

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

