market.

The Business Convenience Business



Moving furniture



Installation of wiring on AV equipment

will advance the building of corporate activity support platforms, such as business continuity planning (BCP) support for small and medium-sized enterprises and business efficiency assistance in collaboration with Yamato Group companies. Utilizing the field support center functions at its three bases in Japan, the *Technical Network Business* pursues customer satisfaction from a demand chain point of view by providing networked, high-value-added services that support product life-cycle management.

* “Services inside the home”: Not confined to moving or deliveries of household goods, services that assist in a variety of settings inside the home, such as cleaning and remodeling

FOCUS

Improvement in Income Structure by Creation of Added Value

Yamato Home Convenience is engaged in the provision of high-value-added products. In the B2B market, for example, there are an increasing number of cases in which customers wish for the necessary construction and maintenance work to be combined when delivering and installing large pieces of furniture or home electrical appliances not conveyed by *TA-Q-BIN*. Previously, in each case, we responded to these needs in collaboration with local partner construction companies, but since there were difficult aspects to seamless responses, we leveraged the strengths of our two-person deliveries and began to provide integrated services, from delivery and installation to construction, maintenance, and after-sales services. In addition, we are offering enhanced optional services when furniture and home electrical appliances are purchased via e-commerce,

from giving operating explanations at the time of delivery, trade-in, and product removal services as well as furniture moving services.

Due to such high-value-added services that are not offered by other companies, in addition to requests for moving services, which we primarily receive on holidays, requests for high-value-added services other than moving services, such as services inside the home, are increasing on weekdays as well. Productivity is also improving. As a result, our income structure has expanded significantly.



Cleaning extractor fans

e-Business

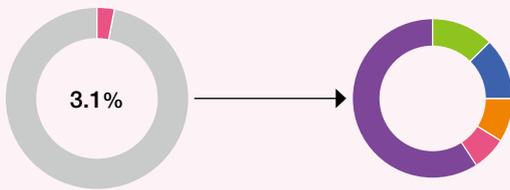
Supported by ICT (Information and Communication Technology), the e-Business will incorporate the “Value Networking” design and provide optimal solutions that combine logistics functions with financial settlement functions to contribute to customers’ business development.



Yoshihiko Hoshino

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

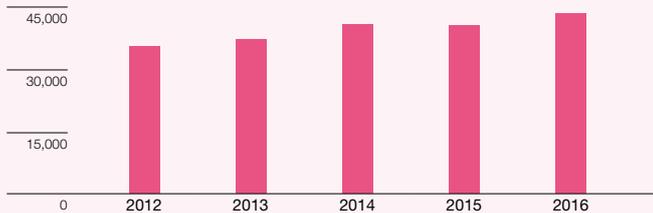
Composition Ratio of Operating Revenues (%)



Breakdown of the Composition Ratio of Operating Revenues

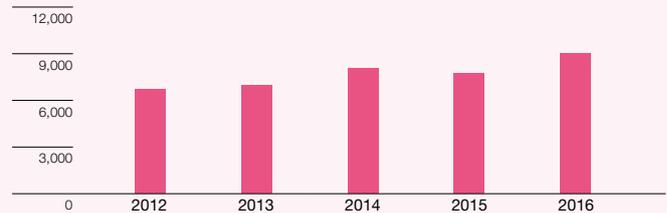
e-logistics solution	0.7%
Credit card solution	0.7%
IT operating solution	0.5%
Web-based mail order solution	0.4%
Others	3.3%

Operating Revenues (¥ million)



Years ended March 31

Operating Income (¥ million)



Years ended March 31

A Look Back at the Year Ended March 31, 2016

- Expanded sales of e-money settlement systems for the amusement industry
- Strong results from “Setup and Logistics Solution business” geared toward mobile virtual network operators (MVNO*1s)
- As a result of the above, both revenues and income increased compared with previous fiscal year

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

Initiatives for Fiscal Year Ending March 31, 2017

- Support of shipments from remote locations centered on the *Web Shipment Control Service*, which leverages the benefits of the Yamato Group’s “last mile” network, and provision of a full range of distribution functions and payment settlement functions for the burgeoning re-use market
- Provision of services such as the transportation of specimens for the medical market that requires high-quality transportation



Business Environment Forecasts and Unique Strengths to Be Displayed

As business models that utilize innovative IT are being devised in quick succession, society is expected to undergo major changes. IT is not only aimed at conventional business streamlining, as customer needs have changed into a movement that leverages IT to improve a company's sales and strengthen its competitiveness. As cloud services have become more widespread, their value "from ownership to use" is becoming more prevalent.

In this business environment, in addition to the "experience, development, and operational capabilities" that have been underpinning the delivery of approximately 1.7 billion *TA-Q-BIN* items a year, the e-Business will leverage to the fullest extent its strengths that are not possessed by other companies, including its top 10-ranked domestic network infrastructure, its system management data centers in Tokyo and Osaka that are in non-stop 24-hour operation throughout the year, and high-quality, robust security environments. The e-Business will also develop cloud outsourcing services that can be used anytime, anywhere. In these ways, the e-Business will

raise the consolidated proportion of the overall business and bring about an improvement in profitability.

In the meantime, looking ahead to the next medium-term management plan, efforts to dramatically extend growth domains are becoming a pressing issue. Not only in terms of horizontal development, including the expansion of current business domains and entry into new markets for existing services, but also in accelerating the creation and provision of new services and tapping into new business domains, we will constantly implement short-cycle PDCA.

Efforts toward Realizing the "Value Networking" Design

The role of the e-Business is to create and provide ICT, which achieves rapid growth for each formation business, in order to accelerate the realization of the "Value Networking" design.

In addition to the provision of IT, an initiative in which we have been engaging that contributes to improved efficiency, cost reductions, and enhanced convenience in our overall business, there is demand for the provision of



Printer used in *On-demand Service for Sales Promotion Goods**2

"aggressive IT," which boosts customers' business value. Centered on the ICT Strategy Department, we will utilize various technologies, including IoT (Internet of Things) and AI (Artificial Intelligence), as well as new equipment, such as 3D printers, to provide this kind of IT. We will also actively form business alliances with manufacturers who possess new technology and venture companies, in addition to creating and providing applications that can be used directly by the consumer. By fitting such functions into each formation business, the e-Business will contribute to the overall growth of the Yamato Group.

*2. Service that promptly delivers sales promotion goods such as pamphlets at the necessary time, in the necessary amount, and to the necessary location

FOCUS

Services to Raise Competitiveness of MVNO Business Operators

Yamato System Development Co., Ltd. is expanding and upgrading its administrative support services for MVNO business operators that integrate the launching of MVNO businesses and the activities necessary for their operations on their behalf.

Involving the orders for SIM cards and smartphones the MVNO business operator receives from end-users, these services are a series of operations, from the initial setting to shipment conducted on behalf of the MVNO business operator.

In October 2014, we added functions to take care of work related to confirming identity for MVNO business operators so that they are able to provide voice communications services to end-users. In addition, we offer a variety of services that cover everything from importing tablets from overseas and clearing customs and product inspection to localization work, such as providing Japanese-language packaging and inserting instruction manuals, as well as inventory management and end-user shipping services. We are also developing aftercare services for post shipping and services that carry out such tasks as extending

smartphone warranties, providing customer support for damaged products, storing and shipping replacement devices, collecting damaged products, and responding to repairs by the manufacturer. Furthermore, we are making efforts so that MVNO business operators are able to provide the same tablet warranties and affordable smartphones as major phone carriers.

Currently, among MVNO businesses, we are focusing our efforts particularly on businesses for corporate customers. Starting with the installation of original security software, we are receiving a wide variety of requests for setting up user passwords and performing the initial set up of accessories. Accordingly, we are putting a structure in place that allows us to respond to these detailed demands.



Administrative support for MVNO business operators

Financial

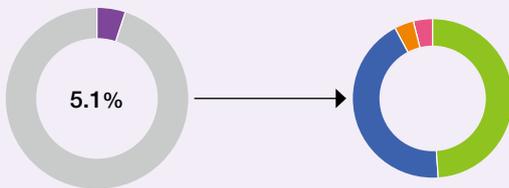
Providing settlement and financial solutions in Japan and overseas, the Financial Business aims to become a cooperative partner that realizes consumer convenience and business operator logistics reform, while striving to respond to a variety of settlement means.



Toshizo Kurisu

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

Composition Ratio of Operating Revenues (%)

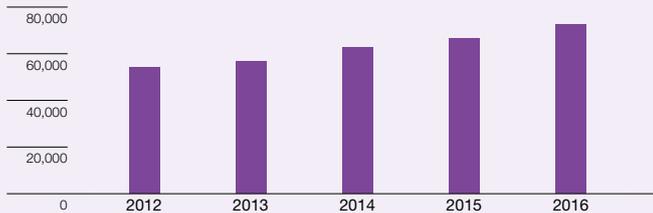


Breakdown of the Composition Ratio of Operating Revenues

TA-Q-BIN Collect*	2.6%
Lease	2.3%
Credit & Finance	0.2%
Others	0.2%

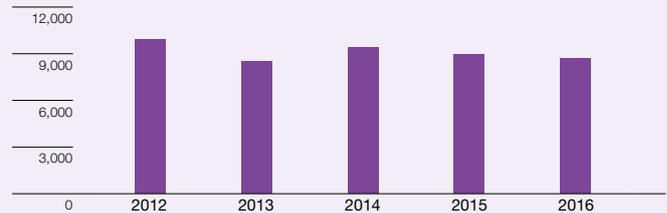
* Starting with the fiscal year ending March 31, 2017, the name of TA-Q-BIN Collect has been changed to "Payment"

Operating Revenues (¥ million)



Years ended March 31

Operating Income (¥ million)



Years ended March 31

A Look Back at the Year Ended March 31, 2016

- Strong results from financial leases and installment sales in the lease services business
- Impacted by a shrinking market for cash-on-delivery settlement, TA-Q-BIN Collect business growth slowed
- As a result of the above, revenues increased and income decreased compared with previous fiscal year

Initiatives for Fiscal Year Ending March 31, 2017

- In the business-to-consumer (B2C) market, we will strengthen proposals for the "three main payment method," which offers our strategic services *Kuroneko Web Collect*, *Kuroneko Pay After Delivery Service*, and our cash on delivery service as a set.
- In the business-to-business (B2B) market, we will select target markets and implement functional enhancements for our *Kuroneko Anshin Kessai Service*.
- In the lease services business, we will focus mainly on operating leases involving high-quality vehicles over short-term lease as well as the introduction of high-quality previously owned cars, which stems from these operating leases.



Business Environment Forecasts and Unique Strengths to Be Displayed

We are strengthening our strategies in the e-commerce (EC) 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.

In the B2C market, amid further expansion of the mail-order market centered on e-commerce, we will enhance the functions of our strategic service, *Kuroneko Web Collect*. In conjunction with this move, we will propose new services for business operators trying to make a new start in the EC business, such as the development of packaged products that make it easier to launch an EC business and website analysis to bring about improvements in business operators' sales. In addition to enabling EC business operators to make approaches from various locations through such means as constructing an easily understood service site, we are cooperating with our alliance partners to proactively develop promotions through seminars and other efforts, thereby enhancing our product appeal.

For consumers, we brought about further improvements in convenience. These upgrades included the addition of functions that our competitors are unable to provide, such as the

real-authorization function, for financial settlements at convenience stores through the *Kuroneko Pay After Delivery Service*, so that consumers can purchase the products they like safely, reliably, and conveniently.

Efforts toward Realization of "Value Networking" Design

Without constraining ourselves to the provision of a single-function settlement service, we will propose total solutions that leverage the Group's comprehensive strengths so that mail-order business operators and consumers alike can enjoy convenience.

In the B2B market, as well as leveraging the Group's marketing capabilities as a means to strengthening our marketing system for the *Kuroneko Anshin Kessai Service*, we will divide potential customers into segments and propose solutions. As part of "Project G (Government)" that is being promoted throughout the Yamato Group, while collaborating with local governments and making settlement proposals our lynchpin, we will proactively promote new initiatives, such as supporting the expansion of sales channels for and the export of Japanese products.



In addition to financial leases centered on large and new vehicles, in the lease services business we will work to improve revenue growth and profit margins by total solution proposals related to Group networks and vehicles. These solutions 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, we will support further quality improvements centered on cash on delivery, which we have positioned as one of our value-added *TA-Q-BIN* services in the areas in which we already are developing our business. In new areas that are centered on ASEAN, we will gather information while utilizing venture capital and promote the development of new EC-related services tailored to consumer needs.

FOCUS

Favorable Reputation of Multi e-money Settlement Service

Yamato Financial is providing its *Multi e-money Settlement Terminal* rental service to enable the settlement of multiple forms of e-money via one terminal. Providing rentals of the *Multi e-money Settlement Terminal*—usable if a power supply and access to a mobile phone network are available—for a minimum of one week enables e-money settlement for the sale of goods, such as at the venues of events that are being held only for a short period of time. Installed and used for charges of food and beverages as well as goods at outdoor events and for settling admission charges for sports events, the *Multi e-money Settlement Terminal* rental equipment is generating positive feedback, such as "the queues were shorter" and "it reduced the handling of cash, so fewer errors were made in the proceeds from sales."



Multi e-money Settlement Terminal

Autoworks

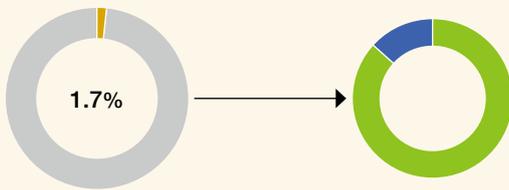
Based on a vision to transform our vehicle maintenance services into the No. 1 autoworks for logistics and distribution business operators, the Autoworks Business is developing a vehicle maintenance service offered around the clock, 365 days a year without downtime.



Tetsuya Egashira

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

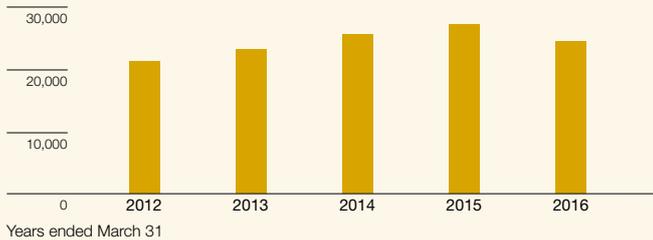
Composition Ratio of Operating Revenues (%)



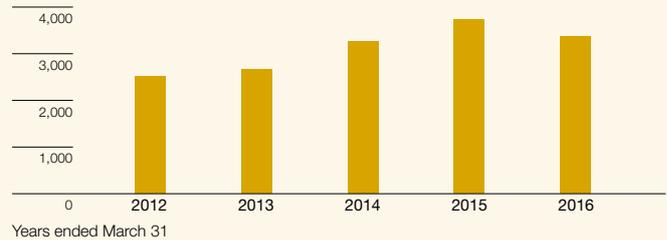
Breakdown of the Composition Ratio of Operating Revenues

Truck solution	3.3%
Others	0.5%

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Both revenues and income decreased year on year due to the lower unit price of fuel.

Initiatives for Fiscal Year Ending March 31, 2017

- Continue to provide the three “Cs”—Compliance, Convenience, and Cost Reduction—to logistics and distribution business operators centered on vehicle maintenance plants
- In the facility management business, realize 10 services and enhance product lineup to respond flexibly to customer inconveniences. Make efforts to grow the facility management business into the next mainstay business after the vehicle maintenance business



Business Environment Forecasts and Unique Strengths to Be Displayed

Having itself originated as a logistics business operator that are its customers, the Autoworks Business is likewise dedicated to proposals from a perspective close to the customer. Adopting the approach of providing management support for logistics and distribution business operators, the Autoworks Business offers one-stop services that are based on the three “Cs.” The first “C” is Compliance, which is the foundation of management. In this regard, our mobile *Repairworks* service has contributed to improving the completion rate for statutory vehicle inspections. The second “C” is Convenience, where we pursue ever higher levels of convenience for our customers. Based on this concept, we are working to establish a framework that enables the carrying out of vehicle inspections when the vehicles are not in service by around-the-clock, year-round operations. The third “C” stands for Cost reduction, based on helping to improve utilization rates and leveraging procurement capabilities for commercial vehicles. By promoting measures to limit the need for spare vehicles as well as preventive maintenance that aims to improve the completion rate for statutory vehicle inspections, the business is helping to limit occurrences of unexpected costs. We are leveraging the strengths of our network to optimize the procurement of parts and fuel in order to provide

customers with high-quality products and services at low costs.

Besides the three “Cs,” we are focusing on environmental efforts, which we refer to as “Clean.” In addition to installing solar power systems, energy-efficient LED lighting, and other facilities at our *Superworks* facilities, we strengthened our research organization with an eye on the increasing use of electric vehicles. As the business segment in charge of the Yamato Group’s vehicles and facilities, we are also actively involved in facilitating energy-saving and recycling, such as in recommending the use of rebuilt and reused parts.

In the logistics industry, the necessity is growing to be compatible with new technologies, including AI (Artificial Intelligence) and automatization, and continuing to make rapid advances with R&D is becoming an issue. As was the case for the revised Freon Law that was enforced in 2015 and the 2016 revisions to the Insurance Business Act,* as the importance of CSR increases we will strengthen our internal systems.

While responding to these environmental changes, we will aim to remain our customers’ management-efficient partner and realize stable profits and earnings by providing services under a membership system that manages en masse the assets—the vehicles and facilities as well as the equipment—of logistics and distribution business operators.



A *Repairworks* purpose-built truck with maintenance functions



Repair of facilities

Efforts toward Realization of “Value Networking” Design

By being responsible for the maintenance of vehicles, facilities, and equipment, which are the most important parts of the Group’s logistics network, we increase the accuracy of prediction and prevention by big data management that utilizes the IoT (Internet of Things) and ICT (Information Communication Technology) with the aim of maintaining and inspecting to predict and prevent breakdowns rather than performing repairs after a failure. We will continue to support the entire Group by realizing safe logistics that are a non-stop operation.

* Revisions were made to the Insurance Business Act to require the sale of appropriate products at sales agencies such as insurance stores.

FOCUS

Vehicle Maintenance Plant with Significantly Improved Operational Efficiency

Operational around the clock, all year round, the “*Superworks* Kobe vehicle maintenance plant” that has realized improvements in vehicle operational efficiency was completed in September 2015. We are establishing *Superworks* facilities all over Japan. *Superworks* accept vehicles during downtime, complete inspections and maintenance, and return the vehicles. Including the Kobe plant, we have a total of 23 locations across Japan. By completing vehicle inspections and maintenance outside the hours when a customer’s fleet is operational, we have the ability to offer cost reduction benefits, such as enabling a reduction in the number of spare vehicles owned.

In addition, we commenced the *Repair Network* service by which a mechanic undertakes regular visits and maintenance using a purpose-built *Repairworks* truck. Through this service, we provide support in order to complete 100% of the vehicle inspections that transport business operators are legally obliged to carry out once every three months.



Other

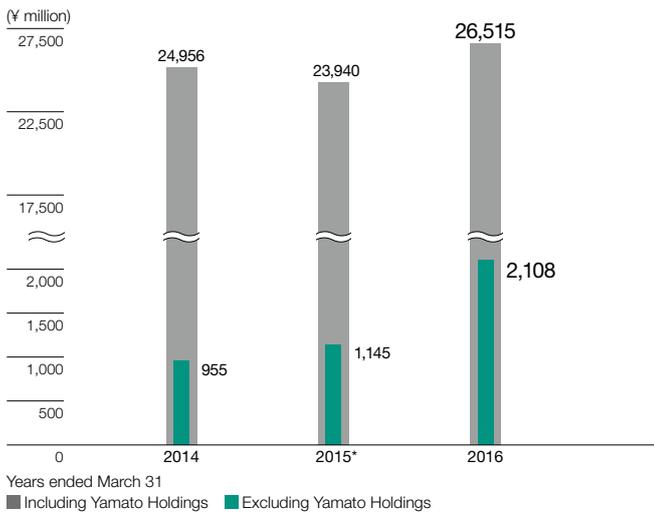
The *JITBOX Charter* service provides transportation by transport box. The service takes advantage of a network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. In the fiscal year ended March 31, 2016, use of the service steadily increased, resulting from steps to heighten the service's customer convenience, such as the development of new freight payment settlement options, in addition to favorable results from existing service offerings.

Excluding dividends that Yamato Holdings Co., Ltd., received from the Group companies, operating income in Other increased 84.1% from the previous year, to ¥2,108 million.



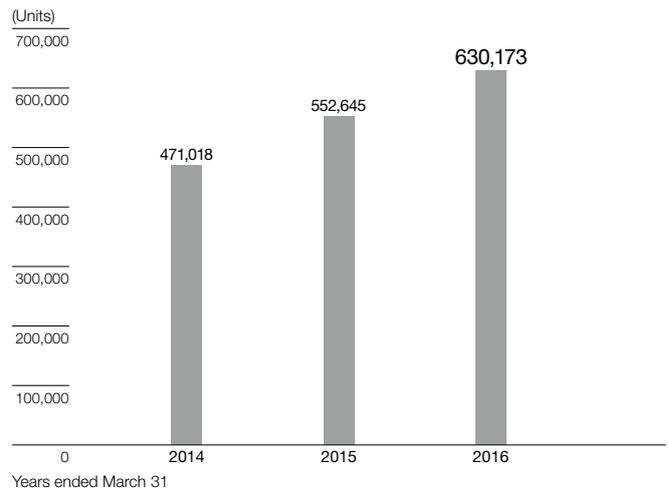
JITBOX Charter

Operating Income



* Amounts for the fiscal year ended March 31, 2015, have been reclassified to the reportable segments for the fiscal year ended March 31, 2016.

Track Record of JITBOX Charter



YES!—Package services for EC businesses in which every Yamato Group company coordinates

In the rapidly expanding e-commerce (EC) market, each business operator is finding new opportunities in multiple sales channels, such as store openings in major malls or its own company website. However, the management of orders received, the handling of shipments, and responding to customer increases from multiple sales channels are becoming exceedingly complex. To resolve these types of problems, the Company has been offering its “YES! (Yamato Ec Solutions!)” package services since June 2015 with the intention of providing total support for EC businesses.

YES! provides best-fit packages for all sizes of operation, from recent start-ups and small and medium-sized operators to large-scale operators. In addition to the three functions that are regarded as the basic package—receipt of order management, delivery, and payment settlement—we are able to provide a range of optional services in line with the growth of the business, including convenience store pickup, warehouse management, and call center services, etc. By enabling the integrated management of orders received from, for example, multiple malls, individual websites, and actual stores, the introduction of YES! means that invoices can be issued as well. In bundling the services from the management of orders received to the issue of delivery slips, thereby automatically linking the order number with the TA-Q-BIN

delivery slip number, EC business operators reach the point where they are able to respond promptly to customer enquiries.

For EC operators, this ability means they can start business without initial investment other than in products on the occasion of their entry into the EC business and are thus able to reduce business risk. The services also lead to improvements in business efficiency and early profitability. At the same time, as far as the Yamato Group is concerned, by packaging the existing functions that each Group company has at its disposal, the services do not lead to additional development costs and enable the Group to reasonably provide competitive services. Leading to unprecedentedly comprehensive proposals made to small and medium-sized business operators, the scope for profit gain has been expanded, and the Group can expect an overall increase in revenue and income, including in its non-delivery businesses.

Since EC accounts for 3.7% of total commercial transactions in Japan and remains low in comparison with the ratio in Europe or the United States, further growth is anticipated in the EC market in the years to come. Going forward, the Yamato Group will expand its services that are of benefit to both EC business operators and customers who purchase from them, while supporting the growth of the EC market.

Outline of YES! Services

