

## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018 <under Japanese GAAP>

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 Listing: Tokyo Stock Exchange  
 Stock code: 9064  
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Scheduled date of the submission of quarterly securities report: November 10, 2017  
 Scheduled date of the commencement of dividend payment: December 8, 2017  
 Preparation of supplementary materials on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes

(Amounts less than 1 million yen are discarded.)

### 1. Consolidated financial results for the second quarter of fiscal year 2018 (cumulative: from April 1, 2017 to September 30, 2017)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended								
September 30, 2017	729,802	3.3	(12,887)	—	(12,600)	—	(12,087)	—
September 30, 2016	706,689	3.3	20,943	16.4	20,916	12.3	11,554	18.4

(Note) Comprehensive income: For the six months ended September 30, 2017: (9,173) million yen (—%)  
 For the six months ended September 30, 2016: 8,787 million yen (10.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the six months ended		
September 30, 2017	(30.66)	—
September 30, 2016	28.99	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2017	1,072,594	530,769	48.9
March 31, 2017	1,114,672	545,559	48.4

(Reference) Equity: As of September 30, 2017: 524,006 million yen As of March 31, 2017: 539,179 million yen

### 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	—	13.00	—	14.00	27.00
Fiscal 2018	—	13.00			
Fiscal 2018 (Forecast)			—	14.00	27.00

(Note) Revisions to the forecasts most recently announced: None

### 3. Consolidated earnings forecasts for fiscal year 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,502,000	2.4	25,000	(28.3)	25,000	(28.3)	12,000	(33.5)	30.44

(Note) Revisions to the forecasts most recently announced: Yes

#### \* Notes

(1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

(Note) For details, please see "2. Consolidated Financial Statements and Significant Notes Thereto, (4) Notes to consolidated financial statements, (Application of specific accounting for preparing the quarterly consolidated financial statements)" of the attached materials to the quarterly financial results report on page 14.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- a. Changes due to revision to accounting standards, etc.: None
- b. Changes other than a: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (common shares)

- a. Number of issued shares as of the end of the period (including treasury shares)
  - As of September 30, 2017: 411,339,992 shares
  - As of March 31, 2017: 411,339,992 shares
- b. Number of treasury shares as of the end of the period
  - As of September 30, 2017: 17,063,292 shares
  - As of March 31, 2017: 17,062,391 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
  - For the six months ended September 30, 2017: 394,277,124 shares
  - For the six months ended September 30, 2016: 398,516,397 shares

\*Quarterly financial results reports are not required to be subjected to quarterly reviews.

#### \*Proper use of earnings forecasts and other noteworthy events

- Descriptions of the above financial projections and other data are based on information currently available to the Company and certain assumptions that we consider to be reasonable. Actual financial results may differ significantly from the projections for various reasons. For points to note when using such assumptions and financial projections, please see "1. Qualitative Information on Settlement of Accounts for the Six Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" of the attached materials to the quarterly financial results report on page 8.
- The Company plans to hold a financial results meeting for analysts on November 1, 2017. The materials distributed at this financial results meeting shall be posted on the Company's website after the meeting has been held.

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## 1. Qualitative Information on Settlement of Accounts for the Six Months

### (1) Explanation of operating results

During the six months ended September 30, 2017, the economic environment was plagued by ongoing uncertainties ahead due to factors that have included effects of political developments overseas, yet gradual economic recovery held course amid underlying strengths in corporate earnings. Moreover, the logistics industry continues to face a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the mail order market brought about by rapidly changing styles of consumption.

Under such circumstances, the Yamato Group has drawn up its “KAIKAKU 2019 for NEXT100” medium-term management plan, which covers three years beginning with the fiscal year ending March 31, 2018. The plan’s aim is to enhance the management foundations of the Yamato Group in order to continue achieving sustainable growth and thereby enable the Group to keep providing high-quality services. Specifically, while placing a management focus on “reforming working styles,” the Group intends to carry out reform in the three areas of “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.”

In the Delivery Business, we have been promoting our “structural reforms in the Delivery Business” initiatives which involve “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.” With respect to our objective of “placing controls on total TA-Q-BIN volume” in particular, we have issued requests to our large-lot corporate clients that include asking that they adjust their shipping schedules during busy seasons and cut down on re-deliveries so that we can avoid the prospect of surges in parcel volume that would cause greater employee workloads. At the same time, we are also negotiating review of our rates. However, under the existing circumstances, our financial performance has been severely affected by a continuing situation where profits have been pressured by rising labor costs, including those of outsourcing workforce, in conjunction with increases in TA-Q-BIN delivery volume.

In the non-delivery businesses, results were firm since we took steps to expand our existing service offerings by enlisting the strengths of Group companies, while also drawing on Group-wide ties as we aggressively promoted solution sales geared toward addressing customers’ business challenges.

Our consolidated financial results for the six months ended September 30, 2017 are as follows.

(Millions of yen)

Item	For the six months ended September 30, 2016	For the six months ended September 30, 2017	Change	Growth (%)
Operating revenue	706,689	729,802	23,112	3.3
Operating profit	20,943	(12,887)	(33,831)	—
Ordinary profit	20,916	(12,600)	(33,516)	—
Profit attributable to owners of parent	11,554	(12,087)	(23,642)	—

#### Initiatives for the entire Yamato Group

- a. The Yamato Group has been taking steps on a Group-wide basis to develop an upbeat working environment, which is more “employee-friendly” and “rewarding,” centered on the “Office for Reforming Working Styles” established in Yamato Transport Co., Ltd., and its “Working Styles Innovation Committees” in its respective Group companies, as a means of placing utmost priority on “reforming working styles” in order to practice “inclusive management,” a Yamato Group founding principle. Moreover, we have been pursuing our “Value Networking” design, on the basis of creating business models for generating a high level of added value through the combined efforts of our respective businesses, while at the same time contributing to growth strategies and international competitive strengths of the Japanese economy. Meanwhile, we are also taking steps to forge a robust corporate culture that acts as a foundation for business creation and development.

- b. We continued to drive initiatives geared toward forging a more robust corporate culture. To that end, we worked on enhancing the efficiency and dependability of operations, in part by improving our transport systems and by using our information technology network to enable visual monitoring of operating volumes. Moreover, we actively engaged in CSR-related activities linked to Yamato Group business endeavors, such as through environmental and safety measures, and efforts to prosper communities.
- c. To further evolve our “Value Networking” design, we have been crafting business models that deliver a high level of added value by leveraging the Yamato Group’s business network. Also, to address varied customer needs in Japan and overseas, we will make more effective use of our innovative network platform consisting of the “Haneda Chronogate,” “Atsugi Gateway,” “Chubu Gateway” and “Okinawa International Logistics Hub” facilities, and “Kansai Gateway,” which will go into operation in this Autumn, in addition to our existing “last mile” network.
- d. In our business looking toward overseas markets, we have been working to forge collaboration among five regions, Japan, East Asia, South East Asia, Europe and the Americas, while strengthening our capabilities in each geographic region to respond to the growth of cross-border logistics. In this fiscal year, we signed a comprehensive partnership agreement with the leading specialist for express parcel delivery in France. The agreement was entered into for the purpose of expanding our cross-border small parcel chilled and frozen transport business between Japan and France, and contains a cross license agreement for sharing both companies’ know-how with respect to small parcel chilled and frozen transport. Furthermore, we have been actively promoting efforts to build cross-border networks that provide substantial added-value with initiatives involving six Yamato Group companies acquiring certification under international standards pertaining to chilled and frozen goods delivery services. Furthermore, during the six months ended September 30, 2017, we took further steps to expand our cold chain business. For instance, in September we began handling Cool TA-Q-BIN services in Vietnam, and we have also been promoting initiatives to ensure safety of food products across food chains encompassing logistics, with our Haneda Chronogate facility having been the first entity in the world to have been granted certification in the logistics category under the FSSC 22000 scheme, which is fully recognized by the Global Food Safety Initiative (GFSI).
- e. With the aim of improving customer convenience particularly in the mail order market, we have been working to establish an environment that ensures customers ease in picking up their parcels. Moreover, to that end we have been actively promoting efforts to build an open-type network of parcel lockers primarily in train stations, convenience stores and other such locations. Also, we continued to conduct practical trial runs of our “RoboNeko Yamato” project which involves providing on-demand delivery services that make use of automated driving technologies and worked on other efforts for the development of next-generation logistics services. Furthermore, during the six months ended September 30, 2017, we have been picking up the pace with respect to utilizing cutting-edge technologies geared to streamlining transportation, in part by adopting trailers with a new specification never before used in Japan.

## Summary of each operating segment

### ● Delivery

The delivery volumes of TA-Q-BIN and Kuroneko DM-Bin services are as follows.

Category	(Million parcels / units)			
	For the six months ended September 30, 2016	For the six months ended September 30, 2017	Change	Growth (%)
TA-Q-BIN	898	930	32	3.6
Kuroneko DM-Bin	759	750	(9)	(1.2)

- a. In the Delivery Business, the Yamato Group concentrated on TA-Q-BIN-centered business development, aiming to provide infrastructure that best suits our customers and contribute to enriching people’s lives.
- b. Amid a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the mail order market brought about by rapidly changing styles of consumption, we have been promoting our “structural reforms in the Delivery Business” initiatives which involve “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.” With respect to our objective of “improving and developing the employee working environment,” we have taken steps geared to ensuring that employees are able to take

lunch breaks while also preventing situations where they are subject to long working hours. To that end, we set earlier deadlines for accepting TA-Q-BIN deliveries, and we changed to a framework of five designated time slots for TA-Q-BIN deliveries, from six time slots previously. Furthermore, we made the decision to revise TA-Q-BIN basic fees beginning in October. With respect to our objective of “placing controls on total TA-Q-BIN volume,” we have been issuing requests to our large-lot corporate clients that include asking that they adjust their shipping schedules during busy seasons and cut down on re-deliveries so that we can avoid the prospect of surges in parcel volume that would cause greater employee workloads. At the same time, we also forged ahead in negotiations entailing review of our rates.

- c. Given expectations for growth in the mail order market, we have been taking steps to expand sales of the “TA-Q-BIN Compact” and “Nekopos” services which enable customers to send small parcels simply at reasonable fees, and proceeded with offering a greater number of drop-off points for sending by collaborating with multiple flea market websites. During the six months ended September 30, 2017, we took steps to provide greater convenience to our customers who use mail-order services. For instance, this involved collaborating with large operators of mail-order businesses in launching services geared to enabling customers to specify an open-type parcel locker as a location for pick-up when purchasing merchandise.
- d. With respect to corporate clients, we have been accurately pinpointing managerial challenges and actively proposing solutions to address those challenges. Moreover, we worked to boost profitability by making proposals that provide high added value using the Group’s business resources. During the six months ended September 30, 2017, we promoted the use of our new “B2 Cloud” shipping label issuance service which operates using a cloud-based platform with the aim of improving customer convenience.
- e. In our business geared toward revitalizing communities, we have been taking steps to improve services for residents by collaborating with numerous municipalities and companies in efforts to provide support with regard to helping those who face difficulties doing their shopping and watching over elderly residents. Moreover, we have also been helping to revitalize local industry through initiatives that include lending support for enabling communities to achieve higher sales of locally produced products by offering swift delivery to Asia of perishable goods and other agricultural products in a manner that ensures they stay fresh.
- f. Operating revenue amounted to 566,749 million yen, up 2.1% from the year-ago period due to continuous upward trend with respect to delivery volume of TA-Q-BIN backed by growth in the mail order market. As for profits, the segment posted operating loss of 27,343 million yen due to factors such as an increase in labor costs including those involving outsourcing workforce in order to maintain service quality.

#### ● **BIZ-Logistics**

- a. In the BIZ-Logistics Business, the Yamato Group is providing customers with innovative logistics systems by combining management resources such as the TA-Q-BIN network with logistics functions, maintenance and recall handling functions, cleansing functions for medical devices and international transportation functions.
- b. For the mail-order industry and others, we are offering one-stop services involving various types of logistical support in line with customer needs, including support for facilitating everything from placing and accepting orders to visual monitoring of inventories and enabling speedier shipments. During the six months ended September 30, 2017, these operations generated favorable results due to factors that included an increased volume of existing services.
- c. For medical service providers, we have been developing medical device loaner support (storage, cleaning and delivery) and other services that help revolutionize logistics operations. During the six months ended September 30, 2017, results were firm due to an increase in use of such services among newly gained customers.
- d. Operating revenue amounted to 57,895 million yen, up 11.4% from the year-ago period due to favorable results from existing services for mail-order business operators. As for profits, the segment posted operating profit of 2,002 million yen, down 6.8% from the year-ago period due to increased costs of outsourcing work in some services such as overseas relocations.

## ● Home Convenience

- a. In the Home Convenience Business, we are working toward enabling customers to achieve greater convenience and comfort in their lives through lifetime lifestyle support businesses and corporate enterprise support business that draw on the Yamato Group's nationwide network.
- b. With respect to individual customers, the Yamato Group operated a variety of services to assist in daily life such as the "Raku Raku Household TA-Q-BIN" service for delivering large furniture items and home appliances, and moving-related services and "Comfortable Lifestyle Support Service" which aims to help customers resolve everyday inconveniences "inside the home." During the six months ended September 30, 2017, we continued to take steps to provide greater convenience to our customers through initiatives that include actively promoting efforts to increase sales of our "Raku Raku Household TA-Q-BIN" service that makes it easy for customers to send large packages by linking up with flea market website applications.
- c. For our corporate clients, we have been developing our business support services including "Technical Network Business" where we combine the networks of the Yamato Group and our construction and installation contractors so that we can provide one-stop support in handling everything from household equipment delivery and set-up, to installation and maintenance of such equipment. During the six months ended September 30, 2017, results were steady due to our steadily efforts to receive orders for office relocations.
- d. Operating revenue amounted to 24,149 million yen, up 2.9% from the year-ago period, due mainly to firm results with respect to use of our moving-related services and "Raku Raku Household TA-Q-BIN" service, which are our existing services, in addition to orders received for one-off business. Operating profit was 221 million yen, an improvement of 231 million yen from the year-ago period.

## ● e-Business

- a. In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively conducting solution platform business that combine logistics technology and financial technology with information technology. In addition, with the aim of helping to accelerate growth of Yamato Group businesses, we have been moving beyond conventional information technologies through efforts geared to promoting use of emerging technologies that harness artificial intelligence (AI), the Internet of things (IoT) and other such innovations.
- b. With respect to services for assisting with order-acceptance and dispatching operations, the Yamato Group provides a "Web-based Shipment Control" that comprehensively supports such operations as dispatch information processing, printing of delivery slips, and freight tracking. In the six months ended September 30, 2017, use of this service increased particularly among our existing large-lot customers, against a backdrop that included mail-order market growth.
- c. For our customers who mainly make use of pamphlets, catalogs and other such promotional materials in their marketing activities, we have been developing our e-On Demand Solutions business which involves providing total solutions in terms of systems for ordering promotional products, warehouse storage, administration, delivery and other logistics functions, and printing. During the six months ended September 30, 2017, use of such services increased among newly gained customers and existing customers.
- d. Operating revenue amounted to 22,389 million yen, up 2.5% from the year-ago period mainly as a result of having achieved a greater volume of business in the "Web-based Shipment Control." Operating profit was 5,003 million yen, up 16.6% from the year-ago period.

## ● Financial

- a. In the Financial Business, the Yamato Group has been developing settlement and financial services tailored to a range of customer needs for payment collection of mail-order products, business-to-business transaction settlement, and vehicle leasing.
- b. With respect to our payment settlement services, in addition to providing our mainstay service "TA-Q-BIN Collect," we have also been promoting increased customer use of both our "Kuroneko Web Collect" comprehensive internet-based transaction settlement service, "Kuroneko Pay After Delivery Services" and our e-money settlement services. During the six months ended September 30, 2017, we provided a wide range of payment settlement services to our customers who use the "TA-Q-BIN Collect" service by

promoting use of our “Kuroneko Web Collect” and “Kuroneko Pay After Delivery Services”, and concurrently worked to increase profitability. Moreover, we proceeded to combine operations that involve performing calculations with respect to our various payment settlement services, with the aims of slashing customer costs, streamlining operations and heightening convenience.

- c. In the lease services business, we have been generating favorable results with respect to financial leases primarily involving trucks and installment sales. We have also been developing peripheral operations that include providing vehicle referrals and resale support, while forging ahead in making proposals involving total solutions related to vehicles.
- d. Operating revenue amounted to 40,890 million yen, up 8.7% from the year-ago period due to steady results of business such as lease services business. Operating profit was 4,063 million yen, up 4.8% from the year-ago period.

#### ● Autoworks

- a. In the Autoworks Business, the Yamato Group develops its “24-hour-a-day, 365-day-a-year service that enables customers to service their vehicles without stopping operation,” thereby providing value to logistics operations and logistics service providers in the form of “improvement of vehicle maintenance convenience” and “reduced maintenance expenses.” Furthermore, to better provide one-stop service solutions geared toward customer business operations, we have added services for “maintaining and safeguarding logistics facilities and equipment, and improving such workplace environments,” along with “offering insurance plans tailored to customer risk management needs” which provide coverage for such assets.
- b. In the six months ended September 30, 2017, we took steps to expand sales by aggressively marketing out “Repairworks” services entailing periodic on-site customer visits.
- c. Operating revenue amounted to 12,216 million yen, down 1.5% from the year-ago period largely as a result of sluggish sales of vehicle equipment. As for profits, the segment posted operating profit of 2,385 million yen, up 19.5% from the year-ago period.

#### ● Other

- a. The “JITBOX Charter service” provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. In the six months ended September 30, 2017, service use grew steadily due to favorable results with respect to existing services.
- b. Operating profit in Other excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies decreased 9.8% from the year-ago period to 959 million yen.

#### CSR Initiatives

- a. The Yamato Group places utmost priority on protecting human life and conducts a range of safety measures. During the six months ended September 30, 2017, we carried out our “Zero Accident Campaign,” which was deployed throughout the entire Group including our overseas operations, and engaged in efforts to heighten safety awareness on a Group-wide basis. In addition, since 1998 we have been holding our “Safety Classes for Children,” through which we convey the importance of traffic safety, in day care facilities, kindergartens and elementary schools across Japan. A total of about 3.00 million people have now participated.
- b. The Yamato Group works to ensure that its distribution mechanisms are environmentally sound, under its policy of “Nekology” (combining “Kuroneko” with “ecology”) for promoting its environmental conservation initiatives. We also hold “Kuroneko Yamato Environmental Class” sessions designed to provide support for environmental education of children who will bear responsibilities of the next generation. We have held such classes on an ongoing basis nationwide since 2005, attracting about 230 thousand participants so far.
- c. Aspiring to be a company that continually evolves in step with society, led by Yamato Welfare Foundation, the Yamato Group conducts various activities to help realize a society in which disabled people can freely enjoy a lifestyle as a member of the workforce. Specifically, we engage in ongoing programs that support economic independence of people with disabilities, such that include actively employing people with



disabilities at the Swan Bakery which makes and sells bread, providing them with workplaces through the consigned delivery of Kuroneko DM-Bin, and operating job-finding support facilities where they take part in training to acquire skills and knowledge necessary for employment.

- d. Aiming to create more sustainable social value, the Yamato Group promotes initiatives for sharing value with society based on "Creating Shared Value (CSV)." During the six months ended September 30, 2017, we have been promoting our "combined passenger-cargo" operations using scheduled-route passenger buses in Iwate prefecture, Miyazaki prefecture, Hokkaido, Kumamoto prefecture and Hyogo prefecture, thereby helping to improve lifestyle services for local residents both by keeping scheduled bus networks running in hilly and mountainous areas where populations are substantially declining and getting older, and also by streamlining distribution in those locations. We have also conducted verification trial runs of "combined passenger-cargo" operations using passenger ferries in conjunction with the Tokyo Metropolitan Government. In addition, we have been continuously promoting efforts to achieve streamlining of logistics operations and realize next-generation logistics services at our Next Delivery SQUARE facility which assumes the role of providing collective delivery services and other aspects of logistics infrastructure within the Fujisawa Sustainable Smart Town (Fujisawa SST) community which opened in Kanagawa Prefecture's Fujisawa City. Moreover, we engaged in efforts geared to revitalizing communities and resolving issues by leveraging the Yamato Group's management resources, with respect to initiatives that include helping to watch over elderly residents, supporting tourism, and expanding sales channels for specialty products in respective regions throughout Japan. As a result, we have worked with government bodies on 2,005 such endeavors thus far.
- e. In order to earn the confidence of Yamato Group's customers and society through acting as a company that forms an important part of social infrastructure, we have been promoting management in conformity with compliance and working on Group-wide initiatives with respect to "reforming working styles" through developing upbeat working environment which is more "employee-friendly" and "rewarding" for employees, such as promoting reviewing our management rules on working hours and creating new working styles for our employees.

## **(2) Explanation of financial position**

### **(Assets, liabilities and net assets)**

Total assets were 1,072,594 million yen as of September 30, 2017, down 42,077 million yen from the end of the previous fiscal year. The major factor in this was a decrease of 54,994 million yen in cash and deposits.

Liabilities decreased 27,287 million yen to 541,825 million yen from the end of the previous fiscal year. The decrease was largely attributable to a 15,884 million yen decrease in loans payable, and a 15,129 million yen decrease in provision for special wage payments.

Total net assets were 530,769 million yen, down 14,790 million yen from the end of the previous fiscal year.

This was mainly attributable to a decrease in retained earnings of 17,609 million yen due to the recording of loss attributable to owners of parent of 12,087 million yen and payment of dividends of surplus of 5,519 million yen.

Accordingly, the equity ratio changed to 48.9% from the previous fiscal year's 48.4%.

### **(Cash flows)**

Net cash used in operating activities for the six months ended September 30, 2017 amounted to 11,278 million yen. Compared with the year-ago period, the amount of net cash provided decreased by 36,889 million yen.

This is largely attributable to the recording of loss before income taxes of 13,469 million yen due to a decrease in profit before income taxes of 33,663 million yen.

Net cash used in investing activities was 21,531 million yen. Compared with the year-ago period, the amount of net cash used decreased by 17,168 million yen. This is largely attributable to a 15,954 million yen decrease in purchase of investment securities.

Net cash used in financing activities was 22,800 million yen. Compared with the year-ago period, the amount of net cash used increased by 13,227 million yen. This is largely attributable to a 13,821 million yen increase in repayment of loans payable.

As a result of the above, cash and cash equivalents were 173,268 million yen as of September 30, 2017, down 55,658 million yen from the end of the previous fiscal year.

## **(3) Explanation of consolidated earnings forecasts and other forward-looking statements**

Going forward, the economic situation is likely to remain one that is plagued by ongoing uncertainties ahead due to factors such as effects of political developments overseas, despite the prospect of gradual economic recovery holding course amid underlying strengths in corporate earnings.

The severe business environment affecting the logistics industry is likely to persist amid factors that include further tightening of the domestic labor market, amid a continued upward trend with respect to small parcel volume brought about by rapidly changing styles of consumption and other such trends.

In that environment, we will place a management focus on "reforming working styles" and endeavor to improve and develop the working environment, while in the Delivery Business working to achieve sustainable growth and enhance profitability in order to improve corporate value by promoting our "structural reforms in the Delivery Business." In the fiscal year ending March 31, 2018, although we carried out negotiations on volumes, pricing and other matters, upward momentum with respect to total TA-Q-BIN volume continued during the first half. Beginning in the second half, however, we expect there to be a trend of recovering earnings amid a scenario where initiatives involving controls on total volume and pricing begin taking effect.

The Yamato Group has made changes to the consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2018 since the announcement made on July 31, 2017.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	230,128	175,134
Notes and accounts receivable - trade	208,130	207,715
Accounts receivable - installment	46,141	46,879
Lease investment assets	50,777	51,737
Merchandise and finished goods	739	627
Work in process	216	222
Raw materials and supplies	1,818	1,845
Other	49,839	60,212
Allowance for doubtful accounts	(1,282)	(1,196)
Total current assets	586,510	543,178
Non-current assets		
Property, plant and equipment		
Buildings and structures	341,134	341,877
Accumulated depreciation	(196,244)	(200,519)
Buildings and structures, net	144,889	141,358
Vehicles	194,073	197,439
Accumulated depreciation	(177,671)	(179,867)
Vehicles, net	16,401	17,571
Land	178,620	178,627
Lease assets	16,448	15,804
Accumulated depreciation	(8,446)	(8,281)
Lease assets, net	8,001	7,522
Other	158,810	162,278
Accumulated depreciation	(101,653)	(103,806)
Other, net	57,157	58,472
Total property, plant and equipment	405,070	403,552
Intangible assets	21,671	19,791
Investments and other assets		
Investment securities	54,281	57,567
Other	47,916	49,307
Allowance for doubtful accounts	(778)	(803)
Total investments and other assets	101,420	106,072
Total non-current assets	528,162	529,416
Total assets	1,114,672	1,072,594

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	155,736	144,690
Short-term loans payable	60,974	52,790
Lease obligations	2,427	2,360
Income taxes payable	14,399	10,980
Deferred installment income	6,010	6,022
Provision for bonuses	31,948	39,075
Provision for special wage payments	15,129	—
Other	85,222	94,758
Total current liabilities	371,848	350,679
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	89,900	82,200
Lease obligations	4,866	4,181
Net defined benefit liability	70,952	71,985
Other	11,545	12,778
Total non-current liabilities	197,264	191,146
Total liabilities	569,113	541,825
<b>Net assets</b>		
Shareholders' equity		
Capital stock	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	409,270	391,661
Treasury shares	(39,077)	(39,079)
Total shareholders' equity	534,241	516,629
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,975	12,811
Foreign currency translation adjustment	(422)	(631)
Remeasurements of defined benefit plans	(5,614)	(4,804)
Total accumulated other comprehensive income	4,938	7,376
Non-controlling interests	6,379	6,762
Total net assets	545,559	530,769
Total liabilities and net assets	1,114,672	1,072,594

**(2) Consolidated statement of income and consolidated statement of comprehensive income**  
**Consolidated statement of income (cumulative)**

(Millions of yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Operating revenue	706,689	729,802
Operating cost	662,442	717,675
Operating gross profit	44,247	12,126
Selling, general and administrative expenses	23,303	25,014
Operating profit (loss)	20,943	(12,887)
Non-operating income		
Interest income	76	66
Dividend income	457	601
Other	578	611
Total non-operating income	1,113	1,279
Non-operating expenses		
Interest expenses	294	146
Share of loss of entities accounted for using equity method	237	554
Other	608	290
Total non-operating expenses	1,140	992
Ordinary profit (loss)	20,916	(12,600)
Extraordinary income		
Gain on sales of non-current assets	154	141
Gain on sales of investment securities	73	—
Total extraordinary income	228	141
Extraordinary loss		
Loss on retirement of non-current assets	81	55
Impairment loss	—	954
Disaster recovery expenses for the Kumamoto Earthquake	865	—
Other	3	—
Total extraordinary loss	950	1,010
Profit (loss) before income taxes	20,193	(13,469)
Income taxes	8,514	(1,537)
Profit (loss)	11,679	(11,931)
Profit attributable to non-controlling interests	124	155
Profit (loss) attributable to owners of parent	11,554	(12,087)

**Consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Profit (loss)	11,679	(11,931)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,198)	2,156
Foreign currency translation adjustment	(3,067)	(208)
Remeasurements of defined benefit plans, net of tax	1,373	809
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(2,892)	2,758
Comprehensive income	8,787	(9,173)
(Breakdown)		
Comprehensive income attributable to owners of parent	8,694	(9,648)
Comprehensive income attributable to non-controlling interests	93	475

**(3) Consolidated statement of cash flows**

(Millions of yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	20,193	(13,469)
Depreciation	20,835	21,170
Impairment loss	—	954
Increase (decrease) in net defined benefit liability	1,133	1,033
Increase (decrease) in provision for bonuses	6,929	7,130
Increase (decrease) in provision for special wage payments	—	(15,129)
Decrease (increase) in notes and accounts receivable - trade	1,453	(1,400)
Increase (decrease) in notes and accounts payable - trade	(8,505)	(11,009)
Other, net	2,715	4,762
Subtotal	44,754	(5,956)
Interest and dividend income received	513	747
Interest expenses paid	(401)	(232)
Income taxes paid	(19,255)	(5,837)
Net cash provided by (used in) operating activities	25,611	(11,278)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(18,133)	(16,114)
Proceeds from sales of property, plant and equipment	957	1,110
Purchase of investment securities	(16,476)	(522)
Proceeds from sales of investment securities	390	—
Payments of loans receivable	(516)	(2,250)
Collection of loans receivable	533	473
Other payments	(6,151)	(6,016)
Other proceeds	697	1,788
Net cash provided by (used in) investing activities	(38,699)	(21,531)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(2,936)	5,943
Repayments of finance lease obligations	(1,493)	(1,306)
Proceeds from long-term loans payable	18,687	4,000
Repayment of long-term loans payable	(17,812)	(25,826)
Cash dividends paid	(5,974)	(5,515)
Other, net	(43)	(94)
Net cash provided by (used in) financing activities	(9,572)	(22,800)
Effect of exchange rate change on cash and cash equivalents	(2,834)	(48)
Net increase (decrease) in cash and cash equivalents	(25,495)	(55,658)
Cash and cash equivalents at beginning of period	249,261	228,926
Cash and cash equivalents at end of period	223,766	173,268

**(4) Notes to consolidated financial statements  
(Notes to premise of going concern)**

Not applicable.

**(Notes on significant changes in the amount of shareholders' equity)**

Not applicable.

**(Changes in scope of consolidation and equity method application)**

Material changes in scope of consolidation

YAMATO (CHINA) CO., LTD. is included in the scope of consolidation effective from the first quarter ended June 30, 2017, due to being newly established by the Company.

**(Application of specific accounting for preparing the quarterly consolidated financial statements)**

Calculation of tax expenses

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the second quarter under review.

**(Segment information, etc.)**

[Segment information]

1. Information regarding the amounts of operating revenue and profit or loss by reportable segment  
For the six months ended September 30, 2016

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	554,849	51,963	23,474	21,843	37,607
(2) Inter-segment operating revenue or transfers	32,011	6,334	7,131	16,004	1,500
Total	586,861	58,298	30,605	37,847	39,107
Segment profit (loss)	7,005	2,148	(10)	4,290	3,876

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	12,405	4,545	706,689	—	706,689
(2) Inter-segment operating revenue or transfers	13,951	47,511	124,445	(124,445)	—
Total	26,356	52,057	831,135	(124,445)	706,689
Segment profit (loss)	1,996	35,114	54,422	(33,478)	20,943

- Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services.  
2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 34,409 million yen.  
3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.  
4. We made an adjustment between segment profit and operating profit in the consolidated statement of income.



For the six months ended September 30, 2017

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	566,749	57,895	24,149	22,389	40,890
(2) Inter-segment operating revenue or transfers	33,619	6,618	7,347	19,274	1,458
Total	600,369	64,513	31,497	41,664	42,349
Segment profit (loss)	(27,343)	2,002	221	5,003	4,063

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	12,216	5,509	729,802	—	729,802
(2) Inter-segment operating revenue or transfers	15,147	30,797	114,263	(114,263)	—
Total	27,364	36,307	844,065	(114,263)	729,802
Segment profit (loss)	2,385	17,220	3,553	(16,441)	(12,887)

- Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services.  
2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 17,482 million yen.  
3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.  
4. We made an adjustment between segment profit and operating loss in the consolidated statement of income.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment  
(Significant impairment loss on non-current assets)

In the BIZ-Logistics segment, the Company has decreased the book value of an asset group with diminished profitability to the recoverable value, and has accordingly recorded an impairment loss of 685 million yen for the six months ended September 30, 2017.

### 3. Supplementary Information

#### Operating revenue by business

Business segment		For the six months ended September 30, 2016		For the six months ended September 30, 2017		Change (%)	Fiscal year ended March 31, 2017	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	504,134	71.3	517,254	70.9	2.6	1,047,668	71.4
	Kuroneko DM-Bin	42,304	6.0	41,706	5.7	(1.4)	85,383	5.8
	Express	20,896	3.0	20,797	2.8	(0.5)	42,272	2.9
	Others	46,809	6.6	50,036	6.9	6.9	99,497	6.8
	Eliminations	(59,293)	(8.4)	(63,045)	(8.6)	6.3	(123,793)	(8.4)
	Total	554,849	78.5	566,749	77.7	2.1	1,151,028	78.5
BIZ-Logistics	Trading logistics service	16,448	2.3	18,561	2.5	12.8	35,583	2.4
	Sales and Logistics	19,295	2.8	22,142	3.0	14.8	40,390	2.8
	Multi maintenance	6,349	0.9	6,857	0.9	8.0	13,916	0.9
	Products Logistics	2,152	0.3	2,342	0.3	8.8	4,390	0.3
	Others	21,793	3.1	23,008	3.2	5.6	43,637	3.0
	Eliminations	(14,076)	(2.0)	(15,018)	(2.1)	6.7	(29,275)	(2.0)
	Total	51,963	7.4	57,895	7.9	11.4	108,643	7.4
Home Convenience	Home convenience	20,268	2.8	20,914	2.9	3.2	42,016	2.9
	Business convenience	8,481	1.2	8,325	1.1	(1.8)	17,847	1.2
	Technical Network	1,865	0.3	2,268	0.3	21.6	3,951	0.3
	Eliminations	(7,141)	(1.0)	(7,358)	(1.0)	3.1	(14,651)	(1.0)
	Total	23,474	3.3	24,149	3.3	2.9	49,163	3.4
e-Business	e-logistics solution	5,615	0.8	5,702	0.8	1.6	11,465	0.8
	Credit card solution	4,689	0.7	5,003	0.7	6.7	9,711	0.7
	IT operating*	3,205	0.4	3,365	0.5	5.0	6,834	0.5
	Web-based mail order solution	2,688	0.4	2,577	0.4	(4.1)	5,625	0.4
	Others	26,590	3.8	26,914	3.7	1.2	53,954	3.7
	Eliminations	(20,945)	(3.0)	(21,173)	(2.9)	1.1	(41,952)	(2.9)
	Total	21,843	3.1	22,389	3.1	2.5	45,639	3.1
Financial	Payment	18,016	2.5	17,745	2.4	(1.5)	37,403	2.5
	Lease	17,501	2.5	19,746	2.7	12.8	36,040	2.5
	Credit & Finance	1,819	0.3	1,890	0.3	3.9	3,650	0.2
	Others	1,811	0.2	3,007	0.4	66.0	4,021	0.3
	Eliminations	(1,541)	(0.2)	(1,498)	(0.2)	(2.8)	(3,131)	(0.2)
	Total	37,607	5.3	40,890	5.6	8.7	77,985	5.3
Autoworks	Truck solution	23,934	3.4	24,437	3.3	2.1	47,472	3.2
	Others	3,649	0.5	4,222	0.6	15.7	7,888	0.5
	Eliminations	(15,179)	(2.1)	(16,442)	(2.3)	8.3	(30,746)	(2.1)
	Total	12,405	1.8	12,216	1.7	(1.5)	24,613	1.7
Other	JITBOX Charter service	4,172	0.6	4,645	0.6	11.3	9,126	0.6
	Others	49,655	7.0	33,655	4.6	(32.2)	63,984	4.4
	Eliminations	(49,282)	(7.0)	(32,791)	(4.5)	(33.5)	(63,333)	(4.3)
	Total	4,545	0.6	5,509	0.8	21.2	9,777	0.7
	Total	706,689	100.0	729,802	100.0	3.3	1,466,852	100.0

\* Effective from the first quarter of the fiscal year ending March 31, 2018, the name of the IT operating solution category in the e-Business segment has been changed to the IT operating.