YAMATO HOLDINGS CO., LTD.

REFORM FOR THE NEXT 100 YEARS

Strengthening Our Management Foundation for Sustainable Growth

Integrated Report 2017

M. Yamauchi

Masaki Yamauchi
Representative Director,
President and Executive Officer

A Letter to Our Stakeholders

Centered on its core business of *TA-Q-BIN*, the Yamato Group has achieved steady growth by combining its core competencies of information technology (IT), logistics technology (LT), and financial settlement technology (FT) to provide added value to its customers. However, the Group has recently been dealing with the significant changes that are occurring in the business environment, such as the shrinking workforce and the rapid expansion of the e-commerce market that has followed the diversification of consumer behavior. As a result, the Group has been falling behind with respect to building an operational framework to respond to these changes, and this has placed a heavy burden on the employees who work on the front lines. We are reflecting deeply on our inability to keep up with the changes in the business environment, which has led to a downturn in our business performance. At the same time, to realize further growth in the future, we are committed to achieving success in carrying out reforms to our business and management structures.

The Yamato Group is approaching its 100-year anniversary in November 2019, and we believe that this anniversary represents a major milestone for us as a corporate group. To resolve the issues we currently face and achieve sustainable growth for the next 100 years, we have formulated a new long-term vision for 2025 and commenced a new three-year medium-term management plan, "KAIKAKU 2019 for NEXT100."

Amid a business environment that is undergoing significant changes, our new long-term vision was formulated to provide a pathway and a blueprint for realizing sustainable growth. Going forward, we will maintain our corporate stance of enriching our society as a crucial part of social infrastructure, which we have continued to place great importance on throughout the years. Meanwhile, with the further progression of digitization, we will incorporate the information we obtain through our daily business activities in our logistics operations, which will not only allow us to continue moving packages but also help us reduce social costs and realize an optimal logistics framework that leverages the latest information. In doing so, we will offer new added value to our customers.

One of the Group's founding principles is "inclusive management." Inclusive management entails having all our employees give consideration to our customers and make decisions based on their own judgment. This style of management represents a significant Groupwide strength that we can leverage to its fullest by enabling our employees to work in a highly motivated and energetic manner.

We have positioned the three-year period leading up to our 100-year anniversary as a time in which we will solidify our management foundation. To this end, we are pursuing three kinds of reforms: "Structural Reform in the Delivery Business," "Reform of Revenue and Business Structure Geared to Achieving Discrete Growth," and "Reform of Group Management Structure Geared to Achieving Sustainable Growth," while also placing "Reforming Working Styles" at the center of our management. Leveraging this solidified foundation, we will realize steady growth for the next 100 years.

December 2017

Vision for 2025

At the Yamato Group, with transportation itself as the catalyst, we will create new value by developing open platform solutions through leveraging the strengths of our points of contact with local communities and companies based in Japan and overseas, and the information these provide.

Company Precepts

1. We ‘all’ represent the company
2. We deliver with a personal touch
3. We work with gratitude and politeness

Editorial Policy

Having built up long-standing relationships of trust with all of its many and varied stakeholders, the Yamato Group discloses not only information of a legal nature but also information considered necessary for its stakeholders. The Yamato Group adopted the policy that such information shall be conveyed promptly and accurately as well as fairly and equitably.

Following our recent announcement of a new long-term vision and medium-term management plan, we have published *Integrated Report 2017*. In addition to the content found in *Annual Review 2017*, which we published in September 2017, this integrated report also includes information on our efforts to improve corporate value over the medium to long term.

*Annual Review 2017** (Business performance and initiatives implemented in the fiscal year ended March 31, 2017) + [Medium- to long-term initiatives, including the long-term vision and medium-term management plan] = *Integrated Report 2017*

* Published in September 2017

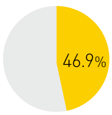
Profile

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 has been creating unprecedented services that are needed by society to respond to changes in social structure, markets, and customer needs (companies and consumers), which 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.

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.

Domestic Parcel Delivery Market Share
(Year Ended March 31, 2017)



No. 1

TA-Q-BIN Annual Delivery Volumes
(Year Ended March 31, 2017)

1.8 billion parcels

Sales Drivers
(As of September 2017)

Approx. 60,000

Proportion of Japan Covered by *TA-Q-BIN* Network
(As of September 2017)

100%

Employees
(As of September 2017)

Approx. 208,000

TA-Q-BIN Centers
(As of September 2017)

Approx. 7,000*

* Number of organizations

Performance Highlights

Performance Highlights for the Fiscal Year Ended March 31, 2017

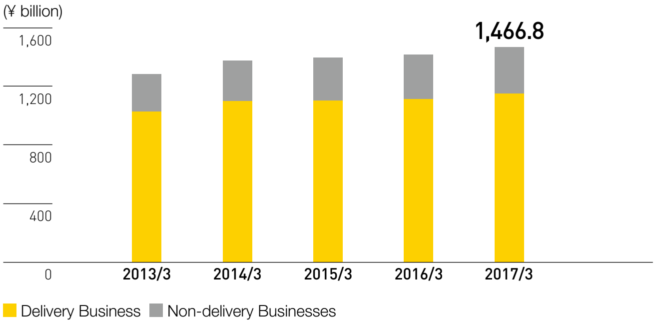
TA-Q-BIN delivery volumes increased in the Delivery Business due to expansion of the e-commerce market and the growth of the *TA-Q-BIN Compact* and *Nekopos* services, which largely stemmed from business via flea market websites. In addition, existing services in non-delivery businesses showed a solid performance. As a result, operating revenues rose 3.6% year on year, to ¥1,466.8 billion.

Meanwhile, amid tight labor market conditions, expenditures to secure labor capacity to respond to increased business volume rose, and payments for specially acknowledged working hours were additionally recognized. Accordingly, operating profit*1 declined 49.1% year on year, to ¥34.8 billion.

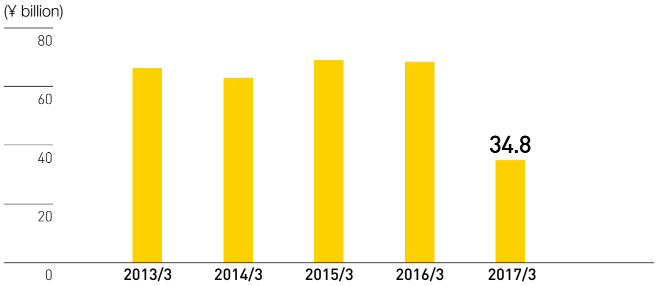
As a result of the above, profit attributable to owners of parent*2 fell 54.2% year on year, to ¥18.0 billion, and ROE declined 3.7 percentage points compared with the previous fiscal year, standing at 3.4%.

*1 Operating profit is referred to as "operating income" in the financial statements.
*2 Profit attributable to owners of parent is referred to as "net income attributable to owners of parent" in the financial statement.

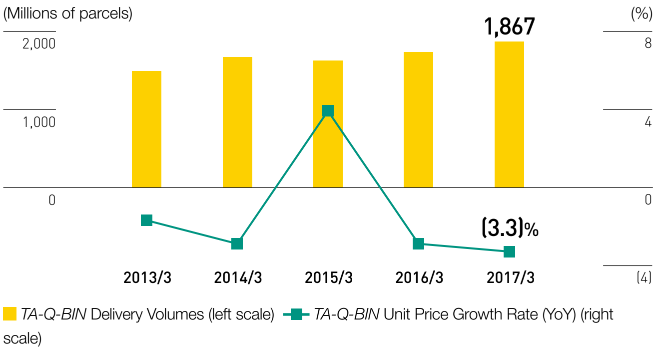
Operating Revenues



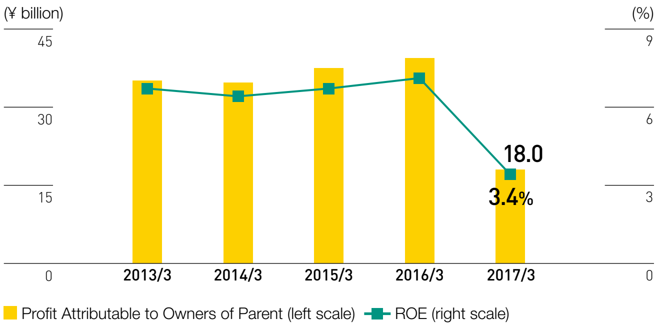
Operating Profit



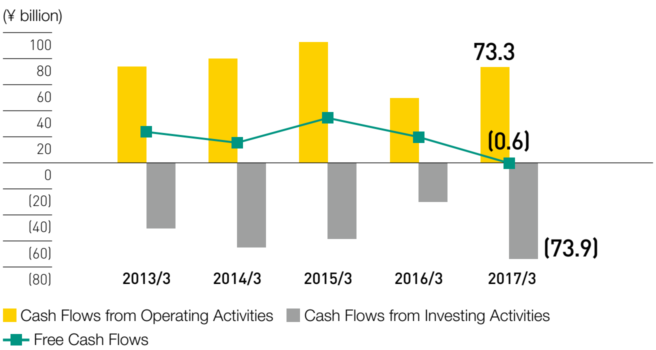
TA-Q-BIN Delivery Volumes / *TA-Q-BIN* Unit Price Growth Rate (YoY)



Profit Attributable to Owners of Parent / ROE

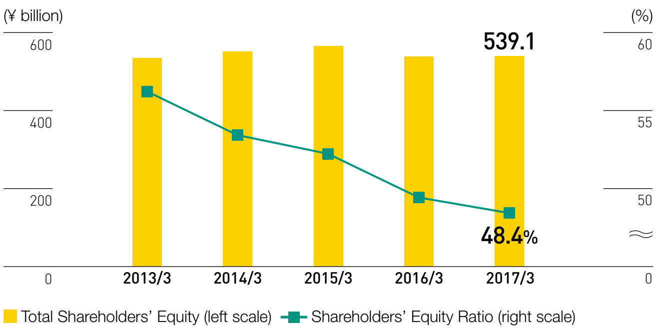


Operating and Investing Cash Flows / Free Cash Flows*3



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

Total Shareholders' Equity / Shareholders' Equity Ratio



Contents

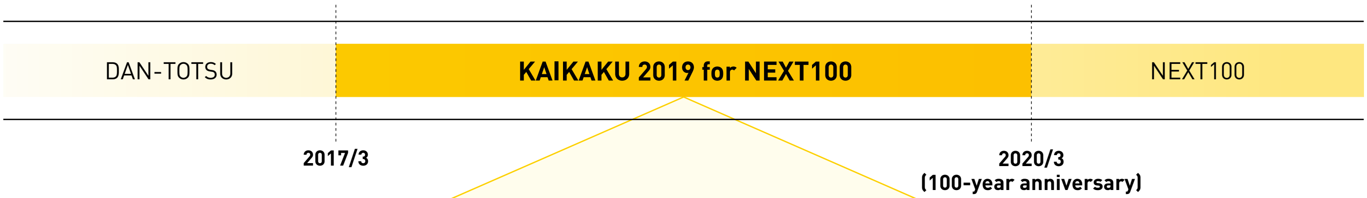
Forward-Looking Statements

This integrated 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.

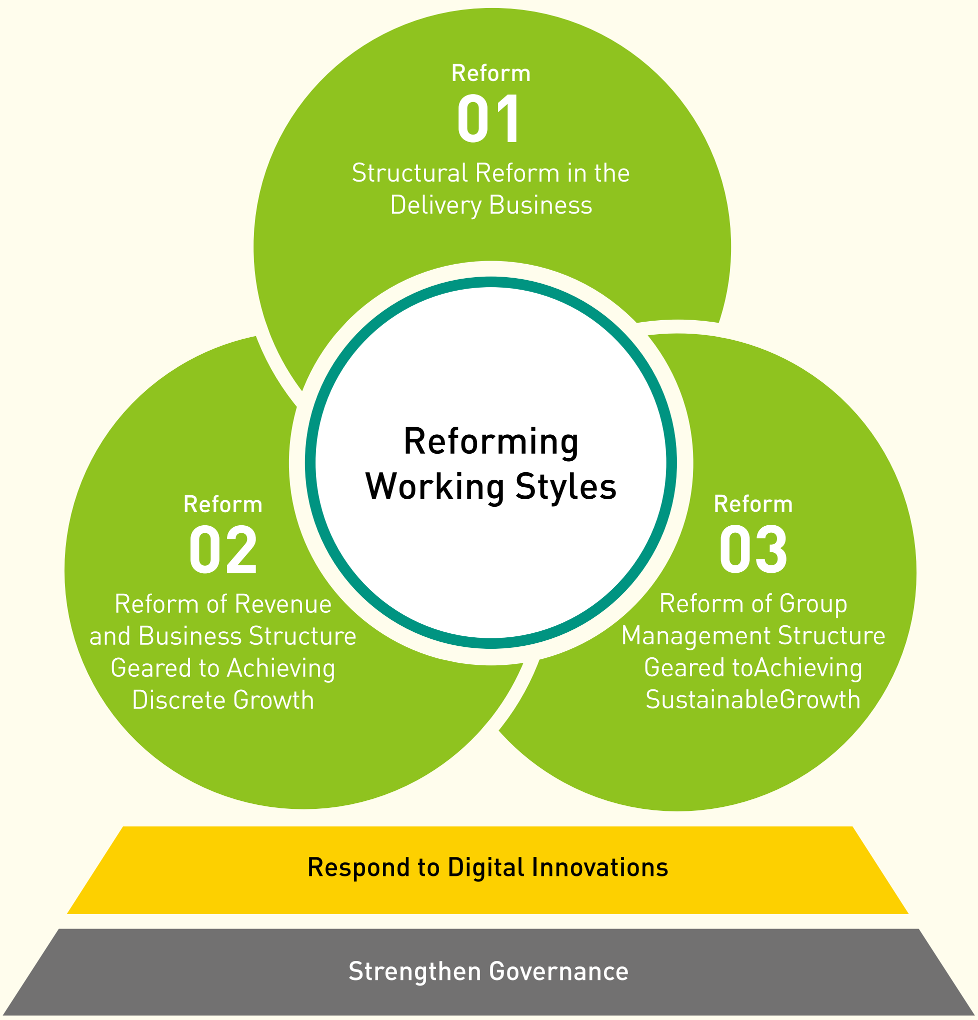
The Yamato Group's New Medium-Term Management Plan

"KAIKAKU 2019 for NEXT100"

In September 2017, the Yamato Group announced its new medium-term management plan "KAIKAKU 2019 for NEXT100." In November 2019, the Group will celebrate its 100-year anniversary, which it views as a major milestone. Looking beyond this milestone, the Group will strive to realize its aim of "Reforming Working Styles" as well as carrying out three major structural reforms. In doing so, the Group will reinforce a management foundation that will allow it to realize sustainable growth for the next 100 years.



Overview of "KAIKAKU 2019 for NEXT100"



Reforming Working Styles

Reforming Working Styles to Implement "Inclusive Management"

We will make the notion of "Reforming Working Styles" a matter of priority, thereby practicing "inclusive management," a Yamato Group founding principle, by developing "employee-friendly" and "rewarding" working environments across the entire Yamato Group.

(1) Make new working styles a reality

- Drastically reduce total working hours
- Adopt personnel systems that enable working styles tailored to an individual's stage of life
- Develop programs that enable part-time employees (temporary and permanent) to enhance their abilities
- Promote work-life balance
- Enhance managerial assignments exhibiting greater care toward employees

→ Upgrade to an attractive personnel system that gathers together a diverse group of talent in order to secure workforce capacity

(2) Maximize "individual capabilities"

- Establish an educational system
- Set up a framework for leveraging the opinions of employees in management
- Encourage the active role of overseas, elderly, and female employees through the further promotion of diversity
- Realize an employment ratio for persons with disabilities of 2.5%

→ Enhance employee awareness of management planning; establish an environment that fosters employee pride and motivation

(3) Thoroughly streamline operations

- Expand open-type parcel lockers (PUDO*)
- Enhance efficiency of pickup and delivery operations through the 8th NEKO System
- Fully leverage technologies such as AI and robotics

→ Thoroughly reinforce operational efficiency, which provides the foundation for an employee-friendly workplace

* Pick Up & Drop Off station

Three Structural Reforms

Reform 01: Structural Reform in the Delivery Business

By rebuilding our "last mile" network to make it more efficient and carrying out continuous and adequate pricing initiatives, we will strike a balance between expanding pickup and delivery capacity and regaining profitability.

(1) Rebuild business structure to enable sustainable growth

(2) Recover profit margins by implementing a pricing strategy and thoroughly streamlining operations

(3) Develop foundations for businesses that can solve community issues

Reform 02: Reform of Revenue and Business Structure Geared to Achieving Discrete Growth

Our "*Value Networking*" design combines value-added functions with the rapid transportation network. We aim to further develop this by organically linking our main core terminals, including *Haneda Chronogate*, the *Atsugi Gateway*, the *Chubu Gateway*, the *Kansai Gateway*, and the Okinawa International Logistics Hub *Okinawa Southern Gate*, to our cross-border network extending primarily throughout Asia.

(1) Develop an industry-wide platform

(2) Develop a cross-border platform

(3) Promote an account management approach

(4) Develop a platform for e-commerce (EC)

Reform 03: Reform of Group Management Structure Geared to Achieving Sustainable Growth

To heighten our "capacity to generate earnings," leveraging the collective strengths of the Group, we will pursue structural reforms throughout its organization and upgrade to a management system that combines three components: accounts management, managerial accounting, and human resources (performance evaluation).

Implement the following five reforms by transitioning from:

(1) A "function-oriented organizational structure" to a "customer-oriented organizational structure"

(2) "Individual optimization" to "overall optimization"

(3) "Income and expenditure controls per vertically segmented organization unit" to "account management"

(4) "Investment on a per-business function basis" to "forward-looking investment through an 'R&D + D' approach"

(5) "Self-sufficiency" to an "open approach"

Strengthen Management Foundation

Respond to Digital Innovations

The Group will incorporate cutting-edge digital technologies as it creates new businesses and evolves and innovates its existing ones. In addition, the Group will flexibly respond to the changing business environment by pushing forward with the introduction of groundbreaking business models in its existing businesses.

(1) Three-pronged "R&D + D" strategy

- Develop and use a Kuroneko big data approach
- Use a corporate venturing approach
- Promptly identify business models that can bring about disruptive innovation, and draw up action plans in that regard

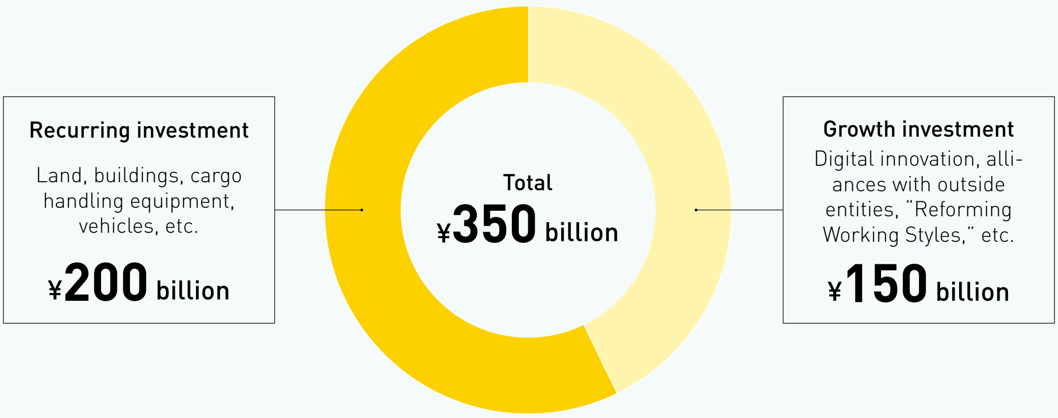
(2) Established Yamato Digital Innovation Center (YDIC) in April 2017

Strengthen Governance

Amid progressing globalization, we will upgrade to a governance structure befitting of a global corporation and strengthen our risk management.

Key Management Indicators

Proactive Investments



Targets

Consolidated operating revenue	Consolidated operating profit	Consolidated operating margin	ROE
2017/3 (actual result)	2017/3 (actual result)	2017/3 (actual result)	2017/3 (actual result)
¥1,466.8 billion	¥34.8 billion	2.4%	3.4%
+¥203.1 billion (+13.8%)	+¥37.1 billion (+106.4%)	+1.9 percentage points	+4.3 percentage points
2020/3 (plan)	2020/3 (plan)	2020/3 (plan)	2020/3 (plan)
¥1,670.0 billion	¥72.0 billion	4.3%	7.7%

Interview with the President

This section explains the aim and specific initiatives of each reform we will carry out under "KAIKAKU 2019 for NEXT100" as well as our vision going forward.

Q

1. Could you please tell us the aim of your newly formulated medium-term management plan?

2. How do you assess the various challenges the Yamato Group is facing at the moment?

3. Could you please tell us about the measures you have in place to maintain and enhance the Delivery Business?

4. Could you please talk about the specific initiatives you will undertake to grow profitability in the Delivery Business?

5. What is the future outlook of the "*Value Networking*" design, which the Company has thus far promoted?

6. How will you evolve the management of the Group going forward?

7. Could you please tell us about the Yamato Group's basic approach to addressing environmental and social issues?

Q1 Could you please tell us the aim of your newly formulated medium-term management plan?

A Under the new plan, we aim to rebuild our management foundation and realize further growth.

With our new medium-term management plan (hereinafter, "the plan"), we are targeting operating revenues of ¥1,670.0 billion, an operating profit margin of 4.3%, and ROE of 7.7%, and these targets merely represent a checkpoint for us, as we have our sights set on even higher targets for the future. The Yamato Group is approaching a major milestone with its 100-year anniversary coming up in November 2019, and I hope that the Group can remain a corporate entity that continues to realize growth for the next 100 years and onward. In addition to the plan, we have formulated a long-term vision that targets 2025. We have clarified the issues we must tackle to accomplish this vision within the plan, and we position the plan's three years as a period in which we will solidify a management foundation for sustainable growth. Accordingly, in the upcoming three years, we will pursue three kinds of reforms while also placing "Reforming Working Styles" at the center of our management. The title of the plan—"KAIKAKU 2019 for NEXT100"—reflects our aim to realize these reforms.

Q2 How do you assess the various challenges the Yamato Group is facing at the moment?

A I think our management will benefit from the fact that we have now clarified the issues we need to tackle to realize future growth.

To prepare for the changes that have been occurring in the business environment thus far, such as the declining population, the shrinking workforce, and the growth of the e-commerce market, we have been making concerted efforts to revise our network based on a gateway design and strengthen our "last mile" network. However, we have faced difficulties due to the fact that these changes have occurred at a far greater pace than we anticipated. As a result, we have not been able to keep up in terms of establishing an operational structure, which has placed a heavy burden on our employees working on the front lines. In response to this issue, we will bring together the comprehensive strengths of the Group to accelerate the process of structurally reforming our businesses during the period of the plan.

Among these reforms, we are giving the utmost importance to realizing the aim of "Reforming Working Styles," placing it at the center of our management, and we are drawing up a wide range of initiatives to accomplish this task. However, these reforms will not simply be limited to the adjustment of working hours. Rather, they will entail drastic revisions to our profit structure itself. The Yamato Group has achieved reliable growth for many years by meeting the expectations and earning the trust of all its customers, both individual and corporate. This growth has undoubtedly been supported by all our employees, including our sales drivers and guest operators, who have direct contact with our customers. This means that, as the point of contact with our customers, our employees provide the foundation for the Group's strengths and the source of its competitiveness. By allowing our employees to work in a comfortable, highly motivated, and energetic manner, we are able to offer even better services to our customers, thereby allowing us to further deepen our trust-based relationships with them. If we do not reinforce our base of employees, who provide the foundation for establishing these trust-based relationships with customers, then we will not be able to achieve further growth.

Response to the Rapid Changes in the External Environment

Drastic increase in *TA-Q-BIN* delivery volumes due to the expansion of the e-commerce market

Accelerated progression of tight conditions in the labor market

→ Inability to establish an operational structure to keep up with the unexpected level of changes in the business environment, which has brought to light various management issues

→ **Growth model reform**

Drastic revisions to profit structure itself centered on management that emphasizes "Reforming Working Styles"

Q3 Could you please tell us about the measures you have in place to maintain and enhance the Delivery Business?

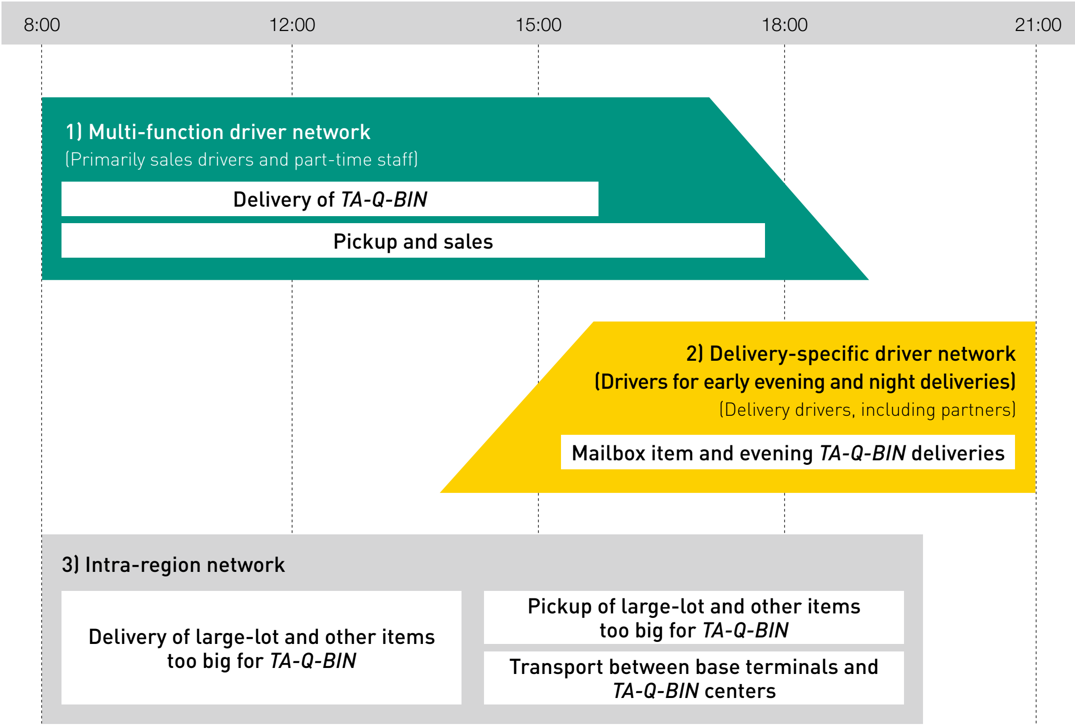
A We are working to rebuild our business structure to realize sustainable growth.

We are moving forward with efforts to rebuild our business structure in the Delivery Business with the aim of realizing sustainable growth.

The first step we are taking is to rebuild and enhance the efficiency of our "last mile" network to respond to the rapid growth in *TA-Q-BIN* delivery volumes caused by such factors as the expansion of the e-commerce market amid tightening labor conditions. This will be accomplished through the establishment of a new diversified "last mile" network. Specifically, in addition to our conventional multi-function driver network, which handles *TA-Q-BIN* pickup and delivery as well as overall sales operations, the rebuilt "last mile" network will introduce a series of new networks, including a delivery-specific driver network, i.e., drivers for early evening and night deliveries, which will handle mailed goods such as *Kuroneko DM-Bin and Nekopos* as well as conduct deliveries during the high-demand time between early evening and late night. There will also be an intra-region network, which will handle large-lot and large-sized packages. With the introduction of this network comprising drivers for early evening and night deliveries, we aim to hire approximately 10,000 new employees. And, by introducing work environments and frameworks that allow all employees, regardless of gender or age, to play an extensive and active role, we believe we will be able to secure the necessary workforce capacity to carry out our business. Furthermore, by introducing systems that work to optimize pickup and delivery routes using AI, we will provide support that allows our employees to boost their work performance. Most importantly, to maintain and improve the trust-based relationships we have with our customers, we will make even greater efforts to improve educational activities for employees and increase our number of managers. In these ways, we will establish a structure that enables us to offer high-quality services.

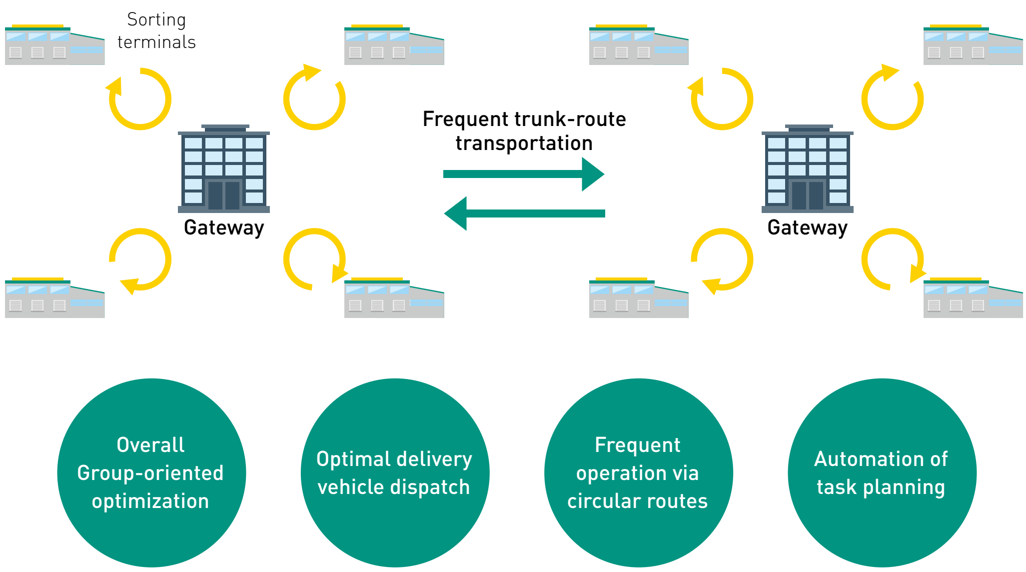
Additionally, we are promoting the structural reform of our trunk-route network. Leveraging integrated logistics terminals called "gateways," which we have established in the high-consumption areas of Kanto, Chubu, and Kansai, we will realize frequent operation, circular operation, and "back-and-forth" operation between these major urban areas. In addition, we will introduce newly standardized connected trailers and other vehicles (see page 31), which have a greater overall length compared with conventional models, with the aim of achieving even faster and more efficient transportation. We will also streamline overlapping functions within the Group to further enhance efficiency. In doing so, we will achieve an optimal Groupwide network.

Developing a New Diversified “Last Mile” Network



Structural Reform of Trunk-Route Network

Optimizing the entire Group network by consolidating Groupwide functions and streamlining operations



Q4 Could you please talk about the specific initiatives you will undertake to grow profitability in the Delivery Business?

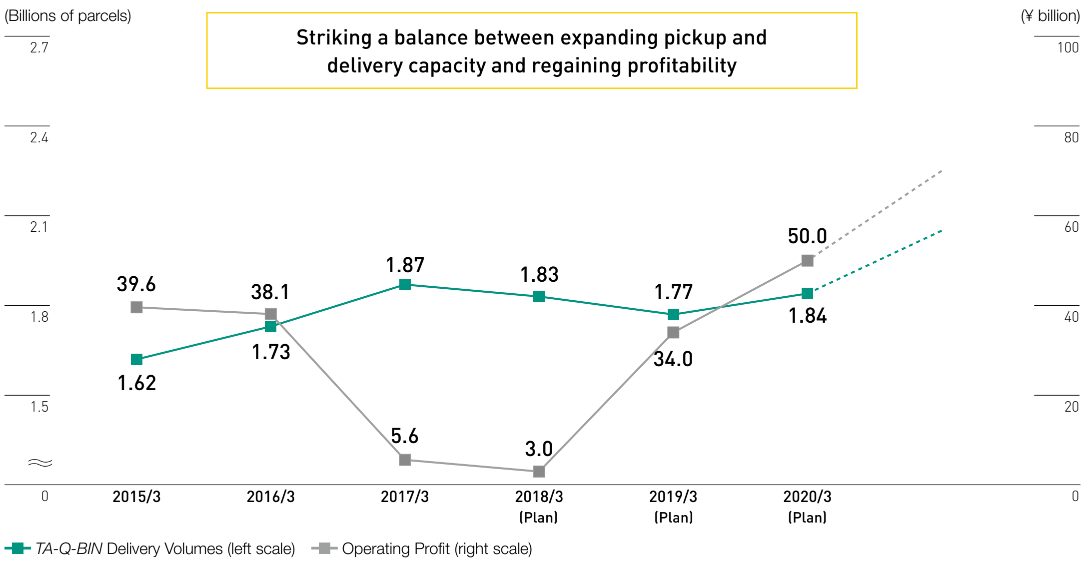
A Giving the utmost priority to maintaining and improving the work environment for our employees, we will establish a new foundation for profitability through structural reforms.

First off, to promote our most important initiative of maintaining and improving the work environment for our employees, we will encourage primarily our large-lot corporate clients to temporarily control *TA-Q-BIN* delivery volumes. We will also enhance our pickup and delivery capacity through a series of structural reforms, such as securing workforce capacity and bolstering our delivery network. Through these means, we will establish a structure that can handle an increase in delivery volumes from the fiscal year ending March 31, 2020, and onward.

In addition, we are gradually conducting price negotiations centered on our large-lot corporate clients. On October 1, 2017, we revised our *TA-Q-BIN* fees for individual customers for the first time in 27 years. To standardize the process of revising the fees we have agreed upon with our corporate clients going forward, we have incorporated not only shipping volumes but also destination, size, pickup methods, and rate of absence, in addition to external factors such as fuel costs and hourly wages for employees, in our pricing schemes, thereby realizing appropriate pricing on a continuous basis.

By implementing these kinds of initiatives, we will expand our pickup and delivery capacity and restore profitability in the Delivery Business.

TA-Q-BIN Delivery Volumes / Operating Profit



Q5 What is the future outlook of the "*Value Networking*" design, which the Company has thus far promoted?

A **We will further evolve the "*Value Networking*" design, which combines value-added functions with our speedy transportation network. To this end, we will establish an industrial platform that caters to customer value chains in corporate and global domains.**

To date, we have worked diligently to construct a highly competitive logistics network for Japan and greater Asia, centered on the *Haneda Chronogate*. In addition to logistics, we have steadily moved forward with the construction of a foundation that meets the diversifying needs of customers, including the need to incorporate high-value-added services such as assembly, merging, and maintenance.

We will form more organic connections within this foundation and accelerate the provision of solutions that help our customers grow their business. We will also adopt trends based on digital transformation. While doing so, we will work to establish an industrial platform that allows us to expand the areas in which we can provide benefits to our customers.

In these ways, we will pursue efforts in corporate and global domains in order to evolve the "*Value Networking*" design so that it can contribute more significantly to the Group's performance in the future.

Q6 How will you evolve the management of the Group going forward?

A We will transition from a function-oriented organizational structure to a customer-oriented one.

Through the combination of the added value provided by IT, LT, and FT, I believe the Group has a foundation for offering integrated services that go far beyond transportation. With that said, there has been a larger number of cases where we have provided these value-added functions on an individual basis. To accelerate the Group's global development in the future, we must continue to leverage Groupwide strengths to provide high added value to our customers. If we fail to do so, then we will not be able to win out against the fierce competition we are facing. To this end, we will combine the various functions we possess on a Groupwide basis so that we are able to make better proposals to our customers. In doing so, I believe we can offer even more significant value. We will therefore transition to a customer-oriented organizational structure that incorporates an approach focused on account management so that we are able to develop even deeper relationships with our customers. Also, we will make thorough efforts to enhance the efficiency of management resources, which have overlapped within the Group and become inefficient. In these ways, we will upgrade to a management structure that will optimize Groupwide operations.

Promoting Five Transformative Changes to Heighten Our Capacity to Generate Earnings, Leveraging the Group's Collective Strengths

Function-oriented organizational structure	→	Customer-oriented organizational structure
Individual optimization	→	Overall optimization
Income / expenditure controls per vertically segmented organization unit	→	Account management
Investment on a per-business function basis	→	Forward-looking investment through an "R&D + D" approach
Self-sufficiency	→	Open approach

Q7 Could you please tell us about the Yamato Group's basic approach to addressing environmental and social issues?

A We believe the series of structural reforms we are carrying out will help us resolve environmental and social issues.

Increases in delivery volumes naturally require us to use a greater number of vehicles for transportation and delivery. As a result, the amount of greenhouse gas emissions rises, as does the number of traffic accidents. As part of our responsibilities as a company that uses a large number of vehicles and conducts its business on public roads, we will promote efforts related to traffic safety, such as providing safety training to our drivers. At the same time, we will actively introduce vehicles that have a low burden on society, such as electric vehicles. Not limiting ourselves to only these efforts, we will remain committed to contributing to the resolution of social issues, including environmental issues, which in turn will help us further improve our corporate value.

For example, if we are able to lower the rate of customer absence upon delivery, then we can reduce our burden on the environment and society as a whole. This can be accomplished in a variety of ways, such as by establishing systems for delivering numerous packages to the same address all at once, expanding *TA-Q-BIN* locker services and services that allow customers to pick up packages at convenience stores, and improving mutual communication with customers by enhancing the *Kuroneko Members* service. The target we adopted under the plan of raising the percentage of packages received at locations other than households to 10% reflects our aim to reduce our environmental and social burden.

Japan is a country that already faces a great number of modern social issues, and more issues are likely to occur in the future. We at the Yamato Group believe we can play a key role in resolving these issues. To this end, we will work to resolve social issues through ESG-related initiatives with the aspiration of becoming a corporate group that is treasured and trusted by society at large.

Message from the Chief Financial Officer

We will actively carry out the necessary investments for reforms while continuing to adhere to a basic policy of maintaining and improving our financial stability. In doing so, we aim to bolster our management foundation and increase our corporate value.

Kenichi Shibasaki

Senior Managing Executive Officer
Responsible for overseeing Financing and Investor Relations

Business Performance Overview

Review of the Fiscal Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, operating revenues increased ¥50.4 billion year on year, to ¥1,466.8 billion. With respect to the Delivery Business, this increase was due to the record-high *TA-Q-BIN* delivery volumes that stemmed from not only an expansion in the e-commerce market but also from the growth of *TA-Q-BIN Compact* and *Nekopos*, which centered on business via flea-market websites. Meanwhile, operating profit declined ¥33.6 billion year on year, to ¥34.8 billion. This decline was attributable to a variety of factors. For example, our efforts to establish an operational structure were unable to keep up with the rapid growth of package volumes and the tightening labor market, and we incurred higher costs in order to secure the necessary workforce capacity, including outsourced capacity, to maintain service quality. In addition, after conducting independent investigations of employee working hours centered on the sales drivers at our *TA-Q-BIN* centers, we discovered that a large number of employees were unable to take long enough breaks. In response to this issue, payments for specially acknowledged working hours totaling nearly ¥19.0 billion were additionally recognized.

Overview of the First Half of the Fiscal Year Ending March 31, 2018

To respond to the changes in the external environment and cost increases going forward and to continue to provide high-quality services well into the future, we have been moving forward with "Structural Reform in the Delivery Business" centered on the following key measures: "improving and developing the employee working environment," "placing controls on total *TA-Q-BIN* volume," "optimizing the entire *TA-Q-BIN* delivery network," "boosting efficiency by enhancing the 'last mile' network," and "revising *TA-Q-BIN* basic fees and respective service standards." Specifically, in terms of controlling total *TA-Q-BIN* delivery volume, we have asked nearly 1,000 of our large-lot corporate clients to adjust shipping volumes from the second half of the current fiscal year. We have also negotiated new shipping rates with these customers.

Meanwhile, the increase in costs to secure workforce capacity, including outsourced capacity, that has followed the rise in *TA-Q-BIN* delivery volumes continues to put downward pressure on profits. In addition, we have incurred expenses related to such factors as the recording of additional payments, which followed further confirmation on a fact-finding investigation into working hours of employees. As a result, operating profit declined ¥33.8 billion compared with the first half of the previous fiscal year, resulting in operating loss of ¥12.8 billion.

The New Medium-Term Management Plan "KAIKAKU 2019 for NEXT100"

Targets

Our new medium-term management plan "KAIKAKU 2019 for NEXT100" (hereinafter, "the plan") will run through the fiscal year ending March 31, 2020. By the final year of the plan, we aim to realize the following targets:

- **Operating revenues: ¥1,670.0 billion (an increase of ¥203.1 billion, or 13.8%, compared with the fiscal year ended March 31, 2017)**
- **Operating profit: ¥72.0 billion (an increase of ¥37.1 billion, or 106.4%)**
- **Operating profit margin: 4.3%**
- **ROE: 7.7%**

With regard to the outlook for the plan's first year, the year ending March 31, 2018, we project operating revenues of ¥1,502.0 billion, a year-on-year increase of ¥35.1 billion, or 2.4%, and operating profit of ¥25.0 billion, a year-on-year decrease of ¥9.8 billion, or 28.3%. We also expect *TA-Q-BIN* delivery volumes to decline 41.56 million parcels, or 2.2%, to 1,826 million parcels. In addition, we anticipate that costs will decline in the second half following efforts to place controls on total *TA-Q-BIN* volumes. We also expect that the effects of reasonable pricing initiatives will emerge to a greater extent during this period.

We will temporarily decrease *TA-Q-BIN* delivery volumes until the fiscal year ending March 31, 2019, through the negotiations we are currently having with our large-lot corporate clients. However, by promoting "Structural Reform in the Delivery Business," we will expand our pickup and delivery capacity and establish a structure that can handle increases in delivery volumes starting from the fiscal year ending March 31, 2020, and onward.

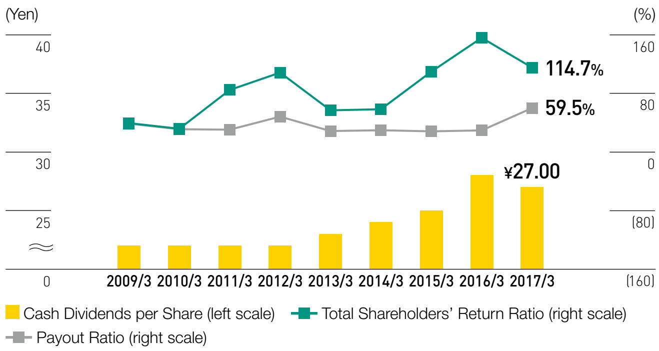
Investment and Financial Strategies and Basic Policy on Shareholder Returns

Over the three-year period of the plan, we intend to implement investments amounting to ¥350.0 billion, using the maintenance and improvement of corporate value as our decision-making criterion. Of this amount, we intend to allocate ¥200.0 billion for recurring investments, such as purchases of land, buildings, and vehicles, and ¥150.0 billion for growth investments, such as initiatives to reform working styles and establish alliances with other companies. We will set aside capital to establish a working environment in which our employees can work with high levels of enthusiasm to ensure that we are able to continue to provide high-quality services. At the same time, with the aim of bolstering the Group's management foundation to realize sustainable growth, we will pursue investments that target three kinds of reforms: "Structural Reform in the Delivery Business," "Reform of Revenue and Business Structure Geared to Achieving Discrete Growth," and "Reform of Group Management Structure Geared to Achieving Sustainable Growth."

Meanwhile, during the period of the plan, our basic shareholder return policy will remain unchanged. This means that, while placing emphasis on profit growth, we will continue to flexibly review and deliver returns to all our shareholders with a targeted consolidated dividend payout ratio of 30% of consolidated profit.

Going forward, we will pursue a basic policy of maintaining and improving our financial stability as we work to enhance our management foundation and increase our corporate value.

Returns to Shareholders



Organization

As of March 31, 2017

■ Consolidated subsidiarie ● Non-consolidated subsidiaries
◆ Equity-method affiliates

Yamato Holdings Co., Ltd.

- Delivery
  - ■ Yamato Transport Co., Ltd.
  - ■ Okinawa Yamato Transport Co., Ltd.
  - ■ Yamato Global Express Co., Ltd.
  - ■ Express Network Co., Ltd.
  - ■ Yamato Dialog & Media Co., Ltd.
  - ■ Yamato Contact Service Co., Ltd.
  - ■ Yamato Staff Supply Co., Ltd.
  - ■ Yamato (China) Transport Co., Ltd.
  - ◆ Packcity Japan Co., Ltd.
- BIZ-Logistics
  - ■ Yamato Logistics Co., Ltd.
  - ■ Yamato Global Logistics Japan Co., Ltd.
  - ■ Yamato Multi-Maintenance Solutions Co., Ltd.
  - ■ Yamato Packing Service Co., Ltd.
  - ■ Yamato Packing Technology Institute Co., Ltd.
  - ■ Konan Industry Co., Ltd.
  - ■ Yamato Transport U.S.A., Inc.
  - ■ Yamato Transport Europe B.V.
  - ■ Yamato International Logistics Co., Ltd.
  - ■ Yamato Logistics (Hong Kong) Ltd.
  - ■ Taiwan Yamato International Logistics Inc.
  - ■ Yamato Transport (S) Pte. Ltd.
  - ■ Yamato Transport (M) Sdn. Bhd.
  - ● Yamato Transport Mexico S.A. de C.V.
  - ● Shanghai Wai Gao Qiao Bonded Logistics Zone Yamato Warehouse Co., Ltd.
  - ● Yamato Logistics India Pvt. Ltd.
  - ● PT. Yamato Indonesia
  - ● Yamato Logistics Vietnam Co., Ltd.
  - ● Yamato Tidiki Express Pte. Ltd.
  - ● CKE Transport Agency Sdn. Bhd.
  - ● 3 other companies
  - ◆ GD Express Carrier Bhd.
  - ◆ Guangzhou Wisepower Transportation & Distribution Group Co., Ltd.
  - ◆ 11 other companies
- Home Convenience
  - ■ Yamato Home Convenience Co., Ltd.
- e-Business
  - ■ Yamato System Development Co., Ltd.
  - ■ Yamato Web Solutions Co., Ltd.
- Financial
  - ■ Yamato Financial Co., Ltd.
  - ■ Yamato Credit & Finance Co., Ltd.
  - ■ Yamato Lease Co., Ltd.
- Autoworks
  - ■ Yamato Autoworks Co., Ltd.
  - ■ Yamato Autoworks Iwate Co., Ltd.
  - ■ Yamato Autoworks Hokushinetsu Co., Ltd.
  - ■ Yamato Autoworks Shikoku Co., Ltd.
  - ■ Yamato Autoworks Okinawa Co., Ltd.
- Other Services
  - ■ Yamato Asia Pte. Ltd.
  - ■ BoxCharter Co., Ltd.
  - ■ Yamato Box Charter Co., Ltd.
  - ■ Yamato Management Service Co., Ltd.
  - ■ Yamato Multi Charter Co., Ltd.
  - ■ Kobe Yamato Transport Co., Ltd.
  - ■ Yamato Investment (Hong Kong) Ltd.
  - ● Swan Co., Ltd.

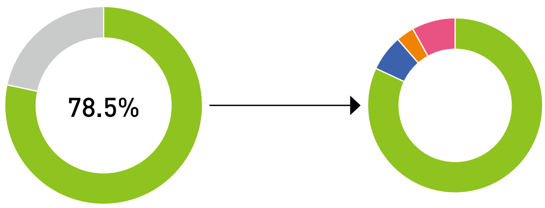
Note: In June 2016, Yamato Transport (HK), Yamato International Logistics (Hong Kong), and Yamato Payment Service (HK) merged to establish Yamato Logistics (HK).

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.

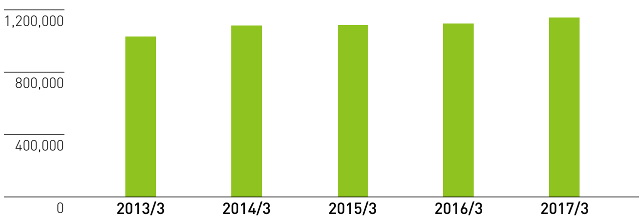
Composition Ratio of Operating Revenues



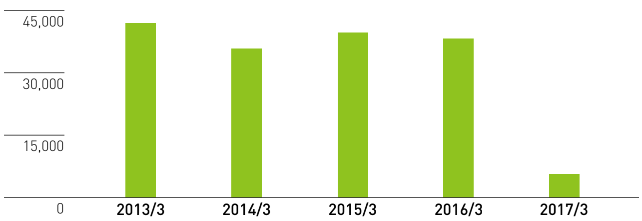
Breakdown of the Composition Ratio of Operating Revenues

TA-Q-BIN	71.4%
Kuroneko DM-Bin	5.8%
Express	2.9%
Others	6.8%

Operating Revenues (¥ million)



Operating Profit (¥ million)



A Look Back on the Year Ended March 31, 2017

- Delivery volumes grew due to such factors as the continued rise in sales to mail-order business operators and efforts to increase use of the *TA-Q-BIN Compact* and *Nekopos* services
- Promoted collaboration with multiple flea market websites, thereby offering delivery services at a greater number of access points
- Established a system to improve the workplace environment and reform working arrangements for employees with the aim of securing labor capacity in response to the significant rise in parcel volumes, which has been brought about by the recent rapid expansion of the e-commerce market, and the tightening labor market
- Cost increase due to external factors such as a rise in labor costs, including those involving outsourcing workforce in order to maintain service quality, and the expansion of size-based enterprise tax
- Payments for specially acknowledged working hours were additionally recognized
- As a result of the above, operating revenues increased while operating profit decreased

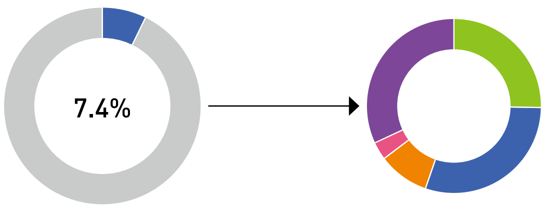
Commenced Operation of Open-Type Parcel Lockers

Recently, nearly 20% of packages delivered to homes end up having to be re-delivered, and reducing the number of re-deliveries has become a significant issue for the entire home delivery industry. To address this issue and improve the level of convenience for users of our services, we established the joint venture Packcity Japan together with the France-based Neopost Group in May 2016 and commenced the operation of open-type parcel lockers that can be used jointly by numerous operators. By establishing parcel lockers in train stations and other locations to serve as not only a destination for re-delivery when the recipient is not at home but also as a delivery point for products purchased through e-commerce websites, we make it possible for users to receive their packages in a way that best fits their individual lifestyle and contribute to reducing the percentage of re-deliveries. By the end of the fiscal year ending March 31, 2018, we intend to establish a total of 3,000 parcel lockers, primarily in the Tokyo metropolitan area. In the second half of the fiscal year, we will further enhance the convenience and usability of this service in such ways as incorporating a feature that allows users to not only receive packages but also send them.

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.

Composition Ratio of Operating Revenues



Breakdown of the Composition Ratio of Operating Revenues

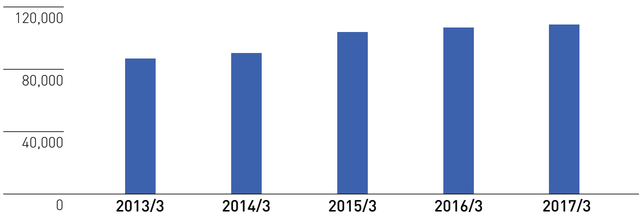
Trading logistics service	2.4%
Sales and Logistics	2.8%
Multi maintenance	0.9%
Products Logistics*	0.3%
Others	3.0%

* Starting with fiscal year ended March 31, 2017, the name of "Export Factory" has been changed to "Products Logistics."

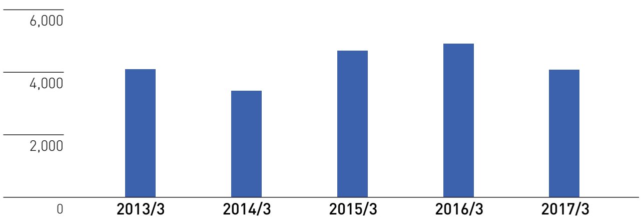
A Look Back at the Year Ended March 31, 2017

- Favorable results from services related to B2B logistics
- Actively promoted sales in such ways as acquiring new customers for services that help revolutionize logistics operations, including medical device loaner support (storage, cleaning, and delivery) for medical service providers
- Sluggish movement of goods in the trading logistics services of the overseas business
- Number of recalls decreased for multi maintenance services compared with the previous fiscal year
- As a result of the above, operating revenues rose while operating profit declined

Operating Revenues (¥ million)



Operating Profit (¥ million)



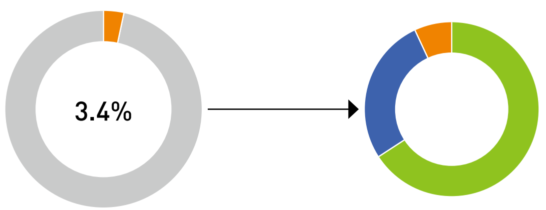
Total Support for Japanese Companies Entering the E-Commerce Industry in China

At Yamato Global Logistics Japan Co., Ltd., which provides international logistics services, we commenced one-stop support services for Japanese companies utilizing JD Worldwide, a cross-border e-commerce platform in China that handles Japanese products. These services cover everything from setting up stores to displaying and delivering products. Collaborating with the major Chinese e-commerce mall operator JD.com, Inc. and with JD.com's official partner in overseas e-commerce malls FRANK, we are providing guidance to Japanese manufacturers, retailers, and e-commerce business operators on opening stores and displaying products on JD.com's e-commerce websites. In addition, by leveraging the parcel shipping service *Yamato China Direct*, products can be shipped from designated warehouses in Japan to buyers in China in as little as four days. This service allows sellers and store operators to totally outsource operations, from backyard operations to store management and delivery to end users. The service also allows buyers to easily purchase Japanese products via the Internet.

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.

Composition Ratio of Operating Revenues



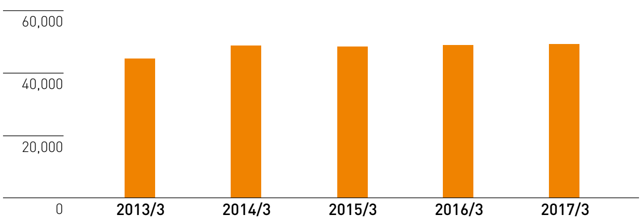
Breakdown of the Composition Ratio of Operating Revenues

Home convenience	2.9%
Business convenience	1.2%
Technical Network	0.3%

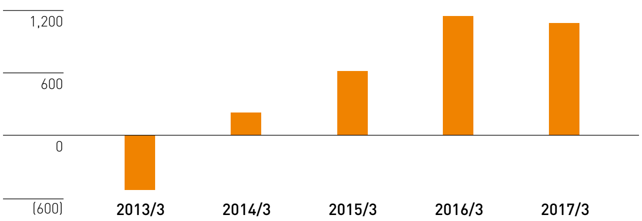
A Look Back at the Year Ended March 31, 2017

- Solid results from the *Comfortable Lifestyle Support Service* and other services that help address everyday inconveniences, including those relating to house cleaning, home organization and storage, and purchase of unwanted items
- Actively promoted sales of procurement services for return goods from *Furusato Nozei* (a tax scheme that allows taxpayers to divert part of their residential tax to a specified local government) and other goods, as well as office support services
- Decreased sales in the "Technical Network Business" due to the shrinking market in household-energy equipment as well as a decrease in highly profitable one-off projects
- As a result of the above, operating revenues was up while operating profit was down

Operating Revenues (¥ million)



Operating Profit (¥ million)



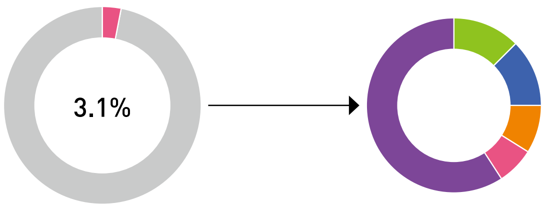
Commenced Operations of Home Appliances Recycling Service

In October 2016, we commenced operations of the *Kuroneko Home Appliances Recycling Service* in collaboration with authorized home appliance business operators. This service allows customers to recycle electrical appliances that are covered under the Home Appliance Recycling Act at the same time as they use other Yamato Home Convenience services such as moving services, the *Comfortable Lifestyle Support Service*, and the *Raku Raku Household TA-Q-Bin E-Commerce Total Support Service*. Leveraging the know-how we have cultivated in moving services and household goods delivery, this service handles all aspects of home appliance recycling, from the pickup of electronic appliances and transport to the nearest collection center to product confirmation and delivery to recycling facilities. In these ways, the service eliminates the need for customers to recycle items through separate collection services or transport large electronic appliances to recycling facilities themselves.

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.

Composition Ratio of Operating Revenues



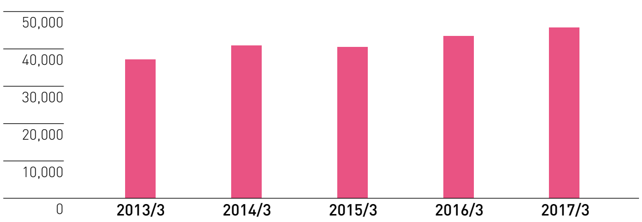
Breakdown of the Composition Ratio of Operating Revenues

e-logistics solution	0.8%
Credit card solution	0.7%
IT operating solution	0.5%
Web-based mail order solution	0.4%
Others	3.7%

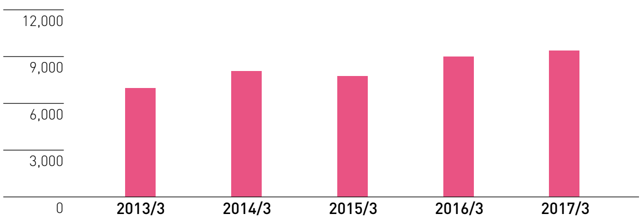
A Look Back at the Year Ended March 31, 2017

- Continued strong results from the "Setup and Logistics Solution Business," which is geared toward mobile virtual network operators (MVNOs)
- Centered on existing large-lot customers, use of the *Web-Based Shipment Control Service*, which provides comprehensive support for such operations as dispatch information processing, printing of delivery slips, and freight tracking, increased on the back of growth in the e-commerce market
- As a result of the above, both operating revenues and operating profit increased

Operating Revenues (¥ million)



Operating Profit (¥ million)



Providing Cutting-Edge Logistics Services Using 3D Printers

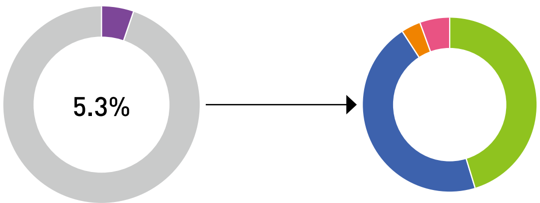
The 3D printing market is expected to grow further in the future. For this market, we started the provision of the *On Demand 3D Printing Service*, the first service in Japan to combine a nationwide speedy transportation network with 3D printing functions. We also established the 3D Printing Center at *Haneda Chronogate*, which provides made-to-order products and mixed model/low-volume production services needed by business operators on a one-stop basis, covering everything from the creation of 3D printing data to molding and product delivery. At the moment, the center primarily handles products for medical use, such as therapeutic equipment and 3D models. The services the center provides allow for substantial reductions in both production time and delivery time.

Going forward, we hope to expand such services beyond products for medical use to include such areas as made-to-order trial products for manufacturers. At the same time, we will set our sights on entering markets in overseas countries, starting with the ASEAN region.

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.

Composition Ratio of Operating Revenues



Breakdown of the Composition Ratio of Operating Revenues

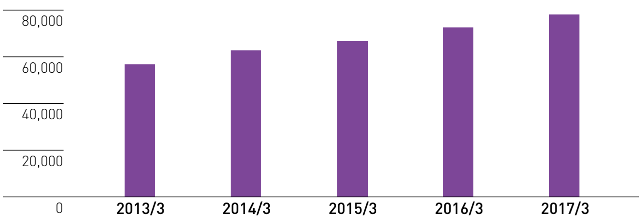
Payment*	2.5%
Lease	2.5%
Credit & Finance	0.2%
Others	0.3%

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

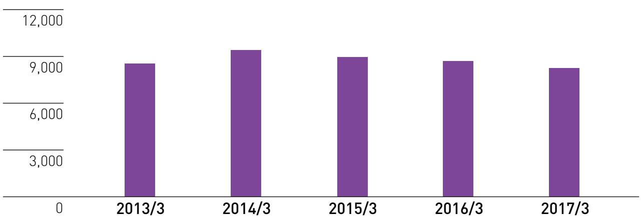
A Look Back at the Year Ended March 31, 2017

- Encouraged use of *Kuruneko Web Collect* and *Kuroneko Pay After Delivery* services with customers who use *TA-Q-BIN collect*
- Generated steady results in the lease services businesses with respect to financial leases, primarily involving trucks, and installment sales
- For e-money related services, promoted efforts to increase sales generated by our *Multi e-money Settlement Terminals Rental Service*
- Stagnant growth in the payment business (formerly the *TA-Q-BIN Collect* business) due to the shrinking market for cash-on-delivery settlements
- As a result of the above, operating revenues rose while operating profit declined

Operating Revenues (¥ million)



Operating Profit (¥ million)



Offering New Payment Functions in Collaboration with Fintech Operators in Malaysia

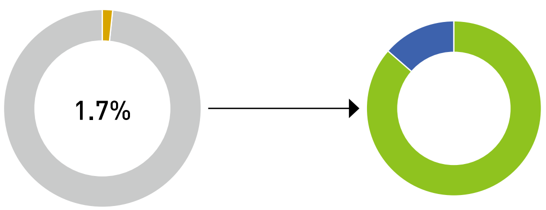
The e-commerce market in Malaysia is expanding rapidly, with an average annual growth rate of 17%. At Yamato Financial Co., Ltd., we are collaborating with the Malaysian Fintech operator Soft Space Sdn. Bhd. and began providing new payment functions that leverage "mPOS"*, which settles payments using smartphones and tablets, in October 2016. These functions help meet the needs of e-commerce business operators in Malaysia. Through the introduction of "mPOS" in the *Credit Card On Delivery Service* offered by Yamato Transport (M) Sdn. Bhd., we are making it possible to simultaneously conduct deliveries and settle payments. This, in turn, helps eliminate buyer uneasiness regarding settling payment before a product is delivered and realizes smooth payment and receipt at the entrance of a buyer's residence. In addition, by offering buyers a wide range of payment options, we are increasing opportunities for repeat and additional sales, thereby helping to improve the sales levels of distributors.

* Abbreviation for "mobile point of sales."

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.

Composition Ratio of Operating Revenues



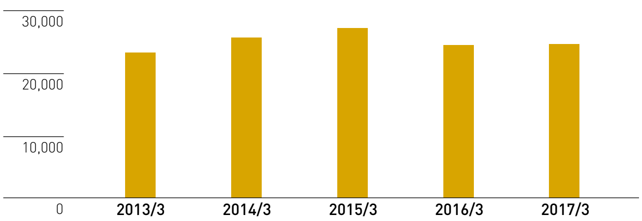
Breakdown of the Composition Ratio of Operating Revenues

Truck solution	3.2%
Others	0.5%

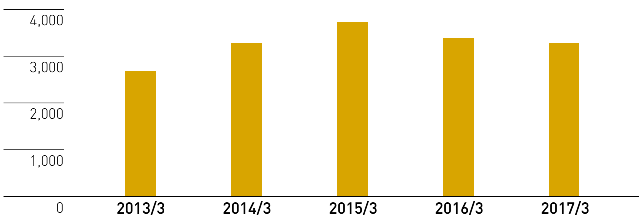
A Look Back at the Year Ended March 31, 2017

- Increased number of vehicles serviced due to the aggressive promotion of *Repairworks* road service, which entails periodic on-site customer visits
- Unit price of fuel declined and initial investment in new services was carried out
- As a result of the above, operating revenues rose while operating profit declined

Operating Revenues (¥ million)



Operating Profit (¥ million)



Promoting Accident Prevention with the *Repair Network*

In terms of vehicle repair, a service that is evolving on a day-to-day basis, the workload of service operators is gradually increasing due to such factors as the strict adherence to legal inspections, repairs resulting from the wide variety of car models of numerous manufacturers, and declining vehicle maintenance costs. At Yamato Autoworks Co., Ltd., to address such issues through a one-stop process, we added a service within our *Repairworks* road service, which handles customer inquiries by visiting their offices with purpose-built trucks equipped with maintenance equipment. This newly added service, entitled *Repair Network*, involves regular visits by expert licensed mechanics and is being offered at all our plants across Japan. In addition to steadily implementing legal inspections, *Repair Network* also conducts regular service and inspections to predict and prevent accidents. In these ways, *Repair Network* supports the continuous operation of safe logistics.

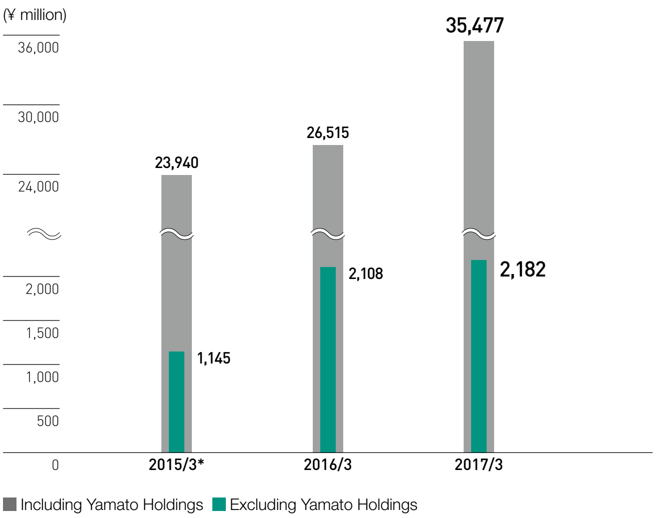
Other Services

Through Other Services, we provide a broad range of shared services such as the arterial rout transportation business and the box charter business. 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, 2017, service use grew steadily due to favorable results with respect to chilled transport and other optional services, in addition to existing services.

Excluding dividends that Yamato Holdings Co., Ltd., received from the Group companies, operating profit in Other Services increased 3.5% from the previous year, to ¥2,182 million.

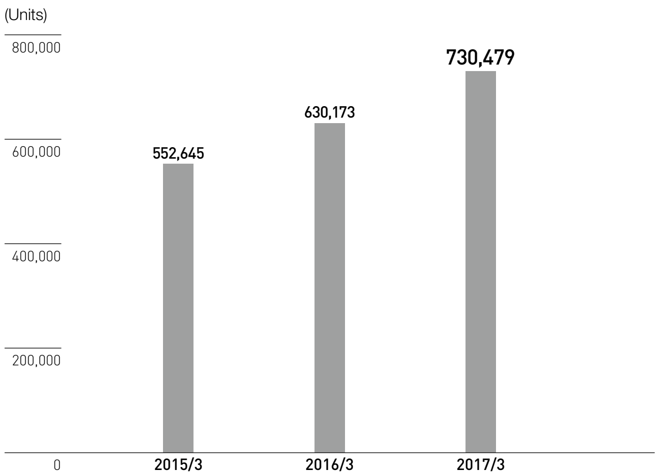
JITBOX Charter

Operating Profit



* 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*



The Yamato Group: Creating Shared Value (CSV) Initiatives

Based on the concept of Creating Shared Value (CSV), which involves realizing both economic and social value as a company while addressing the needs of customers, the Yamato Group is collaborating with local governments nationwide in an effort to create a totally new business structure.

Establishment of the Next Delivery SQUARE in the Fujisawa Sustainable Smart Town

Making life more comfortable through smart, eco-friendly distribution services

In November 2016, Yamato Transport Co., Ltd. opened the Next Delivery SQUARE in the Fujisawa Sustainable Smart Town (hereinafter, Fujisawa SST).* The Next Delivery SQUARE serves as an infrastructure for comprehensive distribution for all of Fujisawa SST. By providing total support for the day-to-day needs of residents of Fujisawa SST in such ways as on-demand distribution, the Next Delivery SQUARE is contributing to more convenient, comfortable, and secure lifestyles. In doing so, the Next Delivery SQUARE is helping Fujisawa SST, which encourages sustainable lifestyles, progress its transformation into a more open, easy-to-live-in town.

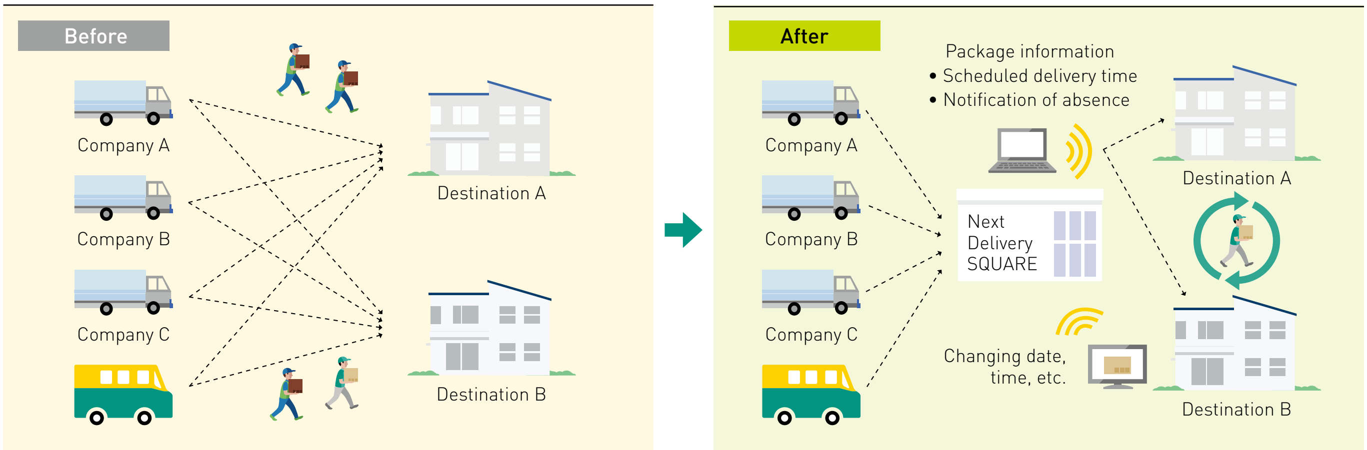
* Fujisawa SST is a "smart town" in Fujisawa City, Kanagawa Prefecture, that aims for sustainable town development over the next 100 years by encouraging sustainable lifestyles for its residents and introducing new services and technologies.

In addition, Yamato Transport employees are conducting programs for children attending kindergartens and elementary and junior high schools located near Fujisawa SST that convey knowledge on traffic safety and the importance of having a job. Through efforts such as these, Yamato Transport employees are working to establish sustainable communities within Fujisawa SST.

Going forward, we will create new ideas grounded in the concept of improving the quality of life for Fujisawa SST residents, including the introduction of systems that allow residents to confirm where a sales driver is and about how long it will take for the driver to arrive, as well as unmanned facilities that enable parcel pickup even late at night.

Overview of the Next Delivery SQUARE

Packages in Fujisawa SST were previously delivered via different door-to-door delivery service providers. Through the Next Delivery SQUARE, Yamato Transport provides a centralized delivery service that makes it possible to deliver packages all at once without having to rely on separate service providers. In addition, the Next Delivery SQUARE integrates all package information and offers delivery notification services through smart TVs installed in all residences in Fujisawa SST. These services transmit all scheduled deliveries for the day and inform residents if a package has arrived while they were away from home. As residents are able to change delivery dates and times and designate delivery locations on the smart TV screen, they no longer need to spend time and effort contacting each individual courier company to receive packages separately. This in turn enables eco-friendly and smart home deliveries.

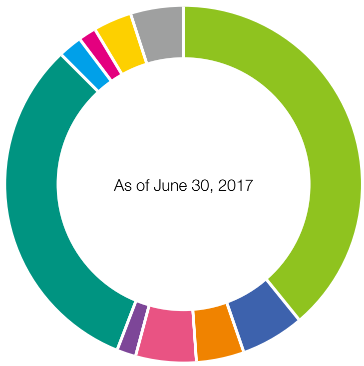


Change: Advance of social issues, such as Japan's decreasing birthrate and aging population

Promotion of CSV in Cooperation with Local Communities (Project G)

In aiming to become the "company most loved and trusted by society," the Yamato Group is promoting Project G, which engages in revitalizing local communities and resolving issues in cooperation with local governments and local government agencies. Project G's solutions include expanding the sales channels for specialty products and watch-over service support for the elderly all over Japan.

Number of Project G Solutions: 1,971 (As of June 30, 2017)



Breakdown of the 368 Project Agreements with Local Governments

Watch-over support	145	Disaster relief support	117
Shopping support services	20	Hometown tax payments	8
Product support services	15	Combined passenger-cargo operations using buses	6
Tourism promotion support	20	Comprehensive support	13
Event support	6	Other	18

Concluded Agreement with the Tokyo Metropolitan Government to Support the Elderly

To realize local communities in which elderly people and their families can continue to live comfortably and with peace of mind, Yamato Transport entered into an agreement with the Tokyo Metropolitan Government to help support the elderly. Under this agreement, our sales drivers will not only watch over elderly residents, they will also provide support to elderly people suffering from dementia and their families by notifying relevant institutions in cases where they observe signs of fraud or other acts that harm consumers. In doing so, our drivers will help address local issues and invigorate local communities.

Watching Over Elderly People Living Alone

In communities where the population has aged and decreased, Yamato Transport is drawing on its *TA-Q-BIN* network in collaboration with local governments to monitor the health, safety, and other conditions of elderly people living by themselves in a convenient and low-cost manner. Yamato Transport is expanding these efforts to watch over the elderly on a nationwide basis.

We are also working with local governments to regularly deliver periodicals and other materials, and we summarize and report the results of these deliveries to local government agencies. For communities with a large number of elderly people who have difficulty shopping on their own, we offer services that provide shopping assistance to the elderly, in addition to watching over their health. In these ways, we customize our services based on the issues facing individual communities.

Expanding the Development of Combined Passenger-Cargo Operations — *TA-Q-BIN* Transportation via Bus Routes

Our combined passenger-cargo operations represent efforts to switch over a certain portion of truck transportation to transportation via bus by removing a number of seats from buses to make room for cargo. These efforts help bus operators secure new sources of revenue to help maintain bus routes. For local governments in mountainous areas where the population has aged and decreased, these efforts help maintain and improve lifestyle services for local residents through stable public transportation. These efforts also increase the amount of time our sales drivers spend in local communities, thereby allowing them to provide services that are more connected to local community needs. Furthermore, combined passenger-cargo operations help us reduce our environmental burden.

These operations, which commenced in 2015 in Iwate Prefecture, have now been expanded to cover Miyazaki, Hokkaido, Kumamoto, Hyogo, Nagano, and Wakayama prefectures. In addition, starting from January 2017, we began bus operations in Miyazaki Prefecture that allow for Cool *TA-Q-BIN* transportation using special refrigerated boxes.

Bus used in combined passenger-cargo operations (Miyazaki Prefecture)

Special refrigerated box

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 as a 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 Safety Management 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 31, 2017, and part of the goals for the fiscal year ending March 31, 2018, are listed below.

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

Traffic Accidents

Item	Results for the fiscal year ended March 31, 2017	Goal for the fiscal year ending March 31, 2018
No. of serious traffic accidents	4	0
No. of serious work-related accidents	0	0

Source: Yamato Transport's publicly disclosed "Transport Safety Management" information (Japanese-language only)

Results for the Fiscal Year Ended March 31, 2017

Results for the Fiscal Year Ended March 31, 2017

1. Operating expenses for on-board See-T Navi systems ....¥336.0 million
2. Long-running no accident commendation awardees amount ....¥604.5 million
3. Expenses related to long-running no accident commendation ceremony..¥62.0 million
4. Expenses related to Nationwide Safety Meet.....................................¥7.1 million
5. Introduction of Event Data Recorders ....¥62.0 million

Budget Plan for the Fiscal Year Ending March 31, 2018

1. Operating expenses for on-board See-T Navi systems ....¥312.0 million
2. Long-running no accident commendation awardees amount ....¥567.0 million
3. Expenses related to long-running no accident commendation ceremony..¥71.5 million
4. Expenses related to Nationwide Safety Meet.....................................¥8.2 million
5. Introduction of Event Data Recorders ....¥383.0 million
6. Safety-related training for team leaders..¥6.0 million

Training of Sales Drivers Who Prioritize Safety Above All Else

To train excellent drivers who prioritize safety above all else, the Yamato Group has expanded and upgraded its training system and engages in the provision of detailed guidance on a daily basis. Yamato Transport drivers hired following a rigorous aptitude test receive training when they join the Company that includes safety training and other training for approximately one month after they have entered the Company. After earning their internal Yamato licenses, they come to the actual business of driving for the first time. Even after that, they hone their driving skills through training sessions one year after joining, regular ride along instruction and on-the-road patrols by safety experts and managers, and a driving manager aptitude examination once every three years.

Ingraining Safety Awareness into Employees

With the aim of improving the safety driving levels of its professional drivers, maintaining Companywide safety awareness, and improving driving techniques, Yamato Transport holds the Yamato Transport Nationwide Safety Meet. At the Sixth Annual Yamato Transport Nationwide Safety Meet held in October 2016, a new category for two-ton multipurpose automatic transmission vans was added to the existing category for two-ton multipurpose manual transmission vans to respond to the increase in the number of drivers who only have licenses for vehicles with automatic transmission.

Skill test for driving two-ton multipurpose vehicles

Supporting Safety by Thorough Maintenance Management

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 are in operation around the clock throughout the year. Aside from naturally responding quickly in the event of a breakdown, they 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 breakdowns occur by frequently checking the status of vehicles and gathering information. Of the approximately 940 mechanics, the number that hold automobile inspector qualifications, which enable them to carry out complete inspections to determine whether vehicles meet safety standards once maintenance has been completed, has climbed to 600 (as at March 31, 2017). 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

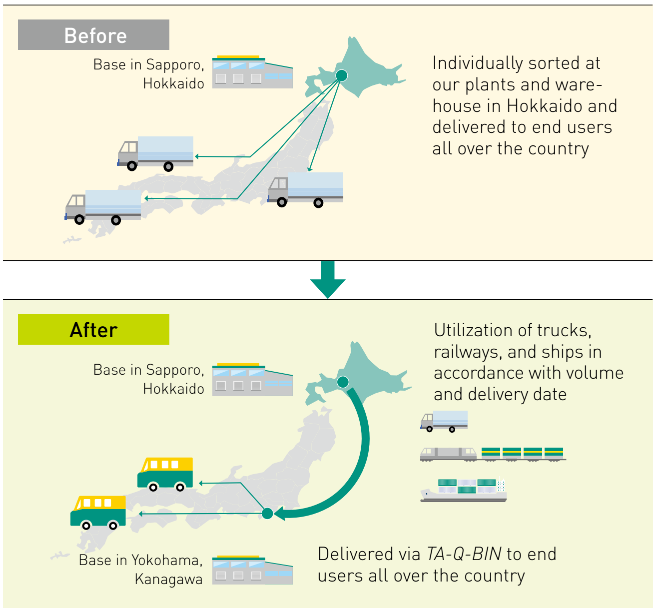
By considering that efforts form part of a corporation's responsibility to society, the Yamato Group refers to its environmental conservation initiatives as "Necology." The Group establishes environment-friendly logistics by thoroughly ensuring the environmental friendliness of all aspects, especially for packaging, transportation, and delivery.

Companywide Promotion of Modal Shift

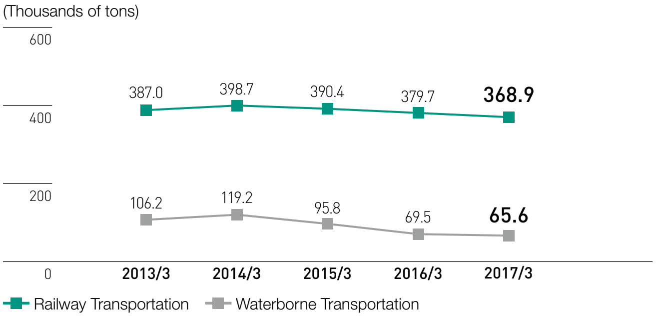
As an initiative designed to reduce CO_2 emissions, the Yamato Group is encouraging all its companies to perform a modal shift to utilize railways as their trunk-route transport. The Group's efforts to bring about an increasing shift away from trucks, by switching to railways or ships when shipping freight from Hokkaido to Kanagawa Prefecture, helped realize a decrease in CO_2 emissions of about 285 tons.

Following an assessment of this initiative, Yamato received the Modal Shift Excellent Business Entity Award (New Development Division) at the 14th Annual Awards Ceremony for Excellent Business Entities Working on Modal Shift that has the Japan Association for Logistics and Transport as its main sponsor.

Utilizing Railways and Ships for Long-Distance Transportation



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



Introduction of Semi-trailers and Full Trailers with New Standards

Through collaboration with automobile and other manufacturers, Yamato Transport has developed and introduced newly standardized connected trailers, the first of their kind in Japan, which have a greater overall length compared with conventional models. These trailers will help us improve the efficiency of high-frequency, trunk-route transportation between *Atsugi Gateway*, *Chubu Gateway*, and *Kansai Gateway*. At the same time, the trailers will help us reduce our CO_2 emissions.

Introduced Vehicle

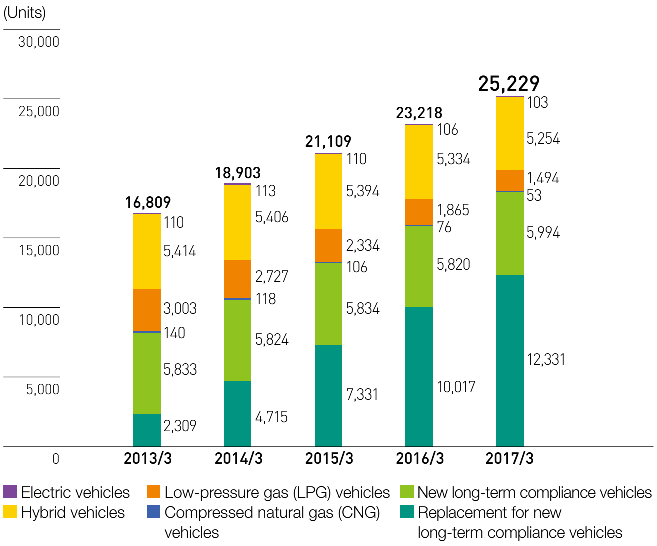
Vehicles introduced in November 2016

- Van-type semi-trailer........... 8% higher loading capacity than conventional models
- Van-type full trailer .... 23% higher loading capacity than conventional models

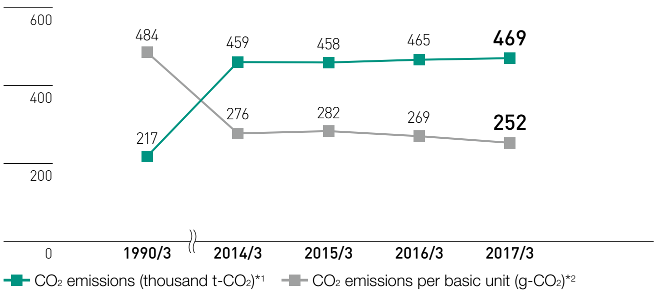
Vehicles introduced in September 2017

- Super-full trailer 25 (25 meter-long connected trailer)
  .... 46% higher loading capacity than conventional models

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



CO_2 Emissions from Vehicles (Yamato Transport Co., Ltd.)



Notes: *1. Figures are calculated in accordance with the Ministerial Ordinance on Calculation of Greenhouse Gas Emissions Arising from Business Activities of Specified Emitters.
*2. CO_2 emissions per basic unit = Total CO_2 emissions / Number of parcels delivered via *TA-Q-BIN* service

Corporate Governance

For the year ended March 31, 2017

Basic Position on Corporate Governance

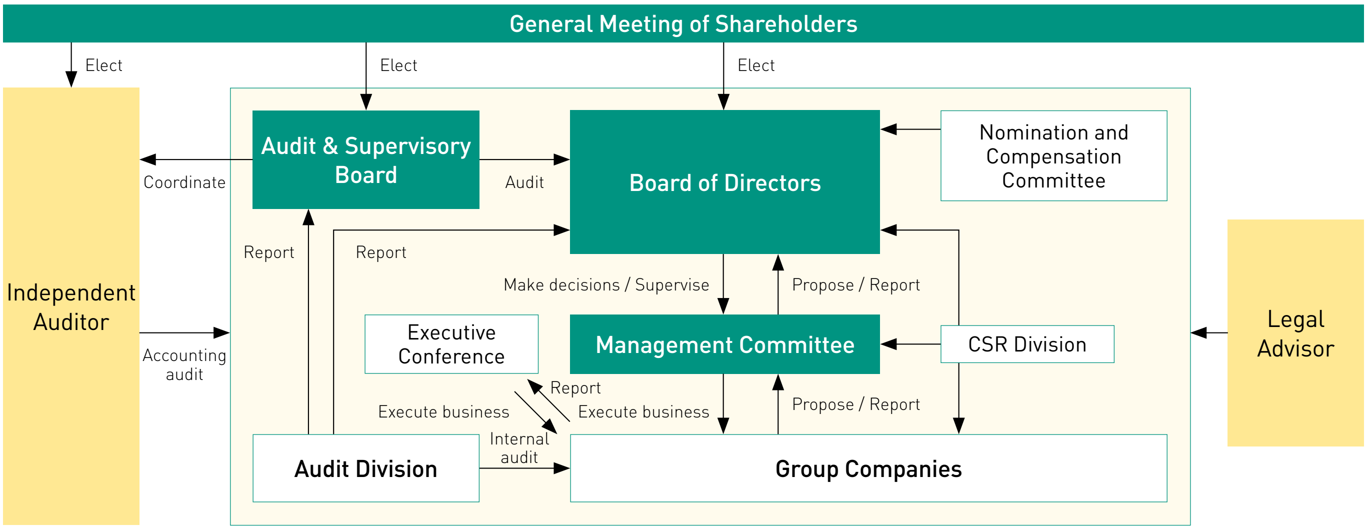
Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities 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 July 1, 2017)

System	Company with auditors
Number of directors	8
Outside directors	3
Number of Audit & Supervisory Board members	4
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, 2017
Outside Directors	Toshitaka Hagiwara	YES	• Adviser of Komatsu Ltd. • Outside Director of Zensho Holdings Co., Ltd. • Outside Director of Hino Motors, Ltd. • Outside Director of Takamatsu Construction Group Co., Ltd.	Toshitaka Hagiwara has ample experience and extensive knowledge as a businessperson, and 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: 16 of 17 meetings
	Masakatsu Mori	YES	• Vice Chairman of the International University of Japan • Board of Director of SKY Perfect JSAT Holdings Inc. • Board of Director of Stanley Electric Co., Ltd. • Outside Audit & Supervisory Board Member of Kirin Holdings Company, Limited	Masakatsu Mori has ample experience and extensive knowledge as a businessperson, and 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: 17 of 17 meetings
	Mariko Tokuno	YES	• Outside Director of Happinet Corporation • Outside Director of Mitsubishi Materials Corporation	(Appointed in June 2017)	—
Outside Audit & Supervisory Board members	Hiroyuki Kanae	YES	• Partner, Anderson Mori and Tomotsune LPC	Hiroyuki Kanae has ample experience in finance and accounting through his professional experience as a lawyer. Furthermore, he 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: 16 of 17 meetings Audit & Supervisory Board: 17 of 18 meetings
	Takashi Yamashita	YES	• Representative of Takashi Yamashita CPA Office • Outside Director of Shin Nippon Biomedical Laboratories, Ltd.	(Appointed in June 2017)	—

The Company is a company with an Audit & Supervisory Board. In addition to the Board of Directors supervising important management decision-making and business execution, Audit& Supervisory Board members and the Audit & Supervisory Board which are independent from the Board of Directors shall audit the status of execution of duties by directors.

Board of Directors

Roles and duties

- The Board of Directors shall make important decisions concerning the Company's business and supervises the execution of duties by executive directors and executive officers.
- The Board of Directors shall recognize the medium-term management plan as one of the commitments to shareholders and do its utmost to achieve the goals of the plan. Moreover, the Board of Directors shall sufficiently analyze the initiatives aimed at realizing the goals of the medium-term management plan as well as the extent to which the plan's objectives are being achieved. In addition to providing explanations to shareholders, such analyses shall be reflected in future management plans.
- The Board of Directors shall encourage executive officers to demonstrate a healthy entrepreneurial spirit and not excessively avoid or curb risk, while at the same time establishing a framework that enables it to ensure accountability.
- The scope of responsibility of each executive officer shall be decided by the Board of Directors and disclosed. Executive officers shall execute business in accordance with internal regulations.

Management

- To allow Board of Directors meeting attendees the opportunity to prepare for meetings in advance, the Board of Directors secretariat shall send agenda items and related materials to directors well in advance of the meeting date and provide explanations in advance as needed.
- The annual schedule of Board of Directors meetings as well as anticipated agenda items shall be decided in advance, and this information shall be provided to directors and Audit & Supervisory Board members.
- The number of issues to be deliberated as well as the frequency of meetings shall be appropriately set, and the time of meetings shall be decided so as to allow sufficient time for deliberations.
- As needed, meetings comprising Board of Directors meeting attendees shall be held for the purpose of exchanging ideas, thereby encouraging lively debate.
- The effectiveness of the Board of Directors shall be evaluated through questionnaires and interviews performed by the chair.

Audit & Supervisory Board

Roles and duties

- The Audit & Supervisory Board and its members shall exercise their authority actively and proactively, and they shall appropriately state their opinions at Board of Directors meetings as well as to members of senior management.
- The full-time Audit & Supervisory Board members shall attend Board of Directors meetings and other important meetings related to the execution of business, express reasonable opinions, hold effective Audit & Supervisory Board meetings, and ensure that information is shared and that members work together in a coordinated manner.
- The Audit & Supervisory Board shall regularly hold information exchange meetings for the purpose of sharing information with outside directors, thereby ensuring more robust gathering of information and encouraging teamwork.

Nomination and Compensation Committee

- The Nomination and Compensation Committee shall comprise outside directors and the same number or fewer internal directors with an outside director serving as the committee chair.
- The committee shall deliberate on matters related to the appointment or removal of senior management members based on business performance and multifaceted observations and evaluation, thereby verifying the validity of such decisions, and decide policies on compensation and other matters related to senior management members.
- The committee shall propose candidates as successors to the representative director to the Board of Directors, following deliberation based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors, thereby increasing management transparency.

Support Framework for Directors and Audit & Supervisory Board Members

- The Company shall establish a support framework that enables it to provide necessary and adequate information at the necessary time to allow directors to effectively fulfill their roles and duties.
- By participating in key business strategy meetings for the overall Group, such as the "Business Summit," "Business Conference," and "Management Plan Unveiling," as well as by observing key Group business sites, including those overseas, participants are able to better understand the business strategies and provide opportunities to see how these strategies are being advanced.
- As a system to help Audit & Supervisory Board members smoothly perform their duties, employees in the internal audit division shall be appointed to assist Audit & Supervisory Board members.
- Audit & Supervisory Board members shall exercise their authority to perform investigations in accordance with the Companies Act. In addition, if a director or employee discovers a fact that could potentially inflict marked damage on the Company, he/she shall immediately report this fact to an Audit & Supervisory Board member, even if there is no request to do so from an Audit & Supervisory Board member.
- If a director or Audit & Supervisory Board member believes it to be necessary, he/she shall obtain advice from an outside expert at the Company's expense.
- The internal audit division shall regularly hold meetings with the full-time Audit & Supervisory Board members, and provide audit reports in a planned manner to the Board of Directors and the Audit & Supervisory Board, thereby enhancing the provision of information to as well as bolstering coordination with outside directors and outside Audit & Supervisory Board members.

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)	284	284	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	46	46	2
Outside directors and Audit & Supervisory Board members	46	46	4

■ 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.

In addition, for executives at or above the level of executive officer, a certain percentage of their compensation is allocated to purchase shares of Company through the Officers and Executives' Shareholding Association.

Policy on cross-shareholdings

The Company shall maintain a policy of owning stocks that are deemed meaningful, based on a comprehensive consideration of the relationship with the Group's businesses and the profitability of the company, among other factors. With respect to the key stocks that the Company owns, a decision shall be made every year at the Board of Directors meeting concerning whether to continue holding the stocks, based on careful consideration of various factors including the effect of holding the stock on strengthening the alliance, the business track record with the company, and the market price of the shares.

In exercising the voting rights of shares held, decisions on supporting or opposing shareholders' meeting agenda items shall be made on a case-by-case basis, with consideration given to the issuing company raising its corporate value, the issuing company's compliance framework, and the possibility that the issue will have a negative impact on the Group's business, among other factors.

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

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, 2017, was considered valid, and a report was submitted to the Kanto Local Finance Bureau.

■ Reinforcing the Whistle-Blower System

With regard to compliance violations by the Company, employees, directors, and other members, the Yamato Group ensures an appropriate framework related to whistle-blowing by having in place a contact point for the president, a contact point managed by the Compliance and Risk Committee, and a contact point managed by an outside attorney. The Company shall secure a framework in which employees who report on such violations are protected under whistle-blower regulations. Violations and responses to violations shall be regularly reported to the Compliance and Risk Committee, as well as reported to the Board of Directors if deemed necessary by the responsible officer.

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 it is expected to keep offering the steady service even under unforeseeable circumstances. Therefore, we formulated a business continuity plan (BCP) to prepare for these circumstances.

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 and the 2016 earthquakes with epicenters in Kumamoto and Oita. 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. Furthermore, the Group has established the Disclosure Policy in order to disclose and manage information in a more appropriate manner and enhance the reliability of that 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 the Chief Financial Officer. Meetings for the second, third, and fourth quarters are held with the president.
Visits by the president to investors in the United States, 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 with the president	2 per year	Creating regular opportunities for direct dialogue with management
Facility tours	2 or more per year	Creating regular opportunities to promote understanding of business operations
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	–	Responsible for developing IR strategies to initiate dialogue with shareholders and other investors and disclosing information

Directors

As of June 23, 2017

Yutaka Nagao Hitoshi Kanamori Haruo Kanda Masaki Yamauchi Makoto Kigawa Toshitaka Hagiwara Masakatsu Mori Mariko Tokuno

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)

Hitoshi Kanamori

Director, Senior Managing Executive Officer

Apr. 1979 Joined Yamato System Development Co., Ltd.
Feb. 1996 General Manager of System Equipment Sales Division
Apr. 2006 General Manager of Division of Information Systems of Yamato Transport Co., Ltd.
Apr. 2007 Executive Officer, General Manager of Management Strategy
Apr. 2008 Managing Executive Officer
Apr. 2009 Representative Director and Managing Executive Officer
Apr. 2011 Executive Officer of the Company
Apr. 2011 Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.
Apr. 2015 Senior Managing Executive Officer
Apr. 2017 Coordinator-General of Management Strategy, Global Business Strategy, IT Strategy, Key Account Management (current)
Jun. 2017 Director and Senior Managing Executive Officer (current)

Yutaka Nagao

Director, Executive Officer

Apr. 1988 Joined the Company
Apr. 2004 Regional Branch Manager of Yamaguchi Regional Branch
Apr. 2006 Regional Branch Manager of Saitama Regional Branch of Yamato Transport Co., Ltd.
Apr. 2009 General Manager of TSS Sales Promotion Office
Apr. 2010 Executive Officer and President of Kanto Regional Office
Apr. 2013 Managing Executive Officer
Apr. 2015 Executive Officer of the Company
Apr. 2015 Representative Director, President and Executive Officer of Yamato Transport Co., Ltd. (current)
Jun. 2017 Director and Executive Officer (current)

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 of Komatsu Ltd. (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)

Mariko Tokuno

Outside Director

Jan. 1994 Joined Louis Vuitton Japan KK
Apr. 2002 Senior Director for Sales Administration
Mar. 2004 Vice President of Tiffany & Co. Japan Inc.
Aug. 2010 Representative Director and President of Christian Dior Japan KK
Sep. 2013 Representative Director, President and CEO of Ferragamo Japan KK
Jun. 2017 Director of the Company (current)

Audit & Supervisory Board Members

As of June 23, 2017

Etsuo Ogawa   Kazuko Takahara   Hiroyuki Kanae   Takashi Yamashita

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 of Yamato Logstics Co., Ltd.
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)

Hiroyuki Kanae

Audit & Supervisory Board Member (Independent)

Apr. 1979	Licensed and registered as an attorney at law (Bengoshi) at Daini Tokyo Bar Association
Sep. 1987	Joined Coudert Brothers LLP (New York)
Jul. 1988	Licensed and registered as an attorney at law in the State of New York
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	Through the consolidation of law offices, name change to Bingham McCutchen Murase, Sakai Mimura Aizawa, Foreign Law Joint Enterprise (Partner)
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)

Takashi Yamashita

Audit & Supervisory Board Member (Independent)

Oct. 1983	Joined Asahi Accounting Company
Mar. 1987	Registered as a Certified Public Accountant
May 2003	Representative Partner of Asahi & Co. (currently: KPMG AZSA LLC)
Aug. 2014	Established Takashi Yamashita CPA Office, Representative (current)
Jan. 2015	Registered as a Certified Tax Accountant
Jun. 2017	Audit & Supervisory Board Member of the Company (current)

Executive Officers

As of June 23, 2017

Kenji Minaki

Senior Managing Executive Officer
Responsible for East Asia regional headquarters

Kenichi Shibasaki

Senior Managing Executive Officer
Responsible for overseeing Financing and Investor Relations

Hideo Tanzawa

Managing Executive Officer
Responsible for Public Relations Strategy, Business Strategy, Tokyo Olympic and Paralympic Promotion

Shinji Makiura

Managing Executive Officer
Responsible for Corporate Strategy

Tomoki Otani

Senior Executive Officer
Responsible for Human Resources Strategy, Logistics Network Strategy, Internal Audit, CSR and Audit of the Company

Katsuhiko Umetsu

Senior Executive Officer
Director and Chairman, Yamato Global Logistics Japan Co., Ltd.

Koji Homma

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

Atsushi Ichino

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

Yoshihiko Hoshino

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

Tetsuya Egashira

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

Naomi Ogata

Executive Officer
Representative Director and President, Yamato Financial 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 Global Marketing and Development, US and European regional headquarters

Yorimasa Tanaka

Executive Officer
Responsible for Technology Strategy

Ryutaro Narui

Executive Officer
Responsible for Planning and Management of Strategic Alliance

Atsushi Kashimoto

Executive Officer
Responsible for Investor Relations

Tsutomu Sasaki

Executive Officer
Responsible for Corporate Strategy

Financial Section

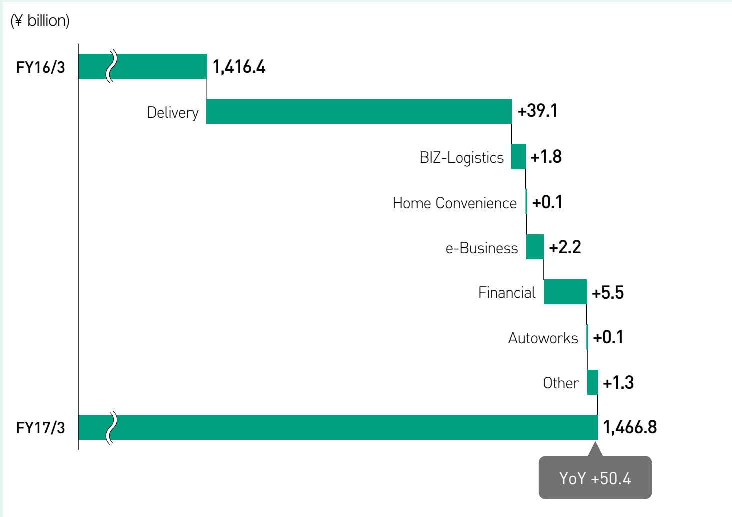
Ten-Year Summary and Business Highlights

	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3
RESULTS OF OPERATIONS:							
Operating revenues	¥1,225,974	¥1,251,922	¥1,200,834	¥1,236,520	¥1,260,833	¥1,282,374	¥1,374,610
Delivery	981,142	997,898	966,480	995,651	1,014,564	1,028,219	1,099,400
Non-delivery	244,832	254,024	234,354	240,869	246,269	254,155	275,210
Operating costs	1,129,008	1,167,764	1,110,971	1,143,006	1,163,777	1,181,834	1,274,471
Selling, general and administrative expenses	28,786	28,437	28,474	29,200	30,405	34,337	37,043
Operating income	68,180	55,721	61,389	64,314	66,651	66,203	63,096
Income before income taxes and minority interests	67,596	48,996	60,434	61,836	45,817	64,284	65,882
Income taxes	31,447	23,349	28,096	28,491	26,059	29,563	31,003
Net income attributable to owners of parent	35,353	25,523	32,282	33,208	19,787	35,144	34,776
PER SHARE OF COMMON STOCK:							
Basic net income	¥ 79.80	¥ 57.60	¥ 71.84	¥ 73.42	¥ 46.00	¥ 81.85	¥ 82.22
Diluted net income	78.12	56.45	71.16	73.30	44.87	79.84	80.18
Cash dividends	22.00	22.00	22.00	22.00	22.00	23.00	24.00
Net assets per share	1,050.99	1,073.86	1,130.33	1,173.60	1,197.26	1,261.35	1,316.12
Stock price (closing), end of year	1,460	927	1,314	1,290	1,279	1,740	2,224
FINANCIAL POSITION:							
Working capital	¥ 125,355	¥ 159,937	¥ 165,890	¥ 185,922	¥ 182,111	¥ 186,868	¥ 179,999
Total shareholders' equity	465,801	475,815	512,910	515,602	514,996	534,451	551,379
Total assets	874,219	869,606	878,641	899,363	919,295	950,153	1,032,134
Capital expenditures	124,832	45,856	39,700	52,472	48,615	48,052	79,531
Depreciation and amortization	44,772	42,697	39,883	39,583	38,682	37,936	42,266
Net cash provided by operating activities	116,896	84,463	77,064	87,899	71,843	73,950	80,075
KEY RATIOS:							
Operating income margin (%)	5.56	4.45	5.11	5.20	5.29	5.16	4.59
Net margin (%)	2.88	2.04	2.69	2.69	1.57	2.74	2.53
Return on assets (ROA) (%)	4.15	2.93	3.69	3.74	2.18	3.76	3.51
Return on equity (ROE) (%)	7.76	5.42	6.53	6.46	3.84	6.70	6.41
Current ratio (%)	144.89	158.00	159.82	170.34	164.50	162.39	151.82
Shareholders' equity ratio (%)	53.28	54.72	58.38	57.33	56.02	56.25	53.42
Assets turnover (Times)	1.44	1.44	1.37	1.39	1.39	1.37	1.39
Interest coverage ratio (Times)	223.00	58.57	88.35	73.71	90.52	108.36	153.41
Price earnings ratio (PER) (Times)	18.3	16.1	18.3	17.6	27.8	21.3	27.0
Price book-value ratio (PBR) (Times)	1.4	0.9	1.2	1.1	1.1	1.4	1.7
NON-FINANCIAL DATA:							
Number of employees	169,836	170,662	167,555	171,642	177,301	177,108	193,146
Full-time	80,843	82,601	82,395	83,427	84,293	84,422	87,279
Part-time	88,993	88,061	85,160	88,215	93,008	92,686	105,867
TA-Q-BIN delivery volume (Millions of parcels)	1,236	1,232	1,262	1,348	1,423	1,487	1,665
Unit price (Yen)	644	646	624	609	600	591	574
Kuroneko DM-Bin handling volume (Millions of units)	2,206	2,231	2,262	2,312	2,187	2,112	2,084
Unit price (Yen)	64	65	65	64	62	61	61

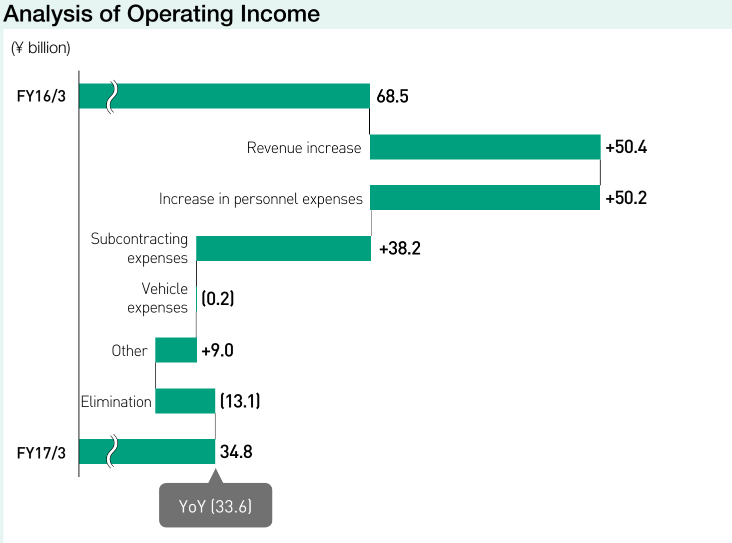
Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥112.19 to U.S. $1.
Note: On March 31, 2015, we ceased accepting items for *Kuroneko Mail* and from April 1 launched *Kuroneko DM-Bin*.

2015/3	2016/3	2017/3	2017/3
		Millions of Yen	Thousands of U.S. Dollars
¥1,396,708	¥1,416,413	¥1,466,852	$13,074,713
1,101,439	1,111,867	1,151,028	10,259,634
295,269	304,546	315,824	2,815,079
1,290,715	1,306,200	1,385,492	12,349,517
37,046	41,673	46,475	414,247
68,947	68,540	34,885	310,949
69,158	68,079	33,038	294,479
31,555	28,415	14,673	130,784
37,533	39,425	18,054	160,921
		Yen	U.S. Dollars
¥ 90.41	¥ 96.45	¥ 45.37	$ 0.40
88.26	95.64	—	—
25.00	28.00	27.00	0.24
1,368.66	1,349.56	1,367.51	12.19
2,772	2,247	2,332.5	—
		Millions of Yen	Thousands of U.S. Dollars
¥ 209,172	¥ 235,884	¥ 214,661	$1,913,373
565,521	537,821	539,179	4,805,949
1,082,531	1,089,437	1,114,672	9,935,576
52,022	53,945	48,994	436,704
46,058	46,739	46,114	411,037
92,620	49,715	73,325	653,575
4.94	4.84	2.38	
2.69	2.78	1.23	
3.55	3.63	1.64	
6.75	7.15	3.35	
158.59	167.76	157.73	
52.24	49.37	48.37	
1.32	1.30	1.33	
173.45	125.33	81.45	
30.7	23.3	51.4	
2.0	1.7	1.7	
197,056	196,582	201,784	
88,247	89,112	90,737	
108,809	107,470	111,047	
1,622	1,731	1,867	
595	578	559	
1,901	1,536	1,542	
61	57	55	

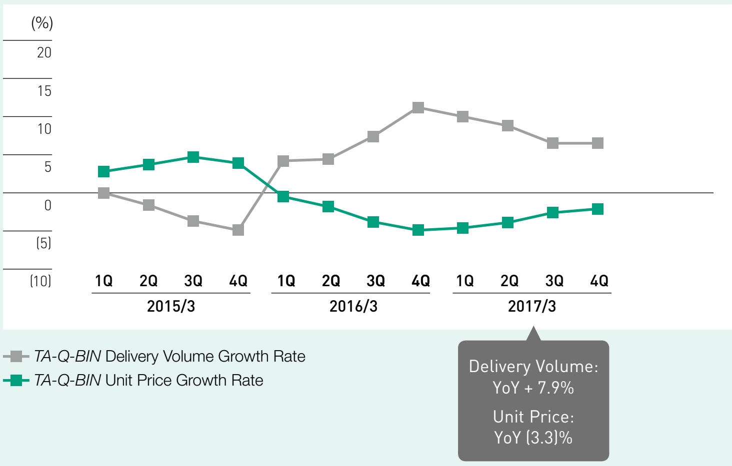
Analysis of Operating Revenues



Analysis of Operating Income



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



Consolidated Balance Sheet

March 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 14)	**¥ 230,129**	¥ 249,594	**$ 2,051,241**
Notes and accounts receivable (Note 14):			
Trade	**208,131**	197,382	**1,855,165**
Installment (Note 4)	**46,142**	43,648	**411,280**
Lease (Note 13)	**50,777**	48,894	**452,601**
Allowance for doubtful accounts	**(1,283)**	(1,079)	**(11,433)**
Inventories (Note 5)	**2,775**	2,858	**24,735**
Deferred tax assets (Note 12)	**20,684**	14,907	**184,370**
Prepaid expenses and other current assets	**29,155**	27,778	**259,870**
Total current assets	**586,510**	583,982	**5,227,829**
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	**178,621**	176,139	**1,592,127**
Buildings and structures	**341,134**	326,889	**3,040,683**
Vehicles	**194,073**	196,054	**1,729,860**
Machinery and equipment	**123,569**	126,243	**1,101,430**
Leased assets (Note 13)	**16,449**	15,411	**146,615**
Construction in progress	**11,749**	23,538	**104,725**
Others	**23,492**	21,700	**209,396**
Total	**889,087**	885,974	**7,924,836**
Accumulated depreciation	**(484,017)**	(480,332)	**(4,314,260)**
Net property, plant and equipment	**405,070**	405,642	**3,610,576**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 14)	**32,588**	30,329	**290,474**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	**22,086**	1,169	**196,859**
Long-term loans	**968**	1,010	**8,631**
Software	**18,149**	14,526	**161,772**
Lease deposits	**16,232**	16,453	**144,683**
Deferred tax assets (Note 12)	**26,643**	27,008	**237,481**
Other assets (Notes 2.k and 9)	**6,426**	9,318	**57,271**
Total investments and other assets	**123,092**	99,813	**1,097,171**
TOTAL	**¥1,114,672**	¥1,089,437	**$ 9,935,576**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 14)	¥ **20,098**	¥ 23,615	$ **179,143**
Current portion of long-term debt (Notes 8, 14 and 15)	**43,304**	34,829	**385,987**
Notes and accounts payable (Note 14):			
Trade	**155,736**	148,456	**1,388,147**
Other	**8,680**	14,461	**77,365**
Income taxes payable	**14,400**	19,783	**128,353**
Accrued expenses	**68,166**	62,508	**607,591**
Deferred profit on installment sales (Notes 4 and 14)	**6,010**	5,895	**53,571**
Provision for special wage payments (Note 2.j)	**15,129**		**134,854**
Other current liabilities (Note 10)	**40,326**	38,551	**359,445**
Total current liabilities	**371,849**	348,098	**3,314,456**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 14 and 15)	**114,767**	115,903	**1,022,966**
Liability for employees' retirement benefits (Notes 2.k and 9)	**70,952**	71,551	**632,428**
Deferred tax liabilities (Note 12)	**3,162**	2,800	**28,187**
Other long-term liabilities (Note 10)	**8,383**	7,230	**74,725**
Total long-term liabilities	**197,264**	197,484	**1,758,306**
COMMITMENTS LIABILITIES (Note 13)			
EQUITY (Notes 11 and 19):			
Common stock—authorized, 1,787,541,000 shares in 2017 and 2016; issued, 411,339,992 shares in 2017 and 2016	**127,235**	127,235	**1,134,101**
Capital surplus	**36,813**	36,813	**328,132**
Retained earnings	**409,271**	402,376	**3,648,015**
Treasury stock—at cost, 17,062,391 shares in 2017 and 12,823,544 shares in 2016	**(39,078)**	(29,076)	**(348,314)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**10,975**	9,790	**97,826**
Foreign currency translation adjustments	**(423)**	751	**(3,770)**
Remeasurements of defined employees' retirement benefit plans (Notes 2.k and 9)	**(5,614)**	(10,068)	**(50,041)**
Total	**539,179**	537,821	**4,805,949**
Non-controlling interests	**6,380**	6,034	**56,865**
Total equity	**545,559**	543,855	**4,862,814**
TOTAL	**¥1,114,672**	¥1,089,437	**$9,935,576**

Consolidated Statement of Income

Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING REVENUES	¥1,466,852	¥1,416,413	$13,074,713
OPERATING COSTS AND EXPENSES:			
Operating costs	1,385,492	1,306,200	12,349,517
Selling, general and administrative expenses	46,475	41,673	414,247
Total operating costs and expenses	1,431,967	1,347,873	12,763,764
Operating income	34,885	68,540	310,949
OTHER INCOME (EXPENSES):			
Interest and dividend income	847	833	7,548
Interest expense	(430)	(548)	(3,835)
Loss on sales and disposal of property, plant and equipment—net	(66)	(91)	(590)
Loss on impairment of long-lived assets (Note 7)	(1,284)	(1,155)	(11,447)
Gain on sales of marketable and investment securities (Note 6)	600	54	5,347
Loss on valuation of investment securities (Note 6)	(1)		(5)
Loss on valuation of investment in unconsolidated subsidiaries and affiliates	(209)		(1,867)
Share of loss of entities accounted for using equity method	(799)		(7,123)
Disaster recovery expenses for the Kumamoto Earthquake	(886)		(7,897)
Other—net	381	446	3,399
Other expenses—net	(1,847)	(461)	(16,470)
INCOME BEFORE INCOME TAXES	33,038	68,079	294,479
INCOME TAXES (Note 12):			
Current	22,094	27,435	196,932
Deferred	(7,421)	980	(66,148)
Total income taxes	14,673	28,415	130,784
NET INCOME	18,365	39,664	163,695
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	311	239	2,774
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 18,054	¥ 39,425	$ 160,921

	Yen		U.S. Dollars (Note 1)
	2017	2016	2017
PER SHARE OF COMMON STOCK (Notes 2.r and 17):			
Basic net income	¥45.37	¥96.45	$0.40
Diluted net income		95.64	
Cash dividends applicable to the year	27.00	28.00	0.24

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥18,365	¥ 39,664	$163,695
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain (loss) on available-for-sale securities	1,269	(3,976)	11,311
Foreign currency translation adjustments	(1,174)	(419)	(10,468)
Remeasurements of defined employees' retirement benefit plans	4,456	(10,787)	39,722
Share of other comprehensive income of entities accounted for using equity method	1		7
Total other comprehensive income (loss)	4,552	(15,182)	40,572
COMPREHENSIVE INCOME	¥22,917	¥ 24,482	$204,267
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥22,519	¥ 24,166	$200,718
Non-controlling interests	398	316	3,549

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2017

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2015	413,194	¥127,235	¥ 70,209	¥395,353	¥(43,008)	¥13,848	¥ 1,169	¥ 715	¥565,521	¥5,678	¥571,199
Net income attributable to owners of the parent				39,425					39,425		39,425
Cash dividends, ¥26 per share				(10,674)					(10,674)		(10,674)
Adjustment of retained earnings for changes in the scope of consolidation				88					88		88
Purchase of treasury stock	(19,851)				(50,006)				(50,006)		(50,006)
Disposal of treasury stock	5,173		(1,637)		11,207				9,570		9,570
Retirement of treasury stock			(30,915)	(21,816)	52,731						
Change in equity related to transaction with non-controlling shareholders			(844)						(844)		(844)
Net change in the year						(4,058)	(418)	(10,783)	(15,259)	356	(14,903)
BALANCE, MARCH 31, 2016	398,516	127,235	36,813	402,376	(29,076)	9,790	751	(10,068)	537,821	6,034	543,855
Net income attributable to owners of the parent				18,054					18,054		18,054
Cash dividends, ¥28 per share				(11,159)					(11,159)		(11,159)
Purchase of treasury stock	(4,239)				(10,002)				(10,002)		(10,002)
Disposal of treasury stock	1										
Net change in the year						1,185	(1,174)	4,454	4,465	346	4,811
BALANCE, MARCH 31, 2017	394,278	¥127,235	¥ 36,813	¥409,271	¥(39,078)	¥10,975	¥ (423)	¥ (5,614)	¥539,179	¥6,380	¥545,559

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2016	$1,134,101	$328,132	$3,586,554	$(259,163)	$87,267	$ 6,691	$(89,740)	$4,793,842	$53,786	$4,847,628
Net income attributable to owners of the parent			160,921					160,921		160,921
Cash dividends, $0.25 per share			(99,460)					(99,460)		(99,460)
Purchase of treasury stock				(89,155)				(89,155)		(89,155)
Disposal of treasury stock				4				4		4
Net change in the year					10,559	(10,461)	39,699	39,797	3,079	42,876
BALANCE, MARCH 31, 2017	$1,134,101	$328,132	$3,648,015	$(348,314)	$97,826	$ (3,770)	$(50,041)	$4,805,949	$56,865	$4,862,814

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 33,038	¥ 68,079	$ 294,479
Adjustments for:			
Income taxes—paid	(32,138)	(29,228)	(286,461)
Depreciation and amortization	46,126	46,758	411,142
Loss on sales and disposal of property, plant and equipment—net	66	91	590
Loss on impairment of long-lived assets	1,284	1,155	11,447
Gain on sales of marketable and investment securities	(600)	(54)	(5,347)
Loss on valuation of investment securities	1		5
Loss on valuation of investment in unconsolidated subsidiaries and affiliates	209		1,867
Share of loss of entities accounted for using equity method	799		7,123
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	(15,594)	(15,422)	(138,998)
Decrease in inventories	20	473	173
Increase (decrease) in notes and accounts payable	7,454	(9,137)	66,441
Increase in provision for special wage payments	15,129		134,854
Increase in liability for employees' retirement benefits	1,898	2,376	16,915
Other—net	15,633	(15,376)	139,345
Total adjustments	40,287	(18,364)	359,096
Net cash provided by operating activities	73,325	49,715	653,575
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	1,874	17,273	16,708
Purchases of property, plant and equipment	(43,987)	(37,426)	(392,075)
Proceeds from sales of marketable and investment securities	1,600	110	14,258
Purchases of marketable and investment securities	(1,714)	(1,846)	(15,272)
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	(22,507)	(591)	(200,614)
Collection of loans	1,017	1,054	9,062
Payment of loans	(975)	(1,020)	(8,691)
Other	(9,308)	(7,784)	(82,967)
Net cash used in investing activities	(74,000)	(30,230)	(659,591)
FINANCING ACTIVITIES:			
(Repayments of) proceeds from short-term debt—net	(5,802)	2,708	(51,719)
Proceeds from long-term debt	43,720	58,865	389,698
Repayments of long-term debt	(35,499)	(16,857)	(316,419)
Dividends paid	(11,209)	(10,721)	(99,908)
Purchase of treasury stock—net	(10,005)	(50,013)	(89,180)
Other	17	(815)	156
Net cash used in financing activities	(18,778)	(16,833)	(167,372)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(883)	(654)	(7,868)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,336)	1,998	(181,256)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		213	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	249,262	247,051	2,221,781
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	¥228,926	¥249,262	$2,040,525
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Decrease in capital surplus due to exercise of stock acquisition rights	¥ —	¥ (1,637)	$ —
Decrease in treasury stock due to exercise of stock acquisition rights		11,207	
Decrease in zero coupon convertible bonds due to exercise of stock acquisition rights		9,570	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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 2016 consolidated financial statements to conform them to the classifications and presentations used in 2017.

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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017, include the accounts of the Company and its 39 significant (40 in 2016) 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 14 affiliates accounted for by the equity method in 2017. No affiliates were accounted for by the equity method in 2016.

Effective from the fiscal year ended March 31, 2017, the scope of equity method includes GD EXPRESS CARRIER BHD., Packcity Japan Co., Ltd. and GUANGZHOU WISEPOWER TRANSPORTATION & DISTRIBUTION GROUP CO., LTD. following the new acquisition of shares, and also includes 11 subsidiaries of GD EXPRESS CARRIER BHD.

Investments in the unconsolidated subsidiaries and several affiliates not accounted for by equity method 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*—**Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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 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; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

***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 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Cash and cash equivalents presented in the consolidated balance sheet	**¥230,129**	¥249,594	**$2,051,241**
Time deposits due beyond three months	**(1,203)**		**(10,716)**
Bank overdraft		(332)	
Cash and cash equivalents presented in the consolidated statement of cash flows	**¥228,926**	¥249,262	**$2,040,525**

***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 a 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, 2017 and 2016.

Non-marketable 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 on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016. 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. Provision for Special Wage Payments*—**The Group conducted investigation during the fiscal year ended March 31, 2017, in order to measure unrecognized working hours. The provision for special wage payments has been recorded on the basis of the estimated amount of payment with regard to consideration for labor in accordance with the result of the investigation.

k. 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.

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.

l. Asset Retirement Obligations—An asset retirement obligation is recorded for 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.

m. 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.

n. 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 rates to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

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—The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Company and the consolidated subsidiaries to reduce interest rate risks. The Group has a policy not to 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.

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 attributable 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.

For the year ended March 31, 2017, diluted net income per share is not disclosed because the Company had no dilutive securities.

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—Under 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 are required 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 CHANGES

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016—Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No.32) since the fiscal year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

As a result of this change, operating income and income before income taxes increased by ¥189 million ($1,685 thousand) for the fiscal year ended March 31, 2017.

4. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in both 2017 and 2016.

Annual maturities of notes and accounts receivable—installment at March 31, 2017, and related amortization of deferred profit on installment sales are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Year Ending March 31	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2018	¥22,982	¥2,346	$204,848	$20,909
2019	11,403	1,657	101,638	14,776
2020	6,422	1,023	57,240	9,120
2021	3,123	531	27,835	4,730
2022	1,464	276	13,048	2,458
2023 and thereafter	748	177	6,671	1,578
Total	¥46,142	¥6,010	$411,280	$53,571

5. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Merchandise	¥ 740	¥ 738	$ 6,594
Work in process	216	184	1,929
Raw materials and supplies	1,819	1,936	16,212
Total	¥2,775	¥2,858	$24,735

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Non-current:			
Marketable equity securities	¥31,350	¥29,216	$279,435
Non-marketable equity securities	743	719	6,627
Other	495	394	4,412
Total	¥32,588	¥30,329	$290,474

Information regarding each category of the securities classified as available-for-sale at March 31, 2017 and 2016, is as follows:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥15,815	¥15,540	¥5	¥31,350

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥15,252	¥14,048	¥84	¥29,216

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	$140,968	$138,514	$47	$279,435

Information for available-for-sale securities, which were sold during the years ended March 31, 2017 and 2016, is as follows:

	Millions of Yen		
March 31, 2017	Proceeds	Realized Gains	Realized Losses
Available-for-sale: Equity securities	¥1,543	¥600	¥—
March 31, 2016			
Available-for-sale: Equity securities	¥110	¥54	¥—

	Thousands of U.S. Dollars		
March 31, 2017	Proceeds	Realized Gains	Realized Losses
Available-for-sale: Equity securities	$13,751	$5,347	$—

Loss on valuation of available-for-sale equity securities for the year ended March 31, 2017, was ¥1 million ($5 thousand).

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2017 and 2016. As a result, the Group recognized an impairment loss of ¥1,284 million ($11,447 thousand) as other expense for the asset groups of the Aomori Regional Branch of Yamato Transport Co., Ltd. and nine other asset groups for the year ended March 31, 2017, and ¥1,155 million as other expense for the asset groups of the Tokushima Regional Branch of Yamato Transport Co., Ltd. and eight other asset groups for the year ended March 31, 2016, 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 their recoverable amounts. In the case where the 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.

8. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2017 and 2016, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2017 and 2016, were approximately 0.103% and 0.708%, respectively.
Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
0.010% to 0.430% loans from banks due 2017 to 2022	¥130,776		$1,165,665
0.010% to 5.500% loans from banks due 2016 to 2020		¥122,834	
Lease obligations	7,295	7,898	65,018
Unsecured 0.050% bonds due in March 2019	10,000	10,000	89,135
Unsecured 0.090% bonds due in March 2021	10,000	10,000	89,135
Total	158,071	150,732	1,408,953
Less current portion	(43,304)	(34,829)	(385,987)
Total	¥114,767	¥115,903	$1,022,966

Annual maturities of long-term debt at March 31, 2017, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 43,304	$ 385,987
2019	45,680	407,170
2020	42,327	377,275
2021	16,246	144,809
2022	10,231	91,191
2023 and thereafter	283	2,521
Total	¥158,071	$1,408,953

9. 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 exceeding the standard retirement age.

(1) Defined Benefit Pension Plans

The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	**¥153,513**	¥133,126	**$1,368,330**
Service cost	**11,520**	10,074	**102,683**
Interest cost	**147**	1,147	**1,310**
Actuarial (gain) loss arising during the year	**(49)**	14,943	**(442)**
Retirement benefits paid	**(6,749)**	(5,777)	**(60,157)**
Balance at end of year	**¥158,382**	¥153,513	**$1,411,724**

The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	**¥82,016**	¥80,358	**$731,048**
Expected return on plan assets	**820**	804	**7,310**
Actuarial gain (loss) arising during the year	**2,486**	(1,445)	**22,160**
Contributions from the employer	**4,313**	4,261	**38,445**
Retirement benefits paid	**(2,088)**	(1,962)	**(18,619)**
Balance at end of year	**¥87,547**	¥82,016	**$780,344**

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Defined benefit obligation of funded plan	**¥ 61,358**	¥ 60,980	**$ 546,910**
Plan assets	**(87,547)**	(82,016)	**(780,344)**
	(26,189)	(21,036)	**(233,434)**
Defined benefit obligation of unfunded plan	**97,024**	92,533	**864,814**
Net liability arising from defined benefit obligation	**¥ 70,835**	¥ 71,497	**$ 631,380**

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for employees' retirement benefits	**¥70,952**	¥71,551	**$632,428**
Asset for employees' retirement benefits	**(117)**	(54)	**(1,048)**
Net liability arising from defined benefit obligation	**¥70,835**	¥71,497	**$631,380**

The amount of the 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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	**¥11,520**	¥10,074	**$102,683**
Interest cost	**147**	1,147	**1,310**
Expected return on plan assets	**(820)**	(804)	**(7,310)**
Recognized actuarial loss	**3,966**	790	**35,350**
Others	**(24)**	5	**(208)**
Net periodic benefit costs	**¥14,789**	¥11,212	**$131,825**

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Actuarial gain and (loss)	**¥6,501**	¥(15,598)	**$57,952**
Total	**¥6,501**	¥(15,598)	**$57,952**

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial loss	**¥(8,030)**	¥(14,531)	**$(71,573)**
Total	**¥(8,030)**	¥(14,531)	**$(71,573)**

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
General accounts	**32%**	34%
Debt investments	**26**	27
Equity investments	**23**	21
Others	**19**	18
Total	**100%**	100%

Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	**0.1%**	0.1%
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, 2017 and 2016, were ¥2,235 million ($19,920 thousand) and ¥2,193 million, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥5,184	¥4,980	$46,203
Additional provisions associated with the acquisition of property, plant and equipment	326	150	2,905
Reconciliation associated with passage of time	99	95	886
Reconciliation associated with changes in accounting estimates	15	30	133
Reduction associated with settlement of asset retirement obligations	(46)	(61)	(408)
Others	(43)	(10)	(380)
Balance at end of year	¥5,535	¥5,184	$49,339

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. A reconciliation has been prepared for the change, which resulted in an increase of the asset retirement obligation for the years ended March 31, 2017 and 2016, by ¥15 million ($133 thousand) and ¥30 million, respectively.

11. 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 being prescribed as one year rather than the normal two-year 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 (non-cash 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 within equity 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.

12. 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 30.9% and 33.1% for the years ended March 31, 2017 and 2016.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Current:			
Accrued expenses	¥ 9,835	¥ 9,441	$ 87,666
Enterprise tax	1,925	1,774	17,158
Allowance for doubtful accounts	269	184	2,392
Legal welfare expense	2,377	1,524	21,188
Provision for special wage payments	4,682		41,734
Other	1,975	2,215	17,600
Less valuation allowance	(160)		(1,423)
Deferred tax assets—current	¥ 20,903	¥ 15,138	$ 186,315
Non-current:			
Liability for employees' retirement benefits	¥ 21,775	¥ 22,029	$ 194,092
Loss on valuation of investment securities	1,872	1,881	16,687
Loss on valuation of land	20,760	20,759	185,037
Loss on impairment of long-lived assets	4,447	4,575	39,635
Loss on valuation of telephone subscription rights	469	468	4,180
Unrealized profit	2,278	2,138	20,306
Other	10,479	10,288	93,406
Less valuation allowance	(32,085)	(31,943)	(285,988)
Deferred tax assets—non-current	¥ 29,995	¥ 30,195	$ 267,355
Deferred tax liabilities:			
Current—other	¥ (220)	¥ (231)	$ (1,959)
Deferred tax liabilities—current	¥ (220)	¥ (231)	$ (1,959)
Non-current:			
Unrealized gain on available-for-sale securities	¥ (3,731)	¥ (3,405)	$ (33,255)
Other	(2,783)	(2,582)	(24,806)
Deferred tax liabilities—non-current	¥ (6,514)	¥ (5,987)	$ (58,061)
Deferred tax assets—net	¥ 44,164	¥ 39,115	$ 393,650

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, 2017, with the corresponding figures for 2016 was as follows:

	2017	2016
Normal effective statutory tax rate	30.9%	33.1%
Per capita levy of local taxes	8.9	4.3
Valuation allowance	2.9	0.8
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate		2.7
Other—net	1.7	0.8
Actual effective tax rate	44.4%	41.7%

13. LEASES

(1) Lessee

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

Future rental payments under non-cancelable operating leases at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥164	¥153	$1,460
Due after one year	304	408	2,715
Total	¥468	¥561	$4,175

(2) Lessor

The net investments in lease as of March 31, 2017 and 2016, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Gross lease receivables	¥48,702	¥47,496	$434,105
Unguaranteed residual values	5,875	5,069	52,371
Unearned interest income	(3,800)	(3,671)	(33,875)
Investments in leases—current	¥50,777	¥48,894	$452,601

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, 2017, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥16,986	$151,405
2019	13,781	122,839
2020	9,656	86,068
2021	5,656	50,418
2022	2,287	20,384
2023 and thereafter	336	2,991
Total	¥48,702	$434,105

The minimum rental commitments under non-cancelable operating leases at March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥3,735	¥3,361	$33,290
Due after one year	6,212	6,416	55,374
Total	¥9,947	¥9,777	$88,664

14. 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 minimizes 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 policies, 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, 2017 and 2016, were as follows:

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	¥230,129	¥230,129	
Trade notes and accounts receivable	208,131		
Allowance for doubtful accounts	(134)		
	207,997	207,984	¥ (13)
Installment sales receivable	46,142		
Allowance for doubtful accounts	(764)		
Deferred profit on installment sales	(6,010)		
	39,368	45,230	5,862
Available-for-sale securities	31,350	31,350	
Shares of affiliates	13,712	13,884	172
Liabilities:			
Trade notes and accounts payable	155,736	155,736	
Short-term loans	60,974	60,997	23
Long-term loans	89,900	89,897	(3)
Derivatives			

March 31, 2016	Millions of Yen Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	¥249,594	¥249,594	
Trade notes and accounts receivable	197,382		
Allowance for doubtful accounts	(125)		
	197,257	198,154	¥ 897
Installment sales receivable	43,648		
Allowance for doubtful accounts	(646)		
Deferred profit on installment sales	(5,895)		
	37,107	42,933	5,826
Available-for-sale securities	29,216	29,216	
Liabilities:			
Trade notes and accounts payable	148,456	148,456	
Short-term loans	55,934	56,018	84
Long-term loans	90,515	90,859	344
Derivatives			

March 31, 2017	Thousands of U.S. Dollars Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	**$2,051,241**	**$2,051,241**	
Trade notes and accounts receivable	**1,855,165**		
Allowance for doubtful accounts	**(1,193)**		
	1,853,972	**1,853,851**	**$ (121)**
Installment sales receivable	**411,280**		
Allowance for doubtful accounts	**(6,807)**		
Deferred profit on installment sales	**(53,571)**		
	350,902	**403,153**	**52,251**
Available-for-sale securities	**279,435**	**279,435**	
Shares of affiliates	**122,215**	**123,756**	**1,541**
Liabilities:			
Trade notes and accounts payable	**1,388,147**	**1,388,147**	
Short-term loans	**543,489**	**543,690**	**201**
Long-term loans	**801,319**	**801,291**	**(28)**
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 future 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 future 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 6.

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 future 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 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Shares of affiliates	**¥5,862**	¥ 74	**$52,250**
Other	**3,359**	2,208	**29,939**

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

	Millions of Yen		
March 31, 2017	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**¥230,129**		
Trade notes and accounts receivable	**191,192**	**¥16,725**	**¥214**
Installment sales receivable	**22,982**	**22,412**	**748**
Total	**¥444,303**	**¥39,137**	**¥962**
March 31, 2016			
Cash and cash equivalents	¥249,594		
Trade notes and accounts receivable	181,984	¥15,197	¥201
Installment sales receivable	21,438	21,631	579
Total	¥453,016	¥36,828	¥780

	Thousands of U.S. Dollars		
March 31, 2017	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**$2,051,241**		
Trade notes and accounts receivable	**1,704,177**	**$149,084**	**$1,904**
Installment sales receivable	**204,848**	**199,761**	**6,671**
Total	**$3,960,266**	**$348,845**	**$8,575**

(6) Maturity Analysis for Long-term loans

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	**¥ 40,876**	**$ 364,346**
2019	**33,600**	**299,492**
2020	**40,800**	**363,669**
2021	**5,500**	**49,024**
2022	**10,000**	**89,134**
Total	**¥130,776**	**$1,165,665**

Please see Note 8 for annual maturities of long-term loans.

15. DERIVATIVES

The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposure to fluctuations in interest rates. Interest rate swaps are utilized by the Company and the consolidated subsidiaries to reduce interest rate risk. The Group has a policy not to 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

		Millions of Yen		
March 31, 2017	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	**¥8,220**	**¥—**	*
March 31, 2016				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥26,376	¥8,220	*

		Thousands of U.S. Dollars		
March 31, 2017	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	**$73,269**	**$—**	*

* The fair value of interest rate swaps is included in that of hedged items (long-term bank loans due within one year is considered as short-term loans). Please see Note 14.

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gain (loss) on available-for-sale securities:			
Adjustments arising during the year	**¥ 2,194**	¥ (5,252)	**$ 19,557**
Reclassification adjustments to profit or loss	**(599)**	(53)	**(5,341)**
Amount before income tax effect	**1,595**	(5,305)	**14,216**
Income tax effect	**(326)**	1,329	**(2,905)**
Total	**¥ 1,269**	¥ (3,976)	**$ 11,311**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥(1,174)**	¥ (419)	**$(10,468)**
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	**¥ 2,535**	¥(16,388)	**$ 22,602**
Reclassification adjustments to profit or loss	**3,966**	790	**35,350**
Amount before income tax effect	**6,501**	(15,598)	**57,952**
Income tax effect	**(2,045)**	4,811	**(18,230)**
Total	**¥ 4,456**	¥(10,787)	**$ 39,722**
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	**¥ 1**	¥ —	**$ 7**
Total other comprehensive income (loss)	**¥ 4,552**	¥(15,182)	**$ 40,572**

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2017	Net Income Attributable to Owners of the Parent	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥18,054**	**397,930**	**¥45.37**	**$0.40**
Year Ended March 31, 2016				
Basic EPS—Net income available to common shareholders	¥39,425	408,743	¥96.45	
Adjustment in net income—Administrative fee (net of tax)	15			
Effect of dilutive securities—Convertible bonds		3,644		
Diluted EPS—Net income for computation	¥39,440	412,387	¥95.64	

18. SEGMENT INFORMATION

(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 DM-Bin (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									
	2017									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,151,028	¥108,644	¥49,164	¥45,639	¥ 77,985	¥24,614	¥ 9,778	¥1,466,852	¥ —	¥1,466,852
Intersegment revenues	66,561	13,357	14,594	34,672	3,049	28,186	60,875	221,294	(221,294)	
Total segment revenues	¥1,217,589	¥122,001	¥63,758	¥80,311	¥ 81,034	¥52,800	¥70,653	¥1,688,146	¥(221,294)	¥1,466,852
Segment income	¥ 5,638	¥ 4,072	¥ 1,077	¥ 9,368	¥ 8,244	¥ 3,274	¥35,477	¥ 67,150	¥ (32,265)	¥ 34,885
Segment assets	638,180	69,957	22,342	47,879	252,745	25,798	11,941	1,068,842	45,830	1,114,672
Other:										
Depreciation and amortization	32,417	2,575	542	4,368	4,402	735	410	45,449	665	46,114
Investment in entities accounted for using equity method	305	5,057						5,362	13,712	19,074
Increase of tangible and intangible fixed assets	31,611	4,798	708	3,445	7,379	264	591	48,796	198	48,994

	Millions of Yen									
	2016									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,111,876	¥106,823	¥48,981	¥43,358	¥ 72,446	¥24,459	¥ 8,470	¥1,416,413	¥ —	¥1,416,413
Intersegment revenues	66,081	12,553	15,247	30,367	3,343	27,539	49,860	204,990	(204,990)	
Total segment revenues	¥1,177,957	¥119,376	¥64,228	¥73,725	¥ 75,789	¥51,998	¥58,330	¥1,621,403	¥(204,990)	¥1,416,413
Segment income	¥ 38,176	¥ 4,906	¥ 1,147	¥ 9,009	¥ 8,703	¥ 3,373	¥26,515	¥ 91,829	¥ (23,289)	¥ 68,540
Segment assets	649,900	60,471	21,437	43,620	242,963	24,264	11,268	1,053,923	35,514	1,089,437
Other:										
Depreciation and amortization	33,961	2,161	532	4,241	4,066	783	296	46,040	699	46,739
Increase of tangible and intangible fixed assets	34,977	2,840	716	6,414	7,466	696	692	53,801	144	53,945

	Thousands of U.S. Dollars									
	2017									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	$10,259,634	$ 968,393	$438,220	$406,803	$ 695,116	$219,394	$ 87,153	$13,074,713	$ —	$13,074,713
Intersegment revenues	593,284	119,061	130,083	309,045	27,179	251,234	542,609	1,972,495	(1,972,495)	
Total segment revenues	$10,852,918	$1,087,454	$568,303	$715,848	$ 722,295	$470,628	$629,762	$15,047,208	$(1,972,495)	$13,074,713
Segment income	$ 50,255	$ 36,298	$ 9,595	$ 83,504	$ 73,482	$ 29,178	$316,224	$ 598,536	$ (287,587)	$ 310,949
Segment assets	5,688,381	623,558	199,144	426,770	2,252,832	229,950	106,436	9,527,071	408,505	9,935,576
Other:										
Depreciation and amortization	288,946	22,950	4,829	38,934	39,239	6,554	3,655	405,107	5,930	411,037
Investment in entities accounted for using equity method	2,722	45,074						47,796	122,215	170,011
Increase of tangible and intangible fixed assets	281,759	42,769	6,312	30,708	65,775	2,348	5,272	434,943	1,761	436,704

Notes: "Other" includes JITBOX charter services and shared services.

Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2017 and 2016, of ¥34,410 million ($306,709 thousand) and ¥24,890 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, 2017 and 2016, of ¥32,265 million ($287,587 thousand) and ¥23,289 million, respectively, are intersegment eliminations and others.

(2) Reconciliations of segment assets at March 31, 2017 and 2016, of ¥45,830 million ($408,505 thousand) and ¥35,514 million, respectively, include intersegment eliminations of assets and liabilities of ¥150,292 million ($1,339,619 thousand) and ¥164,798 million, and corporate assets which are not allocated to each reporting segment of ¥196,122 million ($1,748,124 thousand) and ¥200,312 million, respectively.

(3) Reconciliations of investment in entities accounted for using equity method at March 31, 2017, of ¥13,712 million ($122,215 thousand) are investments which are not allocated to each reporting segment.

(4) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2017 and 2016, of ¥198 million ($1,761 thousand) and ¥144 million, respectively, include the Company's capital investment.

Segment income is reconciled with operating income in the consolidated statement of income.

As stated in Note 3, "Accounting Changes," the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" from the fiscal year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. As a result, segment income of the Delivery Business increased by ¥169 million ($1,507 thousand) for the fiscal year ended March 31, 2017. The effect of this change on other segments is immaterial.

[Related Information about Reporting Segments]

(1) Information about products and services

Operating revenues from customers for the years ended March 31, 2017 and 2016, were as follows:

Millions of Yen

2017				2016			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total	*TA-Q-BIN*	Kuroneko DM-Bin	Other	Total
¥981,002	**¥81,277**	**¥404,573**	**¥1,466,852**	¥939,470	¥82,701	¥394,242	¥1,416,413

Thousands of U.S. Dollars

2017			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total
$8,744,115	**$724,457**	**$3,606,141**	**$13,074,713**

(2) Information about geographical areas

Operating revenues for the years ended March 31, 2017 and 2016, were as follows:

Millions of Yen

2017				2016			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,441,673	**¥9,789**	**¥15,390**	**¥1,466,852**	¥1,390,082	¥11,481	¥14,850	¥1,416,413

Thousands of U.S. Dollars

2017			
Japan	North America	Other	Total
$12,850,278	**$87,258**	**$137,177**	**$13,074,713**

Property, plant and equipment at March 31, 2017 and 2016, were as follows:

Millions of Yen

2017				2016			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥403,528	**¥365**	**¥1,177**	**¥405,070**	¥404,092	¥432	¥1,118	¥405,642

Thousands of U.S. Dollars

2017			
Japan	North America	Other	Total
$3,596,827	**$3,252**	**$10,497**	**$3,610,576**

(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, 2017 and 2016, were as follows:

	Millions of Yen									
	2017									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	**¥765**	**¥322**	**¥178**			**¥19**		**¥1,284**		**¥1,284**

	Millions of Yen									
	2016									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥817	¥192			¥10	¥136		¥1,155		¥1,155

	Thousands of U.S. Dollars									
	2017									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	**$6,818**	**$2,873**	**$1,588**		**$2**	**$166**		**$11,447**		**$11,447**

19. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2017, was approved at the Company's Board of Directors meeting held on May 17, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥14.00 ($0.12) per share	**¥5,520**	**$49,201**

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2017, 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, 2017, 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 21, 2017

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data / Stock Information

As of March 31, 2017

Company Name
Yamato Holdings Co., Ltd.

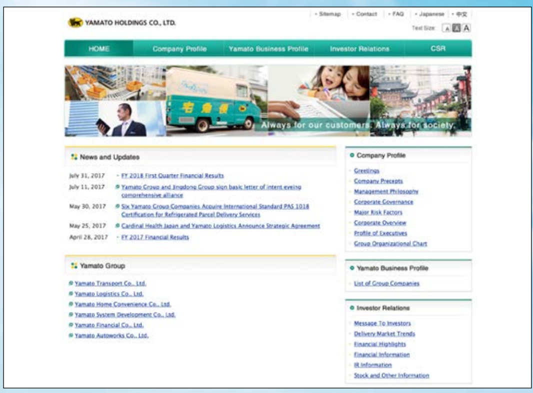
Head Office
16-10, Ginza 2-chome, Chuo-ku, Tokyo
104-8125 Japan
Telephone: 81-3-3541-4141
Facsimile: 81-3-5565-3427

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: 411,339,992 shares

Stock Exchange Listing
Tokyo Stock Exchange

Transfer Agent and Registrar
Mizuho Trust & Banking Co., Ltd.

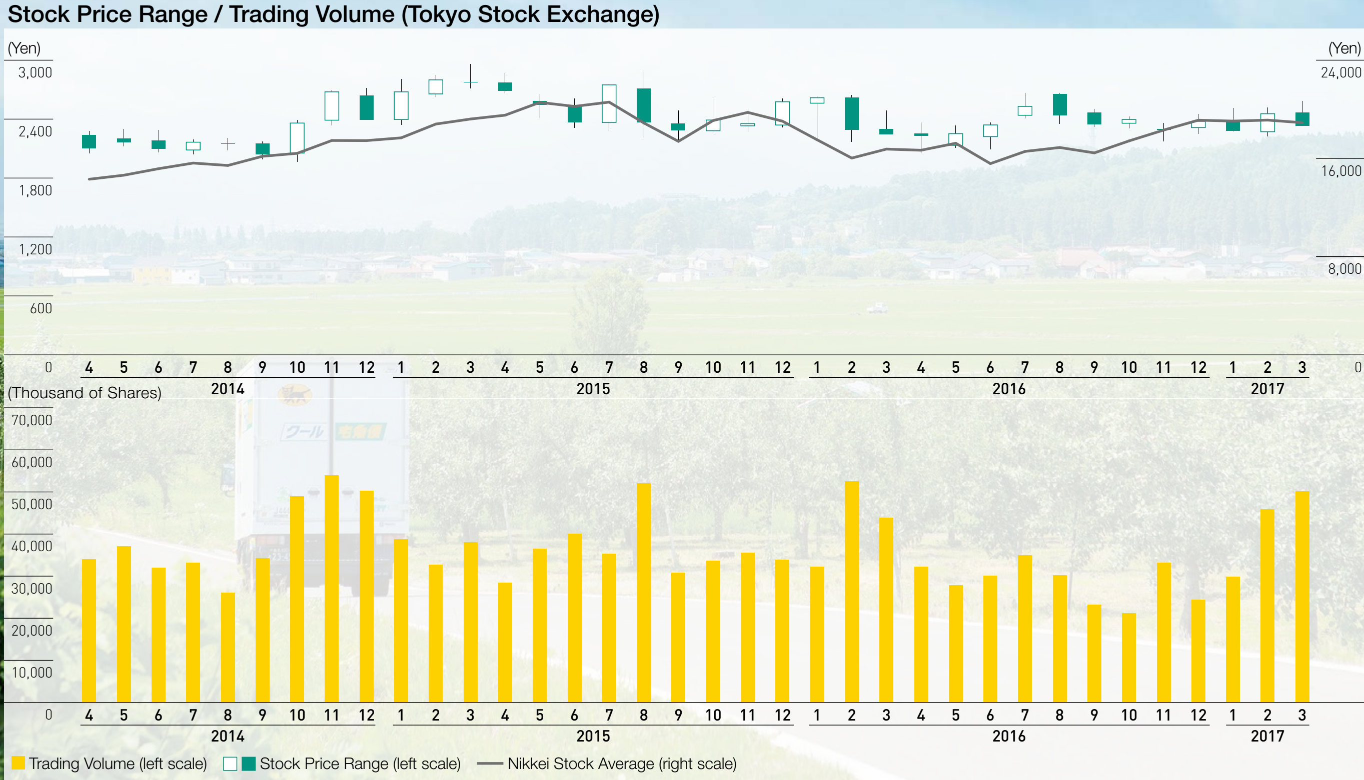
General Meeting of Shareholders
Held in June

Auditor
Deloitte Touche Tohmatsu LLC

Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.79%
State Street Bank and Trust Company 505223	6.30%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.47%
Yamato Employees' Shareholding Association	4.55%
Nippon Life Insurance Company	3.59%
Meiji Yasuda Life Insurance Company	3.48%
Mizuho Bank, Ltd.	3.22%
Yamato Trading-Partner Shareholding Association	2.13%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.60%
State Street Bank West Client Treaty 505234	1.54%
Total	40.67%

Stock Price Range / Trading Volume (Tokyo Stock Exchange)



YAMATO HOLDINGS CO., LTD.

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

Printed in Japan